

FAREHAM COLLEGE

AUDIT COMMITTEE

17 June 2020

MINUTES

Present: Mr A Spires
Dr C Thomas

In attendance: Mr Richard Bryant (Deputy Principal Finance & Resources)
Mrs G Flood (Head of Governance)
Mr Andrew Kaye (Principal & CEO)
Mr Nick MacBeath (TIAA) left the meeting at 18.12
Ms Frances Millar (RSM) left the meeting at 18.12

It was noted that due to the COVID-19 pandemic this meeting was being held via conference call (as permitted within our Instrument & Articles at Section 13.2)

12/20 Item 1: Declaration of Interests

Members were reminded of the need to declare any personal or financial interest in any item of business to be considered at the meeting. No interests were declared.

13/20 Item 2: Apologies for absence

Apologies for absence were received from Kerrie Clark and Tony Rudd. The Chair confirmed the Committee was quorate with 2 members in attendance.

14/20 Item 3: Election of Chair and Vice Chair

The Chair noted that in the absence of the majority of Committee members, nominations for both Chair and Vice Chair would be postponed until the next meeting.

15/20 Item 4: Minutes of the meeting held on the 18 March 2020

Subject to a minor amendment (see below) the minutes of the meeting held on the 18 March 2020 were agreed as a true and accurate record and signed by the Chair. There were no matters arising from them which were not covered elsewhere on the agenda.

ACTION: HG to update Kerrie's surname from Thomas to Clark

The Chair noted a revised running order for the Agenda noting that Items 7 and 8 and the Board Assurance Framework (BAF) would be taken first to enable both TIAA and RSM to leave the meeting.

16/20 Item 07i: Management review of Audit Recommendations

Members of the Committee received a paper which outlined outstanding audit recommendations for review by the Committee. TIAA noted the report was drawn from the online tracking portal which is updated in real time with shared access between the College and TIAA. NM noted that the action relating to 'Local endpoint firewalls be enabled on all endpoints' was

considered complete at the March Audit meeting, however a subsequent update suggest this is still being monitored? DP F&R confirmed that a security audit is underway with JISC and subject to its findings matching the IA findings to recommend the use of local firewalls this would remain under review. The Chair requested that the results from the security audit are shared with the Committee.
ACTION: DP F&R to share the result of the JISC security audit with the Committee

The Committee all new recommendations from the recent Risk Management audit were either completed or running to timescale.

Members reviewed and noted the contents of the paper and noted the progress to date of the internal audit recommendations.

17/20 Item 07ii: Internal Audit Plan 2020-21

TIAA Audit Director Nick MacBeath presented the Internal Audit plan for 2020-21 which had been circulated to the Committee in advance. It was noted the plan had been subject to minor review as a result of COVID-19, to prioritise those audits that were best achievable remotely. Main changes were noted as bringing forward the procurement and payments review and delaying the health and safety review to later in the year as well as the inclusion of a business continuity planning audit.

Members discussed the finance audit allocation and whether it would be best used for trading activities or key financial controls. After discussion it was agreed that as this was scheduled later in the audit year, to wait and see how things progress and to review in due course.

The Committee reviewed and approved the revised Audit Plan 2020-21 subject to agreeing the best use of the finance audit allocation in due course.

18/20 Item 08i: External Audit Plan for the year ending 31 July 2020

Frances Millar Director of Audit from RSM provided an overview to the Audit Plan (circulated in advance to the Committee) informing the Committee that the scope, timing and general principles of the Audit would remain largely as in previous years.

Of note would be a focus on 'going concern' – whilst this is always an issue for this sector, in particular this year the audit will be looking at potential loss of income streams, the challenging financial environment combined with a close look at students numbers, forecast assumptions and potential covenant breaches and running into 2021. Similarly of focus would be Capital Expenditure – as the College have capital projects underway that will span year end, the audit will be looking at allocation of funds and robust controls.

The Chair welcomed the focus on capital expenditure projects noting that in the post-pandemic financial environment additional assurance would be appreciated. The Chair went onto note the change in Audit Manager from Stuart Griffiths to Emily Girling. FM provided reassurance that Emily would be up to speed and provide a smooth changeover in time for the Audit.

Members of the Committee approved the Audit Plan for the year ending 31 July 2020.

19/20 BAF Presentation

The DP F&R provided a presentation of the development of a Board Assurance Framework (BAF) The Committee were informed that the College is considering the use of a bespoke system '4risk' developed by RSM, it was noted the product would have an additional cost, but the College is still in

the stages of investigation.

The Committee endorse the work completed so far and commended the development of a BAF. The Chair asked both the IA and EA if they had any comments or feedback on the suggested version, noting that this was still a work in progress?

NM suggested that some of the risk description may benefit from additional refinement. He noted that he felt there may be some confusion between cause and effect i.e. the effect would be the effect of the risk not the effect of the cause. He added that in terms of setting the key strategic risks, it might be beneficial to start with the College's strategic objectives and then consider those risk that would stop you meeting those aims. Finally, he noted it would be worthwhile identifying the gaps in both control and assurance.

FM, echoed the comments made by NM.

20/20 Item 5: Correspondence

The Principal noted a letter from the EFSA issued on 2 June 2020 confirming receipt of the final accounts for the financial year 2018-19 and noted that the College's EFSA Financial Health score remained 'outstanding' and there were no material issues of concern. No action was required.

21/20 Item 6i: Termly Report on Risk Management

The DP F&R provided an overview to the College risk register noting that this is still remaining in its 'old' format until the BAF has been finalised. DPF&R noted two new risks were added 'Long term effects of COVID-19' rated medium risk and 'Cyber security increased risk as a result of COVID-19' rated high risk.

- A new risk on the Long-Term effects of COVID-19 has been added with a net score of 8 and in the high-risk category. Greater risk surrounds future income streams in face of an ongoing reaction to the pandemic most notably apprenticeship income – although this is being mitigated as far as possible by the Business Plus team, similarly students numbers and commercial income.
- With the increase in remote access to the College network a new risk has been added for the increased Cyber Security risk e.g. phishing emails. It has a net residual score of 6 and falls in the Medium risk category. Greater staff awareness and use of AI, but sheer numbers of staff logging in from home (inc. a reduced number using VPN) meant there was a notable increased risk.

Members of the Committee reviewed and noted the Risk Register

22/20 Item 6ii: Risk Appetite Statement

The DP F&R introduced this report to the Committee (circulated in advance) noting that the inclusion of Risk Appetite statement as part of the College's risk management processes had been a recommendation of the recent Risk Management Internal Audit. It was noted that going forward this would be reviewed initially by SLT, then the Audit Committee for calibration. The Committee discussed the involvement of the Corporation in the discussion and HG confirmed that the Corporation would be required to sign off the Risk Appetite subject to recommendation from the Audit Committee.

The Committee agreed this was a useful addition to the College's risk management processes and confirmed they felt the statement was a fair representation of the College's approach.

Member of the Committee reviewed and approved the Risk Appetite Statement.

23/20 Item 09i: Annual Fraud Report - review against the EFSA Indicators for Potential Fraud

HG introduced this report noting it was a requirement for the Committee to regularly review the College's systems of internal control and to prevent and detect irregularities and suspected fraud (including theft, bribery and corruption). The Committee were informed, the EFSA's 'Indicators for potential fraud' January 2019 has been used as a checklist against current College procedure and the Committee can be assured we feel we are meeting requirements. Of note, best practice suggests a 'fraud response' plan should form part of the College's internal controls. A plan will be submitted to the next Audit Committee meeting for approval.

ACTION: Fraud Response plan approval to be added to the next Audit Committee agenda

Members of the Committee noted the annual fraud report

24/20 Item 09ii: Operation of the Audit Committee

HG presented this report (circulated in advance) which asked the Committee to review the current arrangements in respect of their right of access to obtain all the information and explanations necessary to form an opinion and fulfil its remit. Current practice is that the Committee;

- meet with the Financial Statements Auditors privately at the autumn term meeting
- meet with the Internal Audit Service Provider as required
- invite relevant staff only to join the meeting as required to discuss reports

Governors are asked to review these existing arrangements and confirm either any changes or continuance into 2020-21. The Committee confirmed they were comfortable with the current arrangements and agreed to continue in this manner for the year ahead.

Members of the Committee confirmed it was content with its current method of operation as detailed at 22/20.

25/20 Item 09iii: Annual review of Audit Performance

The Head of Governance gave a short overview of the paper circulated in advance to the Committee which detailed an annual review of the Committee's performance against the Code of Good Governance (COGG), the Committee Terms of Reference (ToR) and its Annual Cycle of Business (ACB).

The Committee were informed that the COGG provided an outline of the key governance responsibilities for Corporations or their Committees. The Committee went on to review its terms of reference and agreed they felt this had fairly reflected the work they had completed for 2018-19. All members endorsed the changes to the year ahead in making the Committee responsibilities around risk clearer and changing the name of the Committee from Audit to Audit & Risk. It was noted the ACB remained unchanged.

The Committee approved;

- **its compliance/ against the Code of Good Governance (COGG) and identified actions**
- **its compliance with its Terms of Reference during the 2019/20 academic year**
- **its revised Terms of Reference and a revised Committee title of Audit & Risk for 2020-21**
- **its Annual Cycle of Business for 2020-21 with no changes**

26/20 Item 10:Strategies and Policies

The Committee reviewed and approved the following policies;

Whistleblowing Policy

Anti-Bribery & Corruption Policy

27/20 Item 11: Suggested meetings dates for 2020-21

The Committee approved the suggested dates for 2020-21 and noted that subject to Corporation approval of the suggested dates for 2020-21, the next meeting was scheduled to take place on **25 November 2020 at 5.30 pm**

28/20 AOB

The Chair provided positive feedback on the work completed by the College in respect of supporting vulnerable students during COVID.

The Chair queried if the College had been able to take advantage of the Small Business Grant fund scheme in respect of the more commercial aspects of College business e.g. Avenue 141 and Salon 141. DP F&R confirmed much of the access to this funding is restricted within the FE sector and he felt it was unlikely the restaurant and salon would be considered as 'separate' entities for the purposes of business but he would investigate as suggested.

POST MEETING NOTE: DP F&R confirmed that the College was not eligible for this funding.

The meeting ended at 18.37.

A handwritten signature in black ink, appearing to read 'ACSP' with a flourish at the end.

SIGNED:

DATE: 9.12.20