

FAREHAM COLLEGE
AUDIT & RISK COMMITTEE
25 November 2020

DUE TO THE COVID PANDEMIC THIS MEETING WAS HELD VIA MICROSOFT TEAMS
MINUTES

Present: Ian Harris
Tony Rudd
Adam Spires (Chair)
Chris Thomas – joined meeting around 6.15pm

In attendance: Richard Bryant (Deputy Principal Finance & Resources)
Georgina Flood (Clerk to the Corporation)
Andrew Kaye (Principal and CEO)
Nick MacBeath (TIAA)
Frances Millar (RSM)

The Committee held a private Meeting with both TIAA and RSM Auditors.

29/20 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.

30/20 Item 2: Apologies for absence

Apologies for absence were received and accepted from Kerrie Clark.

31/20 Item 3: Minutes of the meeting held on the 17 June 2020

The minutes of the meeting held on the 17 June 2020 were agreed as a true and accurate record and were signed by the Chair. There were no matters arising from them which were not covered elsewhere on the agenda.

Members discussed the JISC penetration survey circulated in advance of the meeting in response to a query raised at the previous meeting. Members queried the number of actions with dates that are either current or shortly due and requested clarification these actions would be complete. DPF&R provided assurance that all actions would be complete to deadline.

32/20 Item 4: Election of Chair & Vice Chair

Members of the Committee were reminded by the Head of Governance, that the Committee had agreed to defer the election of a Chair and Vice Chair of the Committee until the Autumn meeting.

The Head of Governance noted that the current Chair Adam Spires was willing to re-stand and as such would members vote in favour. All agreed. The post of Vice Chair was currently vacant (and had been for some time). After discussion Tony Rudd agreed to his nomination and all voted in favour.

The Committee elected Adam Spires as Chair of the Audit Committee for the academic year 2020-21

The Committee elected Tony Rudd as Vice Chair of the Audit Committee for the academic year 2020-21

33/20 Item 5i) Annual report on Risk Management

The Deputy Principal provided an overview to this report (circulated in advance to the Committee) noting that during the year, the strategic risk register was reviewed to provide greater focus and clarity on the key risks faced by the College reducing the number of risks included reduced from 43 to approx. 14 risks.

It was noted residual scores remained largely stable with a couple of high priority risks remaining relating to COVID-19 and IT Cyber security. The Committee were provided reassurance that cyber security is mainly mitigated (since majority of staff are accessing via Office 365) however there remains a genuine external risk. It was noted communications to staff to be vigilant are regular and the Committee discussed the benefit of the use of an intentional 'fake' email to staff to 'test' their knowledge and understanding of the risk.

The Committee noted the Risk Management Group meets half termly to review the risk register and monitor performance against it. Further, to better address the risks and the controls in place, the College has implemented using '4risk' a Board Assurance Framework (BAF) for 2020-21. DPF&R further noted it is hoped the BAF will create a wider, improved culture of risk management across the College.

A member of the Committee commended the improved reporting but queried how the detail of a changed risk including evidence to support the change can be found. DPF&R confirmed that Appendix A provided the detail of the Board Assurance Framework (BAF) where the detail and history of any risk is included.

The Chair commended the distance travelled in respect of risk management and echoed members views in improved reporting.

Members of the Audit Committee reviewed and endorsed the Risk Register. In addition, the Committee agreed to recommend to the Corporation that the College's Risk Management arrangements were adequate to enable the Corporation to discharge its duties.

In connection to a Link Governor report created by the Chair in his capacity as Link Governor for SEND, he queried what formalised arrangements are in place for specialist decisions being made within departments that aren't necessarily being ratified or fully understood by SLT. The Principal agreed this specific issue had been disappointing; work is underway to improve controls. The Principal went on to note that follow up action would be best within the remit of the TSCQ Committee.

ACTION: TSCQ to consider how to improve controls of specialist decision making within CLT.

34/20 Item 6i) Internal Audit Annual report 2019-20

Members of the Committee had received the Internal Audit Annual Report 2019-20. TIAA presented the document and provided a summary of work completed in 2019/20. It was noted as a result of COVID-19 and the requirement to conduct audit remotely, one planned audit on Health and Safety (due to the nature of needing to be physically present) was re-scheduled for later in the year. TIAA felt that the audits had been conducted and received well and thanked the College and respective teams for their cooperation.

The Committee reviewed and noted the contents of the Report and agreed to recommend it for formal approval by the full Corporation at its meeting on the 15 December 2020

35/20 Item 6ii) Management Review of Internal Audit recommendations

Members of the Committee received a paper which outlined outstanding audit recommendations for review by the Committee. Members reviewed the actions in train and the progress to date.

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

36/20 Item 6iii – v) Internal Audit reporting

Members of the Committee received and noted the Internal Audit Reports from TIAA for Procurements & Payments, ICT Infrastructure and Sub-contracting which had taken place during the Summer term.

6iii) Internal Audit Report: Procurement & Payments June 2020 Audit Opinion: substantial assurance

The scope of the audit review considered the arrangements for the sourcing, approving and receipt of goods and services, tendering arrangements and VFM in overall procurement arrangements. The review found sound controls in place with regards to the management of procurement and payment arrangements. No matters of concern were raised, and several items of good practice were noted.

6iv) Internal Audit Report: ICT Infrastructure July 2020 Audit Opinion: reasonable assurance

This review was to provide assurance that the ICT infrastructure is managed effectively, and that IT Services remain operational. The review suggested 4 ‘important’ and 1 ‘routine’ recommendations for improvement.

- Security controls for staff accounts to require administrator unlocking after repeated unsuccessful password entries.
- A risk analysis of current fire suppression measures before the data centre is migrated to a cloud service provider.
- UPS systems receive annual services to ensure resilience when required.
- Risk of maintaining end of life and out of support systems be recorded in IT and corporate risk registers.
- Active temperature monitoring of the data centres be performed via an appropriate solution.

A member sought reassurance after what seems like several IT and IT security audits across 18/19 and 19/20 the College is in an adequate/good position in relation to its peers? DPF&R confirmed he felt this was the case. TIAA noted an IT audit with ‘reasonable assurance’ is rare and the Committee can take comfort from this.

6v) Internal Audit Report: Sub-contractors July 2020 Audit Opinion: substantial assurance

This annual review is in accordance with the requirements of the Education & Skills Funding Agency (ESFA) that the College has satisfactory assurance arrangements in place to manage and control their subcontractors. 1 routine recommendation was made suggesting the bi-annual return to EFSA should be referred to in the Sub-contracting Policy (Supply Chain Fees and Charges Policy).

Members reviewed and noted the contents of the Internal Audit Reports for Procurements & Payments, ICT Infrastructure and Sub-contracting. The Committee noted the recommendations which had been made and the actions in train to address the issued identified.

The Chair noted the Committee's formal recognition to the teams and work involved in the IA to date. It was noted the number of 'substantial' opinions is very positive and provides good reassurance of internal control for the Committee.

37/20 Item 07 Annual Report of the Audit Committee to the Corporation: Financial Year 2019-20

Members of the Committee had received the Draft Annual Report of the Audit Committee of Fareham College which had been prepared by the Clerk on behalf of the Committee. Members reviewed the contents of the report which outlined the work of the Audit Committee during the 2019-20 year and agreed to recommend it to the Corporation for formal approval.

TIAA noted a typo, within the summary of internal audit assignment section noting that there were 9 not 10 routine recommendations.

ACTION: GF to update the Annual Report to reflect minor typo as above.

The Committee reviewed the Report and agreed it be presented to the full Corporation at its meeting on the 15 December 2020 for formal approval

38/20 Item 07 Financial Statements 2019-20

i) Financial Statements:

Members of the Audit Committee had received a copy of the Financial Statements Year Ended 31 July 2020 for discussion and review. DPF&R confirmed generally the audit went well, the final deficit result was as expected, and the remote process (due to COVID) was positive. In terms of items to note for this year, DPF&R highlighted the addition of relevant sections outlining the impact of COVID-19.

Members provided feedback as follows;

Page 5: COVID A member suggested the narrative relating to the impact of COVID could be made clearer to clarify the true combined cost to the College.

Page 42, 43 Note 24 and Note 18: Members noted the significant increase in cost in relation to pensions and discussed possible methods that would enable the College to 'future proof' itself from future increases. DPF&R confirmed that the College GPS scheme is subject to tri-annual evaluation, assessment of deficit and then a re-set of contributions – we have little control over this although it was noted annual estimates do provide some steer.

Page 10: Going Concern A member queried how confident the College felt with its reliance on apprenticeship income in mitigating its status as a going concern. DPF&R confirmed that 'going concern' had been discussed at length with RSM but yes, the College feels confident.

Page 106 and 107 Note 9; Members noted a typo in the use of 000,00

Members of the Committee endorsed the recommendation of the Finance and Resources Committee that the Accounts be presented for formal approval by the full Corporation at its meeting on the 15 December 2020.

(ii) Self-Assessment Questionnaire

Members of the Committee received the Self-Assessment Questionnaire for consideration and review. Members were also asked to note the addition of a COVID-19 specific regularity questionnaire referring to pandemic specific items such as college closure, staff furlough etc.

Members reviewed the contents of the paper and agreed the Self-Assessment and supplementary COVID Questionnaires are recommended to the full Corporation for formal approval at its meeting on the 15 December 2020.

(iii) The Audit Findings Report

Members of the Committee had received the draft Audit Findings Report from RSM for consideration and review. Frances Millar, RSM spoke to the paper and gave a brief overview, reassuring members there were no material or serious matters or issues to bring to the attention of the Committee. The Committee were directed to the summary on page 3 which summarised the key outcomes;

Income recognition

It was noted;

- the 16-18 funding has been agreed to the allocation for the year.
- the ESFA final decision in respect of clawback for the Adult Education Budget AEB was subject to a 68% delivery. The College achieved 62% of its Adult Education Budget and as such a provision for clawback of £30K has been recognised. A business case in mitigation has been considered (on the basis that the provision at CTEC could not take place remotely during the lockdown and the staff could not be furloughed) however the DP F&R confirmed that in retrospect SLT have agreed not to take this forward.
- apprenticeship income has been recognised in line with the final funding outturn for the year.

Going concern

RSM informed the Committee that this area was subject to rigorous review, a new audit standard for going concern came into force this year, and this combined with COVID has meant 'going concern' has been looked at with particular detail.

The Committee were informed, as a result of COVID there is uncertainty as to the demand for full cost provision, apprenticeships and other sources of income post COVID however, the going concern basis remains appropriate as the College does have cash resources, its forecasts show compliance with covenants, there is some flexibility within expenditure, and banks are supporting most organisations impacted directly as a result of covid-19.

RSM informed the Committee there were no other matters of material note during the audit and they felt assured with the systems of internal control and risk management. RSM provided their thanks to DPF&R, Karen Shreves, and the Finance team to their extraordinary effort in working with

RSM to achieve audit outcome. The Audit Committee also provided thanks to the Finance and involved teams and RSM for all their hard work.

Members of the Audit Committee were satisfied that there were no issues of concern and agreed to recommend the Audit Findings Report for approval by the full Corporation at its meeting on the 15 December 2020.

38/19 Cybercrime and Cyber Terrorism Policy

The Committee reviewed and approved the Cybercrime and Cyber Terrorism policy.

39/19 Date of next meeting

It was noted that the next meeting was scheduled to take place on **17 March 2021 at 5.30 pm**
There were no items of further business and the meeting finished at 7.04pm

SIGNED:

A handwritten signature in black ink, appearing to be 'AGS' followed by a stylized flourish.

DATE: 17 March 2021