

FAREHAM COLLEGE
AUDIT & RISK COMMITTEE
15 June 2021

DUE TO THE COVID PANDEMIC THIS MEETING WAS HELD VIA MICROSOFT TEAMS
M I N U T E S

Present: Kerrie Clark
Ian Harris
Tony Rudd
Adam Spires (Chair)
Chris Thomas

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

The meeting was preceded by a 15 min deep dive on Strategic Risk '8' Financial Resilience presented by Deputy Principal Finance & Resources

12/21 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.

13/21 Item 2: Apologies for absence

There were no apologies for absence.

14/21 Item 3: Minutes of the meeting held on the 17 March 2021

The minutes of the meeting held on the 17 March 2021 were agreed as a true and accurate record and There were no matters arising from them which were not covered elsewhere on the agenda.

The Committee noted a briefing note summarising the changes to the Post 16 Audit Code of Practice.

15/21 Item 4i: Termly report on Risk Management

The Deputy Principal F&R provided an overview to this report (circulated in advance to the Committee). Increasing and decreasing risks were highlighted as follows:

Increasing Risk: SR 12 Difficulty in Recruiting Staff, Residual Risk Medium 12

Attracting applicants to roles in STEM subjects remains a challenge, with the move to teaching more leading-edge technology this will be an ongoing challenge. This is an issue across FE and aspects of the FE White Paper will look to address these with a national recruitment campaign, improved teacher training and better employer links.

Decreasing Risk: SR 2 Student Wellbeing, Residual Risk Medium 6

The College provides a comprehensive student wellbeing service that is supporting over 500 students through varying levels of need. The triage system allows students with high requirements to be prioritised quickly. Services are signposted and easily accessible.

Decreasing Risk: SR 5 Pandemic Response, Residual Risk Medium 6

The number of cases in College remains low, the risk of local restrictions is similarly low. The College continues to follow the Government Roadmap guidance and staff and students are encouraged to undertake self-testing twice weekly.

Decreasing Risk: SR 17 Risk to Business Plus Delivery, Residual Risk 12

The original risk was focussed on the risk to delivery as a result of the effects of COVID on employers after review this broadened to include staff recruitment, apprentice enrolment and record keeping. The new MDBP Plus is focussing on processes to ensure the broader scope of the risk is addressed.

Q. A member queried if we struggle to get candidates to apply or to take up the role once offered?

A. DPF&R confirmed this can be at all stages -- we advertise, re-advertise with market supplement, but just can't secure a pool of good potential applicants.

Q. A member queried if we think the White Paper will address some of these issues?

A. DPF&R agreed yes in theory – the profile of FE has been raised, as has improved teacher training for FE however its closer employers links that are likely to be the key – e.g. if an employer wants some training in a new technology for example, they are likely best placed to have/be able to secure that knowledge.

The Chair endorsed the 4-risk approach reporting, the additional detail provided by the full report as well as the deep dive at the start of the committee to provide some depth and context to individual risks.

Members of the Audit Committee reviewed the risk report for the Summer Term

16/21 Item 4ii: Annual Review of College Risk Appetite Statement

Members of the Committee received and noted the Risk Appetite report and statements circulated in advance. DPF&R reminded the Committee of the process whereby members of SLT and the Audit Committee independently assess their view of the College risk appetite. These proposals are reviewed by the Audit Committee at (this) June Meeting and a single calibrated risk appetite is recommended to the Corporation for approval at its final meeting of the year.

Members noted that the SLT and Audit Committee scores were similar with only marginal differences in the approach to reputation and compliance.

A member suggested that they felt both the reputation and compliance scores should be 'adverse' and noted that it was difficult to attribute a single score to both student experience and economic stability as these scores would likely fluctuate depending on the specific project in hand.

The majority of members agreed that they felt reputation should be an 'adverse' especially considering experiences of companies such as Brewdog and the significant impact of social media.

The Chair suggested the Committee were broadly in agreement with the SLT scores, however the Committee request that SLT re-evaluate the scoring in respect of 'reputation' before submission to the Corporation.

DECISION: The Committee agreed the suggested SLT version of the Risk Appetite statement (subject to re-evaluation of the reputation score) be recommended to the Corporation for approval.

18/21 Item 05i: Management Review of Internal Audit recommendations (including Summary Internal Controls Assurance Report)

The Committee received a summary SICA report from TIAA (circulated in advance) which provided an update on the emerging Governance, Risk and Internal Control related issues and the progress of IA work at Fareham College as of 8 June 2021. Additionally, members received an annex to this report, which outlined outstanding audit recommendations for review by the Committee. Members reviewed the actions in train and the progress to date.

NM from TIAA apologised for the lack of reporting to this Committee noting that the delays of audit due to lockdown combined with extended absence of staff from TIAA has created a small backlog of audits. Members were informed it is intended to bring all outstanding audit reports to the next Audit Committee meeting in November. NM went on to note that action tracker is in a healthy position with just one outstanding action with management.

Q. A member asked for clarification if the intention is to complete all audits before the end of the academic or calendar year. Either way, are we confident this can be achieved?

A. TIAA confirm that the intention is before the end of the academic year, and yes fully confident. One report has been issued to management, one is starting onsite next week and others are in the scoping stage.

DPF&R noted that it is likely the College will want to defer the MIS Audit into next year's programme (a combination of staff consultation and other data entry work means this will overload the team) which may free up some space.

(This discussion is superseded by Item 05i – when it was agreed a key financial controls audit would be added in place of the deferred MIS review)

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

19/21 Item 05ii: Draft Strategic Audit plan for 2021-22

Members of the Committee received the suggested Strategic Audit plan for 2021-22. TIAA provided an overview of its formulation noting this was based on the 3-year rolling programme, emerging risks within the sector and the College's current risk register. Members were directed to Annex C and D of the report for an outline of the suggested audits for 2021-22.

A member suggested the GDPR Audit is swapped for the Network Security audit due to the increased risks and rate of change. It was agreed whilst the Committee have felt ongoing IA plans are IT 'heavy' the cyber and network risks are notable and require regular review.

Q. A members queried if the MIS audit (referred to at Item 05i) is going to be replaced with an alternative topic or if intention is to drop an audit for 2020-21. A member went on to suggest key financial controls (especially in light of any changes to process and practice in respect of lockdown and homeworking) could be worthwhile.

A. DPF&R noted true homeworking for the Finance Team was really only in place for the 1st lockdown, as such there have been little change to systems and processes – that said a Key Financial Control audit would be welcome.

Other members of the Committee endorsed the suggestion of a review of key financials and TIAA confirmed that revised working methods within finance has been a popular review for many within the sector. The Chair suggested the discussion of a 'swop' of the MIS audit for another topic within Key Financial Controls is left between the DPF&R and TIAA outside of this meeting. All agreed.

ACTION: DPF&R to discuss alternative audit within Key Financial Controls to replace the delayed MIS audit

The Committee reviewed and approved (subject to the exchange of GDPR for Network Security Audit the Strategic Audit plan for 2021-22 (subject to minor adjustments as above)

20/21 Item 06i: The Audit Plan for the year ending 31 July 2021

Frances Millar from RSM introduced the audit plan (circulated in advance) suggesting the overall scope will be as in previous years, highlighting the following aspects;

A new change for this academic year (which has been much discussed in the sector) is that the EFSA are no longer providing a statement of assurance in respect of grant funding. Statements of grant payments made in respect of funding in the year, provided by the ESFA to both corporations and their external auditor, no longer constitute assurance over the funds earned by college - as this is a significant proportion of income, additional time in the audit plan has been scheduled to ensure adequate assurance is found.

Risks remain consistent as in previous years mostly focussing on funding, income recognition and the College as a 'going concern'. Going concern is an area of increased scrutiny over the last 12 months and is a notable issue in the sector.

Q. A member queried if the significant work required for 'going concern' could be provided in advance to the Finance team to ensure they are able to meet deadlines/expectations.

A. RSM confirmed that much of the 'going concern' additional scrutiny was also in place last year, so means to most accurately forecast apprenticeships income (which is a sector-wide issue), learner demand and employer demand have already been considered.

The Chair thanked RSM for an excellent and comprehensive report, the declaration of College use of RSM product '4risk' in respect of noting self-interest was noted and appreciated.

Members of the Committee recommended that the Corporation at its next meeting on the 30 March 2021, approve the re-appointment of TIAA as Internal Auditor for an additional year from 2021-22.

21/21 Item 06ii: Review of preparations for the closure of accounts

The Deputy Principal Finance & Resources provided a verbal update confirming the Head of Finance and wider finance team work throughout the year to make sure we are 'accounts' ready. As in previous years we are working to the Casterbridge model. We will make best use of the 'portal' upload of documents and feel confident we will be ready for the audit in good time.

RSM noted that considering the lockdown revisions, there may be some physical onsite time (which wasn't an option last year) however generally the teams will be working to a hybrid online/face to face model.

Members of the Committee noted the update.

22/21 Item 07i: Annual Fraud Review Report

HG reminded the Committee of its responsibilities under the Post-16 audit code of practice 2020-21 to establish and maintain an adequate system of internal control, and to prevent and detect irregularities and suspected fraud (including theft, bribery and corruption). This report details the annual review of these provisions. Members were asked to note the addition of Counter Fraud and Corruption Strategy and Fraud Response plan to the system of internal controls. The Committee were also asked to note a review of the College's current practice against the ESFA's 'Anti-Fraud Checklist for post-16 Providers'.

The Committee noted the report

23/21 Item 07ii: Review of the Operation of the Audit Committee

HG introduced the report noting that the Audit Committee are asked 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.

The Committee noted the report and confirmed it was happy to retain its current method of operation for the academic year 2021-22.

24/21 Item 07iii: Annual review of the Audit Committee performance against the Code of Good Governance (COGG) and the compliance with its Terms of Reference (ToR) Strategy and Policy

HG reminded members that a review of the COGG and the Committee's ToR formed the annual Committee effectiveness review process. It was noted that there were no additional actions for the Audit Committee as a result of the COGG review.

In respect of the ToR, Members were asked to note that it had been updated to reflect changes in the Post16-ACOP most specifically in relation to the tender and appointment of the Auditors.

The Committee noted the report and approved the changes to the ToR.

25/21 Item 08: Board Development Review – consolidating Board behaviours

The HG introduced this report (circulated in advance) informing members that results so far from the Board Development review (with Shirley Collier) had suggested the dominant potential 'culture' of the Corporation via questionnaire and interview had been 'purpose' and 'learning'. The Committee were asked (using the definitions of purpose and learning provided in the report) what would need to be in place/change /what behaviours would Governors need to adopt to facilitate a more 'learning' style.

Member's suggestions included;

- Simple information/approval items are identified differently on the agenda
- Internal Audit reports are circulated at time of issue (rather than only with papers)
- Retention of 'deep dives' as these are really useful
- Posing a question - good opportunity for governors to use their skills/offer examples of best practice increase collaboration

- Instead of an area doing a presentation e.g. deep dive - to reverse the floor to ask 'what would you like to see from IT/Estates/H&S to provide assurance as an Audit committee?'.

The Chair noted he was happy to be flexible to change agendas to free-up time for more debate/ideas and discussion.

26/21 Strategy and Policy

The HG provided an overview to the Counter Fraud and Corruption Strategy and Fraud Response plan noting that these in addition to the existing Anti -Fraud and Corruption policy completes the suite of policies outlining the College's internal controls.

A member suggested that reputational factors are added as a consideration in respect of recovery (and whether we would or wouldn't) – Section 9.2

The Chair suggested the FRP identify a supplier/external party for the commission of work (as this is often required at short notice). Suggestions included the use of TIAA Counter Fraud arm, the avoidance of RSM (as this complicates their role as our External Auditors) and the identification of another alternative company.

ACTION: HG to update the Fraud response plan to evidence the consideration of reputation in respect of recovery, and to identify a 3rd party to carry out any investigative work in the incidence of fraud.

Q. A member queried where the evidence of self-assessment of fraud could be found?

A. It was noted whilst the Counter Fraud Strategy outlined the wider aspects of management and internal controls there was no specific reference to self-assessment.

The Chair noted that fraud self-assessment questionnaires are well utilised in the NHS, whilst they may be more comprehensive than we require, they might be worth looking at. The Chair asked NM from TIAA to send an example to HG.

ACTION: TIAA to send an example of a fraud self-assessment risk questionnaire to HG

**The Committee reviewed and approved the Counter Fraud and Corruption Strategy
The Committee reviewed and approved the Fraud Response Plan**

27/21 Date of next meeting

It was noted that the next meeting was scheduled to take place on **1 December at 17.30**
There were no items of further business and the meeting finished at 19.01.



Signed

Date 1 Dec 2021