

FAREHAM COLLEGE  
**AUDIT & RISK COMMITTEE**  
1 December 2021

Members Present:            Ian Harris  
                                     Adam Spires (Chair)  
                                     Chris Thomas

In attendance:                Richard Bryant (Deputy Principal Finance & Resources)  
                                     Georgina Flood (Head of Governance)  
                                     Lesley Heasman (TIAA) **from Item 6 only**  
                                     Andrew Kaye (Principal and CEO)  
                                     Frances Millar (RSM)

**The Committee were given the option to hold a private Meeting with External Auditors RSM.  
It was agreed by both RSM and the Committee that this session was not required on this occasion.**

This meeting was pre-ceded by a deep dive on cyber-security by the Director of IT Neil McQueen.

Q. A member queried the rationale around the delay in completing a suggested action around installing switches at a cost of c.£150k for installing switches when the potential cost of a ransomware incident could be £2m?

A. DIT confirmed that whilst the recommendation was valid, it was not security but growth related to this end, the College has prioritised recommendations relating to the replacement of servers since this is a time-limited action (i.e. they will stop being supported in the next 12-24 months)

Q. A member noted that their workplace was regularly providing 'tests' via fake emails and regular training to increase awareness of cyber security. Do the College provide similar training to staff?

A. DIT confirmed we have purchased a bespoke system that generate baseline tests and targeted responses to specific individuals. Responses from individuals and teams can then be analysed and a personalised 'threat profile' developed. This can then be used to identify training and support and also to alter the regularity of multi factor login (MFA) from the standard once per week to once per day.

Q. A member asked the DIT what 'keep him awake at night'?

A. DIT confirmed that their biggest fear was a successful ransomware or hack – whilst we are well prepared and have good mitigations in place, there is never really an option of being 100% confident.

The Chair thanked DIT for this work in developing the IT practices - the numerous audits have been noted as has the distance travelled.

**28/21 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.

**29/21 Item 2: Apologies for absence**

Apologies for absence were received and accepted from Kerrie Clark.

**30/21 Item 3: Minutes of the meeting held on the 15 June 2021**



The minutes of the meeting held on the 15 June 2021 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.

The Chair noted conversations had outside of the meeting around pending Chairmanship with effect from 1 January 2022. HG confirmed that Ian Harris has been nominated and accepted in principle the role of Chair. It was noted that both Kerrie Clark and Chris Thomas had been approached for the role of Vice Chair, but no confirmation had been given. The Chair suggested CT take the role of Vice Chair. CT accepted. HG confirmed all Committee chairs/Vice Chairs will be confirmed at the December Corporation meeting.

## **32/21 Item 4: External Audit: Financial Statements for the year ending 31 July 2021.**

### **Financial Statements**

The DPF&R informed members that as a result of the EFSA Assurance Review conducted by KPMG during November we are unable to provide a final version of accounts for sign off. [REDACTED]

[REDACTED] Members were informed that an extension to the filing deadline of statutory accounts (normally due 31 December) has been granted by the EFSA to 31 January 2022.

On this basis, a set of accounts (not accounting for any financial penalty) are available for review, but final sign off will be delayed.

The Chair asked RSM as EA if they felt that the additional scrutiny on apprenticeship funding was unusual or whether the College could have done anything else through Internal Audit to mitigate this risk?

RSM confirmed inconsistencies in the application of funding is not uncommon in the sector and this is not out of step with what they have experience with other clients. There are common themes within the sector mainly based around the extremely complicated rules and their subsequent application. Whether IA could have done anything to pre-empt this is difficult to say but it would require an auditor with very specific knowledge of the ESFA funding rules in an individual college.

A member noted his surprise that COVID-19 has not been included as an aspect of the 'going concern' considerations. Even if we don't feel its effect has been significant this year, should it not be covered off? DPF&R agreed that something to this effect could be included adding that it is likely that wider effect may be felt in subsequent financial years due to the lack of 'additional' funding made available.

**ACTION: RSM to add a reference to the effect of COVID-19 to the going concern analysis.**

A member queried the statement that 'no control weaknesses have been identified' with the assumption that this will be re-worded and suitably updated should the ESFA assurance review result in a financial penalty?

DPF&R confirmed yes, this would be amended to reflect the outcome of the assurance review

Members discussed whether the financial penalty incurred as a result of the assurance review would constitute a 'post-balance sheet' event or could be included in the wider accounts. RSM confirmed that it depends on the nature and level of the financial penalty – its materialism i.e., quantity will determine how this represented.



RSM provided a brief overview of the audit plan, financial statements and the key findings report.

In summary of the key risks identified as part of the audit plan:

- Going Concern – satisfied there is sufficient headroom, enough flexibility, cash balance (we may need to revisit if there is a material financial penalty as a result of the assurance review)
- Income recognition – satisfied no material changes to income recovered and income filed
- Funding assurance - due to changes in the Post 16 Audit Code of Practice (ACOP) the ESFA are no longer willing to provide assurance of funding. Additional testing took place finding some issues around apprenticeship data. By this time the ESFA had committed to an assurance review, and it was agreed to avoid duplication to use this data and reconciliation
- Management override of controls - haven't identified any non-routine/unusual transaction
- Pension Liability – whilst this is significant value, assumptions are robust and benchmarking adequate

In summary of recommendations on controls:

- Procurement - a couple of items raised with query, since agreed that the rules had not been applied incorrectly but that the Financial Regulations and associated procedures would benefit from clarification.
- Summary of adjustment – very minimal which is a good reflection for the management information received and the fact there is little change in year.

The Chair requested that recommendations (with suggested dates and deadlines to ensure timely completion) are captured in a management response to RSM.

The Chair echoed the EA congratulations on a positive audit in spite of the challenging times.

**ACTION: DPF&R to create a management response to recommendations from EA (including deadline dates)**

**Members of the Audit & Risk Committee were satisfied that there were no issues of concern and agreed to recommend the financial statements and audit findings report for 2020-21 for formal approval by the Corporation.**

### **33/21 Item 4ii: Regularity Self-Assessment Questionnaire (RSAQ)**

Members of the Committee received the Regularity 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 of the Audit & Risk Committee reviewed the contents of the Regularity Self-Assessment and supplementary COVID Questionnaires for the year ending 31 July 21 and recommended their approval by Corporation (and signing by the Accounting Officer and Chair of the Corporation).**

### **34/21 Item 5i) Annual report on Risk Management**

The Deputy Principal provided an overview to this report (circulated in advance to the Committee) providing an overview of strategic risk for 2020-21 and as a result of a 'blank paper' exercise within SLT, suggested strategic risks for 2021-22.

The Committee noted the Risk Management Group meets half termly to review the risk register and monitor performance against it. Further it noted the development of '4risk' a Board Assurance Framework (BAF) introduced in the Autumn Term 2020 to further embed a wider, improved culture of risk management across the College and particularly within College Leadership Team (CLT)



The Committee agreed with the review of risk for 2020-21 and endorsed the suggested risks for 2021-22. The Chair commended the ongoing development of the BAF and wider embedding of risk across the College.

**The Audit & Risk Committee reviewed and endorsed the risk review for 2020-21 including the suggested strategic risks for 2021-22. It recommended to the Corporation that the College's Risk Management arrangements were adequate to enable the Corporation to discharge its duties.**

### **35/21 Item 6i – iv) Internal Audit reporting**

Members of the Committee received and noted the Internal Audit Reports from TIAA for Sub-Contracting and Health and Safety Security which had taken place during the Summer term.

#### **Item 06i) Internal Audit Report: Sub-contractors Audit Opinion: Substantial**

The purpose of the review was to provide a report and certificate 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. Substantial assurance was given with no recommendations.

#### **Item 06ii) Internal Audit Report: Health and Safety Audit Opinion: Reasonable**

The review considered the arrangements in place for managing Health and Safety at the College including policy, training, communication, reporting, compliance, and recording. The review assesses the arrangements in place for ensuring the College meets its legal and regulatory requirements. Compliance testing was undertaken on selected sites/areas of safety risk (e.g., water hygiene, fire, asbestos, electrical). The audit made a total of 1 important, 5 'routine' and 2 'operational' recommendations.

#### **Item 06iii) Internal Audit Report: Key Financial Controls Audit Opinion: Substantial**

The review considered the effectiveness of the key financial controls which provide assurance that the systems of Income and Debtors, Payroll and Purchasing and payments are operating in accordance with the College's requirements.

The audit received substantial assurance and made a single 'routine' recommendation to update the Financial Procedures to include payroll processes.

#### **Item 06iv) Internal Audit Report: ICT – Network Security Audit Opinion: Reasonable**

The review considered the arrangements for the security of network components. The scope of the review included Firewalls, Network Device Configuration Management and Security log monitoring arrangements. The review provided reasonable assurance with 4 'important', 1 'routine' and 1 'operational' recommendation.

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



**36/21 Item 6v) 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.

It was noted that some actions had been completed and or been superseded. Improved methods of ensuring the recommendation tracker is kept up to date were discussed.

**ACTION: TIAA to work with DPF&R and HG to ensure timely update or tracker in advance of meetings.**

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

**37/21 Item 6vi) TIAA SICA update for December 2021**

Members of the Committee received a paper which outlined aspects of good practice within the sector and TIAA progression with the current audit programme.

**Members reviewed and noted the contents of SICA report.**

**38/21 Item 6vi) Internal Audit (IA) Annual report 2020-21**

Members of the Committee had received the Internal Audit Annual Report 2020-21. TIAA presented the document and provided a summary of work completed in 2020-21.

**The Audit & Risk Committee reviewed the IA annual report for 2020-21 and recommended it for approval by the Corporation.**

**39/21 Item 07) Annual Report of the Audit Committee to the Corporation: Financial Year 2020-21**

Members of the Committee reviewed the Annual Report of the Audit & Risk Committee presented by the Head of Governance. [REDACTED]

It was also noted at 5.1 that the membership list for the Committee from 1<sup>st</sup> September 2021 has changed since the writing of this report, and as such requires updating.

Members agreed subject to these amendments and to recommend the report to the Corporation for formal approval.

**The Audit & Risk Committee (subject to minor amends as detailed above) recommended its annual report for approval by the Corporation.**

**40/21 Item 08) Information Pack**

**The Committee reviewed and approved the Data Protection policy pack.**

**41/21 Item 09) AOB**

The Chair noted this was his last Audit Committee with the College and thanked members for their support. The Principal gave thanks to the Chair for his time and expertise over a number of years.



**41/21 Date of next meeting**

It was noted that the next meeting was scheduled to take place on **16 March 2021**.  
There were no items of further business and the meeting finished at 19.00.