

FAREHAM COLLEGE
AUDIT & RISK COMMITTEE
HELD VIA MICROSOFT TEAMS
23 March 2022

Members Present: Luca Caserta
Ian Harris (Chair)
Simon Harris
Chris Thomas
Kerrie Clark

In attendance: Richard Bryant (Deputy Principal Finance & Resources)
Georgina Flood (Head of Governance)
Andrew Kaye (Principal and CEO)
Nick MacBeath (TIAA) **until Item 3 only left at 18.17**

This meeting was pre-ceded by a deep dive on internal controls and management information by the Director of Management Information Systems (MIS) Mark Smith and Managing Director Business and Partnerships Anoushka Ottley. MS and AO gave an overview of the changes made and systems improvement in place as a result of the ESFA assurance audit.

The Chair commended the efforts made by the MIS and Business plus team and noted the distance travelled. They went onto query, given some of the issues around data quality/funding compliance, are there any other areas in the College where something similar could happen/where we could apply any of the lessons learnt? DPF&R agreed with the point whilst clarifying that funding, particularly apprenticeships funding is inherently complex – there are few areas elsewhere in the business where the rules are quite so complicated or change so frequently.

A new member queried the reasons behind the ESFA assurance audit and queried their frequency. DPF&R confirmed that the ESFA undertake sixty audits a year, thirty directed, thirty random. Fareham's last audit was 2015. [REDACTED]

[REDACTED] In terms of other areas in the business that would benefit from similar forensic scrutiny or frequent points of testing, the Principal suggested that Health & Safety and Cyber Security would be obvious areas for additional assurance to be provided to either the A&R Committee or the Corporation.

The Committee went onto discuss the impact of the audit in terms of any financial penalty, the filing of accounts for the year ending 31st July 2021 and any further impacts moving forward.

The DPF&R confirmed that there is likely to be some financial clawback or penalty made but the ESFA are not keen to commit to what level this might be. They confirmed that the statutory accounts for 2021 are still unfiled with an extension made (by ESFA) until 31 March 2021. [REDACTED]

[REDACTED] There are increasingly real frustrations with the ESFA and their ability to bring this to a resolution in a timely fashion.

01/22 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.

02/22 Item 2: Apologies for absence

There were no apologies for absence.

03/22 Item 3: Minutes of the meeting held on the 1 December 2021

The minutes of the meeting held on the 1 December 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.

04/22 Item 4: Items of Focus

The Chair informed members he had pre-met with the Deputy Principal Finance & Resources in advance of the meeting and agreed the following items of focus;

- Review and recommendation around IA and EA service – looking for an open discussion on this.
- Review of Financial Regulations

05/22 Item 5: Termly on Risk Management

The Deputy Principal provided an overview to this report (circulated in advance to the Committee) providing a termly review of strategic risk for 2020-21 as well as the Board Assurance Framework (BAF). The Committee noted work continues to further embed a wider, improved culture of risk management across the College and particularly within College Leadership Team (CLT). Members were directed to the addition of Appendix B 'Controls' which provides additional detail on the control environment in place to mitigate between 'inherent' risk and the 'residual' risk.

Members discussed methods to further embed culture within the College, particularly in the area of CEMAST and CETC. Members were reminded of the heat map audit which has helped to raise awareness and develop responsibility with technicians and other members of staff.

Members went on to discuss the tolerance level the College has in respect of the behavioural responsibilities e.g., has a member of staff ever been disciplined or 'spoken to' around not fulfilling their H&S responsibilities?

The Principal noted in his experience the only time a disciplinary response was required was in response to an event that had happened, noting much of what we are discussing is about avoiding this happening. In respect of culture, any 'sanctions' would need to be carefully thought through in order for them not to have the opposite effect.

A member queried how much training members of staff received, especially those responsible for these aspects e.g., technicians, could or should we do more?

DPF&R confirmed the recent staff development day included 121 time between technicians and the HSO, monthly meetings between HSO and technicians are being arranged with formal ISOH training rolled out to all relevant staff.

A member noted that good analysis of incidents and accidents can provide the best learning pieces, and enable root causes to be understood, is this happening?

DPF&R agreed education and lessons learnt are key, full investigation of accidents takes place and we're working very hard to develop hazard reporting and look at how we can grow the culture. The MDBP noted that the 'just' culture in aerospace has some excellent examples on reporting/root case and relevant actions/sanctions that could be worth exploring.

The Chair confirmed that as recent H&S Link Governor he feels the College has gained significant ground and really made some improvements.

The Committee reviewed and noted the contents of the termly review of Risk Management.

06/22 Item 06i: Internal Audit Report: Governance Register

Members were informed this review considered overall Governance arrangement and records. It was noted that overall, the College has reasonable processes and controls in place to manage their Governance arrangements. Minor recommendations have been made to further improve these controls.

The Committee noted the report.

**07/22 Item 06ii: Management Review of Audit Recommendations incl. SICA update for March 22
Taken at Item 3 of this agenda**

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

The Chair queried action 252299 noting the College's responsibility to formally request a copy of contractors' Health and Safety Policy and Procedures (as part of the contract of engagement) noting this would always be an ongoing requirement. DPF&R agreed that this had been sent to all current contractors/partners and no-one is permitted onsite without this, but we have not formally chased with outstanding contractors who are yet to revisit campuses. NM agreed this could be removed from the tracker as it will remain an 'ongoing' requirement.

ACTION: Recommendation 25299 to be considered complete and removed from tracker.

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

Members of the Committee received a paper which outlined progression with the current audit programme. It was noted that two audits are currently onsite with the remaining audits due to be scheduled in the Summer.

The Chair raised a point of query around TIAA'S role in highlighting and signposting best practice, he went onto note he was surprised that either or both TIAA/RSM had not mentioned the DSATS tool (as discussed in the deep dive around the ESFA assurance audit). NM confirmed that should an audit have taken place in that part of the business, ideally aspects of best practice would be highlighted but that TIAA couldn't guarantee (as a non-funding specialist) this would be the case. NM on behalf of TIAA took on board the comments based around signposting and best practice more widely.

Members reviewed and noted the contents of SICA report.

08/22 Item 07: Internal Audit (IA) review of performance including review of contract for 2022 onwards

Members of the Committee reviewed the procedure followed for assessing the performance of the internal audit for 2022 and its results. Members noted the underwhelming feedback received from those involved in the internal audit process. The DPF&R confirmed that internal audit was not currently

feeling like a value-added service and recommendations were weak, as discussed earlier signposting to best practice was not routine.

Members discussed the current internal audit market and agreed that there was a lack of good firms interested in working in the FE and HE sector. A number of members noted that there is increasingly a 'tick box' approach to audits which reduces the value and impact.

The DPF&R outlined options for moving forward with IA noting that it is not a formal/regulatory requirement to have externally sourced IA, we could consider using specific skills-based audits in key areas e.g., health and safety/cyber security or even consider employing an in-house IA member of staff.

Members discussed the options outlined, with all members of the Committee including the Principal, being clear that they felt the retention of an external internal audit provider was essential.

Members discussed options of moving to an alternative firm whilst considering that there is generally a lack of 'good' provision in the sector. Members went onto discuss the fact that additional scrutiny and or day to day management of TIAA may well produce better results.

A member queried the requirement to consider the staggering of contracts for both internal and external auditors noting they were aware both contracts were due to expire in 2022. Members discussed the disadvantages of trying to tender for both contracts at the same time. One member suggested looking at the tender/procurement rules to see if a 'direct award' was an option.

On request the HG reminded the Committee of the time frames confirming the internal auditor (TIAA)'s current contract will expire in December 2022, at which point they will have completed continuous service of 4 years. We can extend for another year until Dec 2023 but would be forced to tender at this point. The EA (RMS) has already completed 5 years service by the completion of the financial statements audit for 31 July 2022.

HG suggested the Committee agree to tender the EA service (as we have no other option) and take the conversation around arrangements for the IA offline (between the Chair of the Committee and the DPF&R) agreeing to feedback to the wider Committee in due course. All Agreed.

ACTION: Chair of A&R and DPF&R to discuss options/arrangements for the internal audit contract and feedback to the Committee in due course.

09/22 Item 08: External Audit review of performance including review of contract for 2022 onwards

Members noted the positive feedback received from those involved in the external audit process and the overall satisfaction score of 96%. The HG informed members that RSM has served as external auditor from 2018-2022 inclusive. This means a tender for alternative services is now a requirement (rather than an option as suggested in the report). All agreed.

On discussion of the reducing numbers of audit providers willing to work in the FE market, a member suggested that subject to our confidence in RSM as a provider, there may be methods via our procurement and contracting rules that permit a 'closed' or reduced tender that may support a smaller field of competitors.

DECISION: The A&R Committee agreed to tender a 3-year contract for External Audit services for

delivery starting July 2023

ACTION: DPF&R to initiate tender for External Audit services for delivery July 2023

10/22 Item 09: Policy & Strategy

The DPF&R introduced this report circulated in advance noting that a full review of the Financial Regulations had taken place using the CIPFA model as a starting point. A number of discussion items (mainly around the suggested limits for sign off/tendering etc)

Sections 3.1.8/ 3.1.9 Does the committee agree to accept the project approval approach and not require individual contracts within an approved budget to come back for approval?

DECISION: Agreed in line with current practice.

Section 3.10.7 Does the committee agree that the Principal can sign off exit arrangements up to £50,000. This is in line with peer colleges.

DECISION: Agreed, noting any sign off limit at this level would involve Governor involvement

Section 3.11.4

The capitalisation limit has been at £1,000 for several years. This is in line with many colleges but there are some that are increasing the limit. The implication of raising the limit (e.g., to £2,500) was discussed.

DECISION: Retain capitalisation at £1,000

Appendix A Table 1 Does the committee wish to increase the Principal sign off to £177,477 (limit for publishing on Contracts Finder), or leave at £100,000 with contracts £100,001 to £500,000 coming to F&R?

A member suggested the threshold for publishing on Contracts Finder is significantly lower and as such couldn't be used for rationale. DPF&R agreed to review these limits.

DECISION: Defer for additional DPF&R research

Does the committee wish to keep the F&R sign off limit at £500,000 or increase?

DECISION: Retain F&R Committee sign off limit at £500,000

Appendix B Does the committee accept the choice to obtain three quotes or use a closed tender process for purchases £50,000 to £177,496, or should tendering take place (over £100,000)?

Members referred to the earlier conversation around 'contract finder' and the requirement to formally publish at required thresholds. It was agreed the DPF&R would complete some more research around peer practice.

DECISION: Defer for additional DPF&R research

Does the committee accept the Principal signing off contracts for core required services (e.g., utilities, cleaning) as long as these have followed procurement regulations? The rationale being these are required services, there is no ability to avoid them, and they have followed due process.

A member suggested working practice in their experience was based on financial threshold only, although the limitations and practicalities of the time limits around utilities contracts were noted. A suggested phrase 'all contracts excluding utilities' could be used to ensure that this provided sufficient flexibility around utility price fixing.

The DPF&R noted issues of contracts and tenders not necessarily running along the same time frames as Finance and Resources Committee meeting (which only happen three times per year) and

the possible limitations this may have. Members agreed whilst this may require extra planning, the 'sign off' process was valid, and any covering report for a contract at this level would be required to provide assurance of processes use, basis of tender, meeting of financial regulations and any other aspects of added value. Members agreed that additional work by the DPF&R may need to be completed to set this financial threshold at a practicable/workable level whilst providing adequate assurance of due process.

DECISION: Defer for additional DPF&R research

A Member offered to share their procurement handbook (which had recently been reviewed and approved) in case this provided any additional information or options that might help with re-drafting this tender/quotation section. DPF&R agree this would be most helpful.

ACTION: KC to share Solent University's Procurement Handbook with DPF&R

POST MEETING NOTE – shared via email on 23 March 2022.

Subject to some section requiring additional research and work by the Deputy Principal Finance ^& Resources, the Audit& Risk Committee agreed to re-review the Financial Regulations via written resolution (email) rather than wait for the next Audit & Risk meeting in June.

ACTION: Audit & Risk Committee to re-review the Financial Regulations for approval via written resolutions

11/22 Item 10: AOB/ Date of next meeting

There were no items of further business and the meeting finished at 19.51
It was noted that the next meeting was scheduled to take place on **29 June 2022.**