

FAREHAM COLLEGE
AUDIT & RISK COMMITTEE
Boardroom, Bishopsfield Road, Fareham PO14 1NH
29 June 2022

Members Present: Luca Caserta
 Ian Harris (Chair)
 Simon Harris

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

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

Q. The Chair asked if our current approach fits into any certification e.g., ISO27001 If not, should we seek this?
A. The Director of IT confirmed that yes, some of it does, but there is a lot of additional work to do to be able to meet these standards. Historically we have held Cyber Essentials (a self-certification classification) we are currently working towards meeting their new criteria to re-attain this certification. In the future we hope to meet the Cyber Essentials 'PLUS' criteria (a higher criteria beyond self-certification which includes external review). A formal ISO-certification is also being considered – but this will be on a department-by-department basis.

The Chair noted that the Committee would recommend that the College does look towards openly seeking a formal certification of some kind (which forms part of the National Audit Office Good Practice Guide) DPF&R confirmed that current funding agreements mean we must be 'working towards' a more formal ISO certification. It was also noted that several external bids and tenders have formal cyber certification as part of their conditions of engagement.

Q. The Chair asked if the Dir of IT felt we have the right resources and capabilities within the team considering the risk?
A. Dir of IT agreed cyber security is potentially an incredible risk however the cost of a full-time specialist would be c.100k. per annum. There is discussion within local colleges around a shared cyber manager resource. Dir of IT noted the College manage the risk well, we invest sensibly and pragmatically, we maintain a good relationship with JISC - but there is always more we can do.

Q. The Chair noted that there are a number of outstanding actions from previous hardware/infrastructure internal audits that remain overdue. Are we prioritising this sufficiently?
A. Dir of IT confirmed that we are prioritising works well, budget will always be a limiting factor and there is always more that we can do.

Q. A member queried if when using 'phishing' emails amongst staff to assess knowledge, do we test length or simplicity of password ?
A. Dir of IT confirmed yes, we use JISC to make attempts to 'break' passwords and log in. At the moment our 8-character limit is sufficient but moving to 12 characters (as suggested in the latest audit) makes sense. It was noted that the latest idea in the wider IT sector is a long and complicated password that is changed less frequently is considered safer. The Committee were informed its really the multi-factor authentication that provides increased security - even if someone gets access via password, they will still need an additional

passcode or unique log-in to gain access.

Q. A member queried if the worst should happen do we have a disaster recovery plan?

A. Yes, one exists, we have immediate back up that is immutable ? (an immutable backup or storage means that your data is fixed, unchangeable and can never be deleted) which is tested on a daily and weekly basis. We are currently in the transition phase of installing new servers which will reduce the likelihood of recovery requirement.

Q. A member queried if there are there any immediate issues based on the physical servers?

A. The Dir of IT confirmed that there are some issues e.g., hard drives have 'gone' on some of the old servers that have physical drives and discs which don't exist on new servers. New servers are physically in place, ongoing work to move files from one to the other, 95% cloud based – we expect the entire new set up to be in place by the early weeks of the summer holiday. Once installed we should have 5-8 years of service.

12/22 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.

13/22 Item 2: Apologies for absence

Apologies for absence were received from Kerrie Clark.

14/22 Item 3: Minutes of the meeting held on the 23 March 2022

The minutes of the meeting held on the 23 March 2022 were reviewed. 2 minor typos were noted as page one, para 'they' should be 'then' and later on the page 1 extension of the accounts should read 2022 not 2021.

Other than these minor amendments, the minutes were agreed as a true and accurate record. There were no matters arising from them which were not covered elsewhere on the agenda.

15/22 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 discussed the items of focus being based around risk management, and the difficult financial operating environment.

16/22 Item 5i: Termly Risk Management report

The Deputy Principal provided an overview to this report (circulated in advance to the Committee) providing a termly review of strategic risk for 2021-22 as well as the Board Assurance Framework (BAF)

Q. Members discussed the fact the Health and Safety overall risk score had reduced querying if they felt this was appropriate bearing in mind the delay in planned workshop audits?

A. The DPF&R noted that workshop audits (in addition to the introduced heat maps) take additional time to complete. Overall, its clear that all working environments are becoming safer as a result of the additional training, heat maps and other processes introduced and as a result the risk is better managed. All agreed.

The Committee noted the absence of controls around 'marketing' in the Business Plus risk. Given the sensitivity of the entire apprenticeship area and the fact we are struggling to meet income aims it was felt important we are sufficiently effective in our overall marketing strategy.

ACTION: Control measures of Business Plus marketing to be added to 4risk.

Q. Members debated the inclusion of a 'pandemic response' and its inherent risk being high.

A. The Principal noted that was intended to reflect something wider than COVID i.e., a public health emergency e.g., meningitis outbreak in College. It was agreed the title could be revised to be more generic, with the risk level slightly reduced.

ACTION: Pandemic response to be re-worded more generically. Risk level to be reduced from high.

Q. A member noted the increased number facilities/equipment as a result of SDF bids etc How do we account for the changing costs and or availability via the risk register?

A. The DPF&R confirmed that there have been notable shifts e.g., the capital programme at CEMAST agreed 18 months ago so inflation has changed this massively. In these cases, we've re-reviewed and re-allocated them down to meet original budgets.

Discussion went on to consider if a risk of inflation/economic environment should be added/included into the risk register? DPF&R agreed this is an issue but noted its not really a risk we can mitigate? Our response is mainly based in prioritisation and cost management etc. All agreed suggestion some narrative/comments could be added to 4risk to better articulate the impact of the current financial situation.

ACTION: Review current risks to better articulate the impact of the economic environment and current inflation/supply chain issues.

A member queried if an alternative method of reporting or reviewing risk could be considered. A matrix examples/graph of risk v. probability was suggested. DPF&R agreed.

ACTION: DPF&R to investigate alternative risk reporting for the next meeting.

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

17/22 Item 5ii: Annual review of College Risk Appetite statement

The Deputy Principal provided an overview to this report (circulated in advance to the Committee) providing an annual review of the College's risk appetite. Members were reminded the Committee are asked to review a statement created by members of the Senior Leadership Team (SLT) compared to that of the Corporation to provide a 'calibrated' risk appetite that it will recommend to the Corporation for approval. It was noted wider Corporation feedback has been sought this year in respect of all members of the Corporation (rather than just Audit & Risk members) being asked to provide their view on risk appetite.

Members discussed the scoring received from both SLT and the wider members of the Corporation. After a discussion on 'reputation' it was agreed that interpretation of the 'headings' would impact potential scoring. It was also noted that only c.50% of Governors had responded to the questionnaire. All agreed on this occasion this would be best discussed by the Corporation (rather than recommended by the Audit Committee) All agreed.

The Committee reviewed and discussed the report on Risk Appetite for 2022-23.

The Committee agreed to discuss and approve the Risk Appetite statement for 2022-23 at the Corporation meeting on 4 July.

Area of activity	Adverse	Minimalist	Cautious	Open	Hungry
Compliance	SLT 7				
Reputation		5	2 SLT		
Financial			7 SLT		
Reach and Relevance			1	6 SLT	
Student Experience	1		1	5	SLT
Economic Development			2	3 SLT	2

18/22 Item 06i: Internal Audit Report: HR Management Arrangements

Members were informed this review considered the arrangements for: inductions; training and development arrangements; including promotion and/or merit awards. It also looked at the approach to staff wellbeing including the initiatives in place to support staff including in respect of staff mental health. The review gave an overall score of ‘limited assurance.’ 4 ‘important’ recommendations and 5 ‘routine’ actions were identified have been made to further improve these controls.

The Chair noted he was surprised by the number of findings and expressed concern there could be links between recommendations e.g., appraisals, training, and staff engagement. Then went on to note he didn’t feel the management response sufficiently addressed the findings e.g., lack of training.

The Principal agreed he was also surprised and noted that there are several issues we can resolve quickly. It was agreed low response and or poor tracking of mandatory training is not OK and will be managed via line managers much more closely. Appraisals are being completed with a college wide deadline of 31st July – we should be to show compliance with this shortly. Overall, its clear we need to compare our policies v. practices to ensure they align.

The Chair re-iterated that he felt a robust response was needed. The Principal agreed. It was agreed a deep dive outlining the specific responses to this audit, could be scheduled for the next Audit & Risk meeting. All agreed.

ACTION: Head of People & Culture to present progress on actions related to the HR Management Arrangements Audit at the next meeting of the Audit & Risk Committee.

The Committee noted the report.

18/22 Item 06ii: Internal Audit Report: Annual Subcontracting Assurance

Members were informed this review is completed annually as part of the ESFA requirement to provide 3rd party assurance of satisfactory assurance arrangements in place to manage and control sub-contractors. It was noted the review had an overall score of ‘substantial’ assurance with only 2 routine and 2 operational actions for completed.

The Committee noted the report

19/22 Item 06iii: Management Review of Audit Recommendations incl. SICA update for June 22

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 of the Committee re-iterated his earlier point around prioritisation of needs and spending noting the average suggested cost of £2.5m to an organisation as a result of a cyber attack, would not be comparable against the cost of 'switches', as detailed at action ID 253729.

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 the final two audits for 2021-22 (Payroll and Cyber Security) have concluded onsite with finalised reports due to be reported to the November Audit & Risk Committee.

Members reviewed and noted the contents of SICA report.

20/22 Item 06iv: Draft Strategic Audit Plan for 2022-23 and Audit Needs Assessment

Members of the Committee reviewed the draft audit plan and needs assessment for 2022-23. Members discussed the suggested audits in detail and agreed with the suggested programme of Key Financial Controls/Subcontracting/Student Applications/Risk Management (controls) and Safeguarding for 2022-23.

The Committee noted concern at the absence of any IT audit for the year ahead. After discussion it was agreed that the suggested audit of student recruitment would be replaced by a GDPR ICT audit.

TIAA noted the comments made within the previous meetings minutes around issues with value for money (vfm) and the current level of service. It was noted a feedback meeting had been held and that some changes had been introduced e.g., involvement of DPF&R to all close out meetings etc.

Subject to the changes listed above, the Committee reviewed and approved the Audit Plan for 2022-23.

20/22 Item 07i: External Audit : Progress on Financial Statements for year ending 31 July 2021.

Due to the confidential nature of the detail of this discussion, it has been removed for the purposes of publication.

The Committee reviewed and discussed the outstanding Financial Statements for 2020-21.

21/22 Item 07ii: External Audit : Audit Plan for the year ending 31 July 2022

FM from RSM presented the suggested Audit Plan for the annual statutory accounts for the year ending 31 July 2022 noting key aspects of focus. The Committee's attention was drawn to the 'emerging issues' document which provided information on wider sector issues for all Governors including apprenticeship funding, impact of COVID, as well as the change in sub-contracting standard.

Q. The Chair asked RMS/TIAA for their opinion on the College's provision for Cyber security in terms of how we compare to peers – are we stronger or weaker?

A. RSM confirmed that there has always been audit committee discussion in this area, but it feels comparable to other colleges. TIAA agreed it was unlikely any FE College would have an IT audit without significant numbers of recommendations.

The Committee noted the Audit Plan for the year ending 31 July 2022.

22/22 Item 07iii: External Audit : Review of preparations for the closure of accounts

DPF&R provided a verbal update of work completed to close off the accounts and prepare for the annual audit. Members noted this update.

23/22 Item 08i: Annual review: Annual Fraud review report

The HG introduced this report noting it was an annual review of the College's internal control procedures around fraud. Members were directed to the Audit Code of Practice (ACOP) suggested 10-point checklist available at Appendix C to the report. It was noted an addition for 2022-23 would be a risk assessment on the likelihood of fraud within the College setting – this will help to embed/sense check the current Counter Fraud & Corruption Strategy and the Fraud response plan. Members agreed.

The Committee suggested at Section 4.0 of the Fraud Response plan, the sentence should be amended to say 'fraud of **any** level should be reported to the audit committee'

ACTION: Fraud response plan to be updated to reflect 'any' fraud to be reported to the Audit Committee

ACTION: Fraud Risk Assessment to be added to the Fraud Internal controls for 2022-23

The Committee noted the annual review of fraud for 2021-22

24/22 Item 08ii: Annual review: Governance SAR Performance against the Code of Good Governance (COGG) and compliance with the Terms of Reference (ToR)

The HG introduced this report circulated in advance noting that there were a number of items that formed the annual Governance Self Assessment Review. Members were asked to note the items in the COGG that specifically refer to the Audit Committee and review the suggested improvements outlined. Members discussed and approved the following suggested best practice improvements;

- Increase awareness of the Audit Committee and Corporation's role to decide and direct internal audit plan to areas of concern/high risk
- Consider how we monitor in the long term, MIS, and funding conditions/learner records in light of ESFA assurance review

The HG went on to note, as the most independent Committee of the Corporation, the Audit & Risk Committee are required to review on an annual basis if they feel they have met their remit/aims and objectives. This is referenced in the TOR but also in the ability to meet directly with either the external auditor (RSM) or the internal auditor (TIAA) without staff/officers present. Members confirmed they felt that sufficient independence was maintained, and that the ToR were fit for use for the academic year ahead (2022-23)

The Chair suggested that additionally, the opportunity to meet with the DPF&R in private should also

be made available. All agreed.

The Committee;

- **Approved the suggested improvements as a result of the COGG review**
- **Approved their ToR for the academic year 2022-23 and stated their status/remit as a Committee was sufficiently independent for the academic year completed 2021-22.**

25/22 Item 09: Policy & Strategy

The DPF&R gave a quick overview to the Financial Regulations, reminding members that there were subsequent changes after the last committee as a result of discussions around procurement and contracts. Members agreed to the updates.

The Committee recommended the Financial Regulations are approved by the Corporation at their next meeting on 4th July.

26/22 Item 10: AOB/ Date of next meeting

There were no items of further business and the meeting finished at 19.55.
It was noted that the next meeting was scheduled to take place on **30 November 2022.**