

## AUDIT COMMITTEE

### AGENDA NOTICE

#### Audit Committee Meeting

**Date:** Thursday 14<sup>th</sup> June 2018

**Time:** 12.30pm

**Venue:** Principal's Office

*Please note this meeting follows Curriculum & Standards Committee*

*Please note that the meeting will start at 12.30pm with a short training session from RSM*

#### 3.1 Opening of Meeting and Apologies for Absence

#### 3.2 Declarations of Interest

Action: Declare any interests

#### 3.3 ESFA Funding Assurance Review and Action Plan Presentation

Director of MIS and Learner Services

#### 3.4 GDPR Compliance

Report by the Assistant Principal, Dean of HE & Quality Regulator Appendix 3.4

Action: Note for information

#### 3.5 Minutes of the last Audit Committee meeting held 6<sup>th</sup> March 2018

Chair of Audit Committee Appendix 3.5

Action: Review and approve

#### 3.6 Matters arising from the minutes

Chair of Audit Committee Appendix 3.6

Action: Note progress on actions

#### 3.7 Changes to Post-16 Audit Code of Practice

Report by Director of Finance & Resources Appendix 3.7

Action: Note for information

### INTERNAL AUDIT

#### 3.8 Draft Internal Audit Services Report May 2018

Report by RSM Appendix 3.8

Action: Review and make a recommendation to the Board

#### 3.9 Draft Strategic Internal Audit Plan for 2018 - 2019

Report by RSM Appendix 3.9

Action: Review and make a recommendation to the Board

### EXTERNAL AUDIT

#### 3.10 External Auditors 2017/18 Accounts Audit Plan

Report by Mazars Appendix 3.10

Action: Review and make a recommendation to the Board

### RISK REGISTER & POLICY UPDATES

#### 3.11 Risk Management Policy Update

Report by Director of Finance & Resources Appendix 3.11

Action: Review and make a recommendation to the Board

#### 3.12 Risk Register Update

Report by Director of Finance & Resources Appendix 3.12

Action: Note for information

#### 3.13 Anti-Bribery Policy Update

Report by Director of Finance & Resources Appendix 3.13

Action: Review and make a recommendation to the Board

**3.14 Any Other Business**

**3.15 Date & Time of the next Audit Committee meeting**

*To be confirmed at July Corporation Board*

DISTRIBUTION LIST

Committee

Mr D Hewitt – Chair  
Mrs S Chapman  
Mrs G Christie  
Mr N Crippa  
Mr J Francis  
Mr I Graham  
Mrs P Hinchliffe  
Ms W Megeney

In attendance

Ms V Barrett – Principal  
Mr J Grindell – Financial Consultant  
Mrs C Gillam – Clerk to Corporation  
Mr M Cheetham – RSM  
Ms N Wakefield/ Ms C Bushell - Mazars  
Mr L Magee - Assistant Principal  
Mrs H Coburn – Director of MIS and  
Learner Services

## Farnborough College of Technology

### Audit Committee

Minutes of meeting held on Thursday 14<sup>th</sup> June 2018

Present:

Mr D Hewitt – Chair of Committee  
Mrs S Chapman (until end of item 3.12)  
Mr N Crippa  
Mr J Francis (until end of item 3.9)  
Mr I Graham (until start of item 3.14)  
Mrs P Hinchliffe (until start of item 3.14)  
Ms W Megeney

In Attendance:

Ms V Barrett – Principal  
Mr M Cheetham – RSM  
Mrs H Coburn – Director of MIS and Learner Services (until end of item 3.3)  
Mr J Grindell – Financial Consultant - (until start of item 3.14)  
Mr L Magee - Assistant Principal, Dean of HE & Quality Regulator (until end of item 3.4)  
Mrs C Gillam – Clerk to the Corporation

Quorate: Yes

*The meeting opened at 12.33pm*

#### **3.1/17.18 Opening of Meeting and Apologies for Absence**

Apologies were received and accepted from Mrs Christie and Ms Bushell from Mazars. Mrs Chapman, Mr Francis and Mr Grindell were welcomed to the meeting. The Chair said that the overall balance of experience and skills now present within the Committee would strengthen its ability to meet its terms of reference.

The Committee sent its best wishes to Mr Sethi, Director of Finance & Resources, who was absent through illness.

#### **3.2/17.18 Declarations of Interest**

No declarations of interests were noted in relation to the agenda items.

#### **3.3/17.18 ESFA Funding Assurance Review and Action Plan Presentation**

The Committee welcomed Mrs Coburn who presented a paper for discussion on the ESFA Funding Assurance Review which had taken place in September 2017. KPMG LLP were appointed by the ESFA to conduct the audit and delivered their findings in December 2017. The Committee received a copy of the College's action plan which was based upon the findings of the KPMG report. The Review did not identify any systematic issues but identified a number of actions to reduce potential risks in the future, the majority of which resulted in further development of the College's own internal audits. Two findings resulted in a small clawback of income of less than £3k in total. To put into context this represented a less than 0.1% error rate on the College's ESFA funding claim. The Committee sought assurance that the actions would be completed on schedule (except those that were ongoing) and this was received. It was noted that a miscalculation of hours, possibly due to the effect of work experience, bank holidays or annual leave, had resulted in the £2,288.95 reclaim and that the College typically planned to deliver more hours than the 540 required for funding in order to leave a margin for such minor errors or discrepancies.

*Mrs Coburn left the meeting.*

### **3.4/17.18 GDPR Compliance**

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The Committee welcomed the Assistant Principal, Dean of HE & Quality Regulator, who included in his wide remit oversight of the GDPR. He explained to the Committee the actions the College had taken to prepare for the GDPR including setting up a GDPR Action Group which he chaired, undertaking a Data Audit and preparing a new GDPR Data Protection Policy. Staff had been issued with a clear and simple guide to the new regulations entitled '10 Golden Rules for Staff' and a 'data purge day' was scheduled at the end of term, with a shredding truck on site, in order that staff could securely dispose of materials. An audit of the College's preparations had been undertaken by RSM which highlighted some issues that were being addressed but which also confirmed that the College was generally on track with its compliance. Governors questioned whether students on work placement were sufficiently briefed as to their responsibilities regarding data privacy which could be of particular concern in certain areas e.g. Health and Social Care. The Assistant Principal agreed to look into this.

The Committee praised the work undertaken by the College and asked that a copy of the paper, together with the action plan prepared to address the issues identified by RSM and an update on progress, be presented to the Board for information.

**Action:** Paper and action plan with update on progress to be presented to July 2018 Corporation Board for information.

*The Assistant Principal, Dean of HE & Quality Regulator left the meeting.*

### **RSM Training Session**

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The Chair introduced this item by saying that the Committee had wanted, when appointing RSM, to take advantage of their wide presence in the sector and be briefed on areas of best practice.

Mr Cheetham discussed the RSM publication 'Board Assurance: A Toolkit for FE Colleges'. He reminded the Committee that colleges were no longer required to have an annual internal audit opinion as indeed FCoT had chosen not to in 2017/18. Yet Corporation Boards were required in their annual accounts to give an opinion that 'the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for the effective and efficient use of resources, the solvency of the institution and the Corporation and the safeguarding of their assets'. The Board Assurance RSM publication provided guidance on how a Board would get to providing that opinion and was based on practice in the NHS where trustee opinion was mandatory.

In essence the task was for the Board to challenge its risk management and board assurance arrangements and ask 'do we really know what we think we know?' The development of a board assurance framework was a logical extension of a college's existing risk management arrangements and it was for a Board to decide what it wanted assurance over and how much assurance it needed. There were three possible lines of assurance: policies and procedures, reports from management and independent assurance (e.g. internal and external audit, Ofsted, HSE etc). For one type of risk a Board might be happy to accept a management report as its assurance whereas for another it might look to other forms of assurance e.g. FCoT commissioning an Internal Audit report on its GDPR compliance as discussed in the previous agenda item. Appendix 5 of the Board Assurance publication gave an example of an assurance dashboard mapping the three lines of assurance across the key risks.

Governors noted that the current version of the risk register included two columns setting out detail on Governor oversight and independent assurance which was extremely helpful when looking at each risk in turn, but they also found the clear overview provided by the table in appendix 5 helpful. Audit Committee asked SMT to explore if a dashboard similar to that in appendix 5 could be incorporated into the risk register and for it to be brought back to the Committee.

The Committee thanked Mr Cheetham for a very useful training session.

**Action:** SMT to consider further revisions to the risk register to incorporate board assurance overview.

### **3.5/17.18 Minutes of the meeting held 6<sup>th</sup> March 2018**

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The minutes of the last meeting were accepted as a true and accurate record and were signed by the Chair.

### **3.6/17.18 Matters arising from the minutes**

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The Committee noted progress with the actions from the previous meeting. It was agreed that the presentation on a department risk register should be scheduled for the November 2018 meeting.

Governors asked if a paper on the proposal to reroute the UCF power cable would come to Audit Committee. The Principal replied that as the paper proposed a capital spend it was scheduled on the June 2018 F&GP Committee agenda. However, it was now looking likely that the College would investigate the desirability of addressing the risk via the purchase of a generator rather than incur the substantial expense of rerouting the cable. The Committee asked for an update on the insurance situation regarding clawback of some of the costs incurred in the January power outage.

**Action:**

- Schedule department risk register presentation for November 2018
- Report on insurance situation regarding the January power outage.

### **3.7/17.18 Post-16 Audit Code of Practice**

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Mr Grindell drew the Committee's attention to a significant change in the Code of Practice clarifying that Staff Governors should not be members of an Audit Committee. The College had taken advice from RSM that as the rule change had been published mid-year to be pragmatic and allow Staff Governors to see out this academic year. The Committee had valued the input of its Staff Governors and the Chair asked for a formal record of the Committee's appreciation and thanks for their contribution.

### **3.8/17.18 Internal Audit Services Report May 2018**

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Mr Cheetham presented the four reports from RSM noting that as the College had opted not to receive an internal audit opinion in 2017/18 these reports did not result in either audit opinions for the individual assignments or contribute to the formation of an annual audit opinion.

#### Teaching Staff Utilisation

Four low priority and two medium priority actions were identified and the Principal commented that the audit had been a fair and rigorous process. Governors discussed the staff utilisation findings in the report noting the differences between various programme areas. The Principal advised that staff had good workloads and there was a balance to be struck between HE and FE caseloads which brought differing demands. In addition, and not captured by this report, was the work that some staff did across other areas e.g. when HE numbers fell in one programme area those staff provided maths teaching.

#### Key Financial Controls

One medium and one low priority action were identified which represented a very good audit.

#### Governance

Audit Committee was pleased to note the positive review of C&S Committee's work including their review of the high rated curriculum risks. Three low priority actions had been identified. The Committee asked that the report be shared with C&S Committee.

### Follow up

All actions had been completed or been superseded. RSM concluded that the College had demonstrated 'Good Progress' in implementing its management actions which was the highest category of progress.

#### **Action:**

- Circulate the Governance report to C&S Committee members for information.
- The Committee accepted the Internal Audit Reports for May 2018. The reports would be presented at the July 2018 Board.

### **3.9/17.18 Draft Strategic Internal Audit Plan for 2018/19**

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Mr Cheetham explained that the proposal had been drafted following consultation with the Director of Finance & Resources. It represented an increase in the number of proposed audit days (compared to previous years) but also included a contingency for additional reviews if required. It was for the Board to decide if it wished to receive an internal audit opinion from RSM in 2018/19. If so then certain areas would need to be audited including risk, governance, student records/numbers and a financial check. Beyond these core areas there was flexibility and it was normal to identify certain highly rated or 'hot topic' risks on the risk register for inclusion.

The Committee discussed the proposed plan on pages 8 and 9 but felt that it would be appropriate to first undertake the work on board assurance discussed earlier in the meeting and then review the draft internal audit plan. It would be helpful for the Principal to consider, leaving for now the desirability of an internal audit opinion to one side, which areas she would like to see covered in an internal audit programme of work, and then consider this and the value of the internal audit opinion. Thus it was agreed that a decision on the internal audit plan would be deferred by the Audit Committee (and the Board) until the autumn, giving time over the summer for the SMT to hold another planning meeting with RSM and develop a revised plan. The Chair of Audit Committee would inform the Board of this decision at the July 2018 meeting.

#### **Action:**

- SMT to work on revised draft internal audit plan for consideration in autumn 2018.
- Verbal update to be given to July 2018 Board.

*Mr Francis left the meeting.*

### **3.10/17.18 External Auditors 2017/18 Accounts Audit Plan**

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The Committee received the proposed Accounts Audit Plan and noted that there were no changes to the format which had worked well in previous years.

**Action:** The Committee recommended approval of the External Auditors 2017/18 Accounts Audit Plan to the Corporation Board.

### **3.11/17.18 Risk Management Policy Update**

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The Committee recommended approval of the policy which was unchanged from the previous year.

**Action:** The Committee recommended approval of the Risk Management Policy to the Corporation Board.

### **3.12/17.18 Risk Register Update**

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The Principal introduced the latest iteration of the risk register which included a Risk Management Action Plan to show the impact of mitigating plans each term. The Principal informed the Committee that at the earlier Curriculum & Standards Committee meeting a number of changes to the risk register had been agreed:

- one new area of risk was to be added – Engineering
- the impact score for English was to be increased from 4 to 5 to give a gross score of 20

- both the impact and likelihood scores for Maths were to be increased from 4 to 5 to give a gross score of 25
- the area of risk for risk 11 to be changed from 'Ofsted' to 'External Assessors (Ofsted etc)

Also reference to the purchase of a generator as a mitigating action for the power supply issue would be included in the register. The Committee suggested that a new separate risk concerning the estates element of infrastructure risk in addition to the computer services element would be helpful and the Principal agreed to consider this. Governors praised the comprehensive operational detail of the risk register but commented that it lacked an executive summary. Perhaps if the RSM colour coded dashboard discussed under the training item on board assurance was included this would help the Committee to see a summary of the risk profile of the College. Including a presentation to the Audit Committee from a different department every meeting might also help the Committee to engage more deeply with the detail of the register. Finally Governors noted that there was a tendency for impact scores not to reduce following mitigating actions, just the likelihood scores. Whilst this was probably correct for many risks it might be worth SMT considering this whilst reviewing the risk register.

**Action:**

- SMT to revise risk register incorporating suggested amendments from Audit and C&S Committees
- Schedule a department risk register presentation every term to Audit Committee
- Present a summary of the highest risks from the risk register to the July Board meeting for information.

*Mrs Chapman left the meeting.*

### **3.13/17.18 Anti-Bribery Policy**

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The Committee approved the policy although queried the low level (£10) for recording gifts and hospitality received.

*Addendum: Mr Grindell noted that this point would need to be considered when the Financial Regulations were reviewed (June 2019) and any change agreed then fed through into the Anti-Bribery Policy.*

**Action:** The Committee recommended approval of the Anti Bribery Policy to the Corporation Board.

### **3.14/17.18 Any Other Business**

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Staff Governors and Mr Grindell were asked to leave the meeting for a confidential item to be discussed.

*Mr Graham, Mr Grindell and Mrs Hinchliffe left the meeting.*

It was agreed that it would be useful to have a standing Part 2 confidential item on all future Audit Committee agendas.

**Action:** Include a standing part 2 confidential item on future Audit Committee agendas.

*The remainder of the item was recorded as a confidential minute.*

### **3.15/17.18 Date and time of next Audit Committee meeting**

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Tuesday 20<sup>th</sup> November 2018 at 8am – to be confirmed at the July 2018 Corporation Board.

*The meeting closed at 2.55pm.*

Minutes agreed as being a true and accurate record by the Chair.

Signed: .....

Dated: .....

**Summary of action points**

<b>Item</b>	<b>Action</b>	<b>Responsibility</b>
GDPR Compliance	Paper and action plan with update on progress to be presented to July 2018 Corporation Board for information	Assistant Principal, Dean of HE & Quality Regulator
RSM Audit Training	SMT to consider further revisions to the risk register to incorporate board assurance overview	Principal
Matters Arising	<ul style="list-style-type: none"> <li>Schedule department risk register presentation for November 2018</li> <li>Report on insurance situation regarding the January power outage.</li> </ul>	<ul style="list-style-type: none"> <li>Clerk</li> <li>Financial Consultant/Director of Finance &amp; Resources</li> </ul>
Internal Audit Services Report May 2018	<ul style="list-style-type: none"> <li>Circulate the Governance report to C&amp;S Committee members for information.</li> <li>Present the reports to the July 2018 Board.</li> </ul>	<ul style="list-style-type: none"> <li>Clerk</li> <li>Chair of Audit</li> </ul>
Draft Strategic Internal Audit Plan for 2018/19	<ul style="list-style-type: none"> <li>SMT to work on revised draft internal audit plan for consideration in autumn 2018.</li> <li>Verbal update to be given to July 2018 Board.</li> </ul>	<ul style="list-style-type: none"> <li>Principal</li> <li>Chair of Audit</li> </ul>
External Auditors 2017/18 Accounts Audit Plan	Recommend approval of the External Auditors 2017/18 Accounts Audit Plan to the Corporation Board	Chair of Audit
Risk Management Policy Update	Recommend approval of the Risk Management Policy to the Corporation Board	Chair of Audit
Risk Register Update	<ul style="list-style-type: none"> <li>SMT to revise risk register incorporating suggested amendments from Audit and C&amp;S Committees</li> <li>Schedule a department risk register presentation every term to Audit Committee</li> <li>Present a summary of the highest risks from the risk register to the July Board meeting for information.</li> </ul>	<ul style="list-style-type: none"> <li>Principal</li> <li>Clerk</li> <li>Chair of Audit</li> </ul>
Anti-Bribery Policy	Recommend approval of the Anti-Bribery Policy to the Corporation Board	Chair of Audit
AOB	<ul style="list-style-type: none"> <li>Include a standing part 2 confidential item on future Audit Committee agendas.</li> </ul>	Clerk