

AUDIT COMMITTEE

AGENDA NOTICE

Audit Committee Meeting
Date: Tuesday 18th June 2019
Time: 8.00am
Venue: Principal's Office

- 3.1 Opening of Meeting and Apologies for Absence**
- 3.2 Declarations of Interest**
- 3.3 Minutes of the last Audit Committee meeting held 19th March 2019**
- | | |
|--|---------------|
| Part 1 | Appendix 3.3a |
| Part 2a Confidential – Governors & SMT only | Appendix 3.3b |
| Part 2b Confidential – External Governors & SMT only | Appendix 3.3c |
- 3.4 Matters arising from the minutes**
- | | |
|--------------------------|--------------|
| Chair of Audit Committee | Appendix 3.4 |
|--------------------------|--------------|

INTERNAL AUDIT

- 3.5 Internal Audit Services Reports – April/May 2019**
- | | |
|---|--------------|
| Report by Director of Finance & Resources & RSM | Appendix 3.5 |
|---|--------------|
- 3.6 Outstanding Internal Audit Action Points**
- | | |
|---|--------------|
| Report by Director of Finance & Resources | Appendix 3.6 |
|---|--------------|

EXTERNAL AUDIT

- 3.7 External Auditors 2018/19 Accounts Audit Plan**
- | | |
|--|--------------|
| Report by Director of Finance & Resources & Mazars | Appendix 3.7 |
|--|--------------|

RISK REGISTER & POLICY UPDATES

- 3.8 Risk Management Policy Update**
- | | |
|---|--------------|
| Report by Director of Finance & Resources | Appendix 3.8 |
|---|--------------|
- 3.9 Risk Register Update**
- | | |
|---|--------------|
| Report by Director of Finance & Resources | Appendix 3.9 |
|---|--------------|

Auditors to leave the meeting

CONFIDENTIAL

- 3.10 Appointment of Auditors**
- | | |
|---|---------------|
| Report by Director of Finance & Resources | Appendix 3.10 |
|---|---------------|
- 3.11 Any Confidential Matters of Report**
- Verbal report by the Principal
- 3.12 Date & Time of the next Audit Committee meeting**
- tbc

DISTRIBUTION LIST

Committee

Mr J Francis – Chair
Mrs S Chapman
Mrs G Christie
Mr N Crippa
Ms C Fargeot
Ms W Megeney

In attendance

Ms V Barrett – Principal
Financial Consultant/Director of F & R
Mrs C Gillam – Clerk to Corporation
Ms E Gipson – RSM
Ms N Wakefield / Ms C Bushell - Mazars

Farnborough College of Technology

Audit Committee

Minutes of meeting held on Tuesday 18th June 2019

Present:

Mr J Francis – Chair of Committee
Mrs S Chapman
Mrs G Christie
Mr N Crippa
Ms C Fargeot
Ms W Megeney

In Attendance:

Ms V Barrett - Principal
Mr J Grindell – Financial Consultant
Mr M Cheetham – RSM (left after item 3.9)
Ms N Wakefield – Mazars (left after item 3.9)
Mrs C Gillam – Clerk to the Corporation

Quorate: Yes

The meeting opened at 8.03am

3.1/18.19 Opening of Meeting and Apologies for Absence

There were no apologies. Ms Fargeot was welcomed to her first meeting of the Audit Committee.

3.2/18.19 Declarations of Interest

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

3.3/18.19 Minutes of the meeting held 19th March 2019

All the minutes of the last meeting were accepted as true and accurate records and were signed by the Chair. It was agreed that the confidential minutes would be returned to later in the meeting.

3.4/18.19 Matters arising from the minutes

All the actions from the previous meeting had been completed and the Committee noted the updated figures reported for outstanding work placement risk assessments.

3.5/18.19 Internal Audit Services Reports – May 2019

Mr Cheetham introduced the reports on the two internal audit assignments of the 2018/19 programme conducted in May.

Risk Management & Governance

Substantial assurance was given and only one low priority action was identified regarding the risk register.

Learner Numbers

The Learner Numbers audit did not provide an assurance opinion as it was a review that mirrored a substantive funding audit in line with ESFA guidance. 13 findings were highlighted from the review with two categorised as high. Mr Cheetham noted that the majority of the findings related to the College's post May 2017 apprenticeship provision and that such issues were prevalent in the sector. This was due to the unusually complex nature of the funding

rules and the frequency of their revision. A small number of findings had been identified for the College's 16-18 funded learners and AEB provision but these were not significant.

One of the findings for the apprenticeship provision which was categorised as high related to issues concerning the College evidencing the required 20% off the job training. Evidence had to be provided on an individual, learner by learner basis, and this was the same for providing evidence for prior experience, calculating the price of the apprenticeship, the number of hours and so forth. This resulted in a lot of management time and a cumbersome and costly system to administer. The Principal explained that the internal audit had revealed that there were storage issues rather than an issue with learners having completed the 20% off the job training. The evidence was held in various places and so the College would move to a paper based filing system in one central location to hold the requisite evidence per learner. Once the system was working well then the College could look to digitise it but it was noted that apprenticeships were a difficult area for electronic systems to cope with. Mr Cheetham announced that some electronic systems were in development to help capture the required data but were not yet available.

The next section was recorded as a confidential minute.

The Committee requested that they receive an update at the next meeting and Mr Grindell noted that the actions arising from both the internal audit reports would be moved to the outstanding action points item and thus reported on until they were completed.

Action: Committee Chair to recommend approval of the IAS Reports for May 2019 to the Board.

3.6/18.19 Outstanding Internal Audit Action Points

RSM's report noted that the eleven management actions identified in 2017/18 had all been completed and praised the College for its implementation of the actions.

3.7/18.19 External Auditors 2018/19 Accounts Audit Plan

Ms Wakefield introduced the draft plan noting that the audit team would be the same as for 2017/18. She explained which of the significant risks and key judgement areas were standard for the sector or specific for the College. For example there would be greater focus on defined benefit pension scheme assumptions but this was a sector wide issue. One College specific focus was on fixed assets and depreciation due to the investment in capital projects and where one project would still be ongoing at year end. The accounting treatment of the Albert Road property would also be reviewed as it had been discussed last year.

Action: Committee Chair to recommend approval of the External Auditors 2018/19 Accounts Audit Plan to the Board.

3.8/18.19 Risk Management Policy Update

Mr Grindell drew attention to the changes to the policy which were made in response to suggestions from Governors when the policy was last discussed at the Corporation Board. The updated policy contained further clarification on the relative roles of the Board and the Senior Management Team in relation to risk management and referred to the roles of the Curriculum & Standards Committee and F&GP Committee in relation to monitoring risks. Governors discussed the particular role of Audit Committee noting that it oversaw risk management work by annually reviewing the College's approach to risk management and recommending changes or improvements to its processes or procedures (section 7e of the policy). The Audit Committee produces an annual report to the Board which includes an opinion on whether risks are being managed appropriately which is informed by various assurance sources throughout the year. If there were to be any concerns then the first place for this to be raised would be at the Board.

Governors commended the improvements to the policy and recommended its approval.

Action: Committee Chair to recommend approval of the Risk Management Policy to the Board.

3.9/18.19 Risk Register Update

Governors discussed the desirability of an executive summary to accompany the risk register. Some concern was expressed at the number of risks included on the register and Governors discussed the desirability of focusing solely on the highest scoring 10-12 risks. It was also noted that many of the risks were more operational than strategic. The Principal acknowledged that the risk register was still a work in progress and Mr Grindell had inherited the current version in its earliest form when the Director of Finance & Resources went on sick leave. This register had been an attempt to address some previous concerns raised by the Audit Committee such as increasing the granularity of risk scoring and providing greater detail regarding controls and mitigating actions. However, it was possibly now too detailed for a high level strategic overview. Governors discussed the desirability of having different levels of detail to the risk register – e.g. one for SMT with greater detail and one for the Board which would give more of an overview and an executive summary. Yet they also acknowledged that it was useful to be assured via the current risk register that all risks had this detailed level of assurance. Returning to the Risk Management policy discussed above it was recognised that it was the role of the Audit Committee to have an opinion on the risk management process rather than interrogate the fine detail of individual risks.

The Committee had a wide ranging discussion regarding the desirable format for the risk register which included the following points:

- The version which is seen by the Corporation Board should be smaller, simplified and strategically focused
- The key strategic risks would be those focused around growth and maintaining the College's outstanding status. Many were already in the document but needed drawing out and re-presenting
- Including a heat map showing direction of travel on the cover to the risk register would be helpful
- Greater narrative around the top 10 risks was desirable with exception reporting.

In conclusion the Committee agreed that what was required was a refresh of the risk register and invited Mr Grindell to look again at the format and bring some suggestions for a revised document to the autumn meeting. In the meantime an executive summary would be brought to the July Corporation Board.

Mr Cheetham and Ms Wakefield left the meeting.

3.3b and c/18.19 Confidential Part 2 minutes of the meeting held 19th March 2019

This item was a confidential minute.

3.10/18.19 Appointment of Auditors

This item was a confidential minute.

3.11/18.19 Confidential matters of report

This item was a confidential minute.

3.12/18.19 Date and time of next Audit Committee meeting

This would be confirmed following the July Board meeting.

The meeting closed at 9.55am.

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

Signed:

Dated:

Summary of action points

Item	Action
3.5 Internal Audit Services Reports – May 2019	Committee Chair to recommend approval of the IAS Reports for May 2019 to the Board.
3.7 External Auditors 2018/19 Accounts Audit Plan	Committee Chair to recommend approval of the External Auditors 2018/19 Accounts Audit Plan to the Board.
3.8 Risk Management Policy	Committee Chair to recommend approval of the Risk Management Policy to the Board.
3.10 Appointment of Auditors	Committee Chair to recommend the appointment of the external and internal auditors to the Board.