

## AUDIT COMMITTEE

### AGENDA NOTICE

**Audit Committee Meeting**  
**Date:** Tuesday 26<sup>th</sup> November 2019  
**Time:** 8.00am  
**Venue:** Principal's Office

- 1.1 Opening of Meeting and Apologies for Absence**
- 1.2 Declarations of Interest**
- 1.3 Minutes of the last Audit Committee meeting held 18<sup>th</sup> June 2019**  
Part 1 Appendix 1.3a  
Part 2A Confidential to all Appendix 1.3b
- 1.4 Matters arising from the minutes:**  
Chair of Audit Committee Appendix 1.4
- 1.5 Review Committee Terms of Reference and Committee Effectiveness**  
Report by Chair of Audit Committee Appendix 1.5

### INTERNAL AUDIT

- 1.6 Outstanding Internal Audit Action Points**  
Report by the Consultant Director of Finance & RSM Appendix 1.6
- 1.7 Internal Audit Annual Report for 2018/19**  
Report by the Consultant Director of Finance & RSM Appendix 1.7
- 1.8 Draft Strategic Internal Audit Plan for 2019 - 2020**  
Report by the Consultant Director of Finance & RSM Appendix 1.8

### EXTERNAL AUDIT

- 1.9 Regularity Self-Assessment Questionnaire & Bournville College Investigation**  
Report by the Consultant Director of Finance Appendix 1.9
- 1.10 Regularity Audit Report & Financial Statements Audit Management Report**  
Report by the Consultant Director of Finance and Mazars Appendix 1.10

### AUDIT COMMITTEE

- 1.11 (Draft) Audit Committee Annual Report for 2018/19 to Corporation & Principal**  
Led by Chair of Audit/Clerk Appendix 1.11

### RISK REGISTER

- 1.12 Risk Register 2019/20 Update**  
Report by the Consultant Director of Finance Appendix 1.12

*Auditors to leave the meeting*

### CONFIDENTIAL ITEMS

- 1.13 IAS – Performance Review 2018/19 – Confidential (restricted to Governors & SMT)**  
Report by the Consultant Director of Finance Appendix 1.13
- Consultant Director of Finance to leave the meeting*
- 1.14 Confidential Matters of Report by the Principal (restricted to External Governors & the Principal)**  
Report by the Principal Appendix 1.14

**1.15 Minutes of the last Audit Committee meeting held 19<sup>th</sup> June 2019 (continued)**  
Part 2B Confidential with restricted circulation Appendix 1.15a  
Part 2C Confidential with restricted circulation Appendix 1.15b

**1.16 Date & Time of the next Audit Committee meeting**  
Tuesday 17<sup>th</sup> March 2020 at 8am

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  
Mr J Grindell - Consultant Director of Finance  
Ms C Gillam – Clerk to Corporation  
Mr M Cheetham/Ms L Raynes – RSM  
Ms N Wakefield/Ms C Bushell - Mazars

## Farnborough College of Technology

### Audit Committee

Minutes of meeting held on Tuesday 26<sup>th</sup> November 2019

Present:

Mrs S Chapman - Chair  
Mrs G Christie  
Ms W Megeney

In Attendance:

Ms V Barrett - Principal  
Mr J Grindell – Consultant Director of Finance (left after item 1.13)  
Ms L Raynes – RSM (left after item 1.12)  
Ms N Wakefield – Mazars (left after item 1.12)  
Ms C Gillam – Clerk to the Corporation

Quorate: Yes

*The meeting opened at 9.20am*

#### **1.1/19.20 Opening of Meeting and Apologies for Absence**

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Apologies were received and accepted from Mr Francis, Mr Crippa and Ms Fargeot. Mrs Chapman agreed to chair the meeting.

#### **1.2/19.20 Declarations of Interest**

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

#### **1.3/19.209 Minutes of the meeting held 18<sup>th</sup> June 2019**

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The Part 1 and confidential Part 2 Section A minutes of the last meeting were accepted as true and accurate records and were signed by the Chair. The confidential minutes with restricted circulation would be returned to later in the meeting. Governors noted that as recorded in the minutes of the last meeting the risk register was still a work in progress. The Principal informed the Committee that Dr Oduneye had shared a useful visual matrix for a risk register that Mr Grindell was hoping to trial in the future.

#### **1.4/19.20 Matters arising from the minutes**

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The Committee requested that the format of the risk register be included in the actions as an ongoing work in progress.

**Action:** Clerk to include the format of the risk register as an ongoing action in progress.

#### **1.5/19.20 Review Terms of Reference and Committee Effectiveness**

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Governors suggested that it would be helpful to add a new term of reference stating that the Committee would follow the Post 16 Audit Code of Practice and the FE and Sixth Form Colleges' Governance Guide. It was suggested that as Mr Francis was the only member of the Committee with a financial qualification it might be useful to suggest to Search Committee that they look to recruit another member to Audit Committee with a financial or audit qualification. No further actions were suggested to improve the Committee's effectiveness.

**Actions:**

- Committee Chair to recommend the Terms of Reference to the Board with the inclusion of one new term.
- Clerk to raise with Search Committee the recruitment of a new Governor to Audit Committee with a financial or audit qualification.

### **1.6/19.20 Outstanding Internal Audit Action Points**

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Mr Grindell noted that the first document attached to the cover of the paper had been included in error as these were completed actions from an earlier year. The second document circulated with the paper was the correct document to refer to as this contained all the recommendations from the 2018/19 audits. The majority of actions had arisen from the Learner Numbers audit and were either completed or in hand. The College thanked RSM for the useful recommendations which had arisen from this audit which had led to the College improving its underlying systems and processes for example producing price breakdowns for each apprenticeship on a learner level rather than a course level. Governors enquired as to what RO4 was and Mr Grindell informed them it was the milestone data return in December which would confirm student numbers and therefore funding. As another point to note in the evolution of the risk register Governors noted the recommendation in the internal audit actions for the risk register to articulate the consequences of risks.

### **1.7/19.20 Internal Audit Annual Report for 2018/19**

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Ms Raynes introduced the annual summary of the internal audit work undertaken in 2018/19. RSM had awarded the second highest internal audit opinion which was in line with the majority of colleges. Because a number of issues had been identified in the Learner Number Systems audit the highest opinion could not be awarded. Governors asked for an explanation of the term 'unmodified' which appeared in the Bournville College Investigation Report included within item 1.9. Ms Raynes explained that an unqualified (internal audit) or unmodified (external audit) opinion was a positive expression and their top two internal audit opinions were their equivalent of an unqualified opinion. Ms Wakefield noted that the auditors at Bournville College had given an unmodified opinion on the regularity report as the college had not raised any issues which would have led to the auditors giving a modified opinion. The Principal noted that Bournville had a number of unusual issues such as employing relatives which would not occur in a transparent culture such as that at FCoT. College policies underpinned a culture of good practice and the Board oversees policies. Ms Wakefield suggested that all that Governors could do was attend meetings, read papers and make appropriate challenge and this was the responsibility of the whole Corporation Board, not just the Audit Committee. Like auditors, Governors could only work from the documentation they were provided with. One red flag which had been noted was were colleges directed internal audit to the same areas of scrutiny every year. The Committee Chair noted that at FCoT audit was a dynamic process and over the years they had directed internal audit to various assignment areas and to look at areas of high risk. One effect of a number of sector scandals such as Bournville College was that audit scrutiny had been increased across the sector and the effect of this could particularly be seen in the new questions included in the regularity questionnaire this year. The Principal advised the Committee that to increase transparency she would henceforth be including details of her personal expenses and the spend on the college credit card in the termly Principal's Report to the Corporation Board.

In concluding their discussion the Audit Committee reflected that they were happier to receive the second highest internal opinion with a number of useful recommendations to improve processes and systems, than to merely receive the highest opinion with no actions. Systems could always be improved and there was confidence in the proactive nature of the internal audit process.

**Action:** Committee Chair to recommend approval of the Internal Audit Annual Report for 2018/19 to the Board.

### **1.8/18.19 Draft Strategic Internal Audit Plan for 2019-20**

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Ms Raynes presented the draft plan for 2019/20 which would provide an internal audit opinion. The proposed review of cyber security would be conducted by an IT specialist and was a key

risk area in many sectors, not just education. Learner Number Systems would be included as an annual review and would again follow the audit approach taken by the ESFA. RSM would also check that the issues identified in the 2018/19 review had been addressed. Key Financial Controls would be included as this was helpful in forming the internal audit opinion. For Governance RSM would take a different approach to previous years and using a governance specialist would attend a Board meeting to assess Board effectiveness. Finally a follow up would provide assurance on action taken to address previous audit recommendations. Appendix B of the draft plan set the programme for 2019/20 in the context of the overall internal audit programme for 2016-2022. Ms Raynes noted that the areas chosen had been discussed with Mr Grindell (who in turn had discussed them with the Principal) and were based on areas from the risk register. Governors enquired whether there were any areas from the top level risk register that were not covered. Ms Raynes replied that the curriculum based risks were not covered but these really lay outside the scope of internal audit and were better covered by the Curriculum & Standards scrutiny of the highest curriculum risks. Estates and capital projects was an area not on the plan for the coming year but was scheduled for 2020/21. A deep dive into procurement systems was a possible area of omission but this could be picked up in another internal audit programme such as capital projects. Governors enquired where conflicts of interest could be audited and it was noted that this was annually reviewed by external audit during the regularity audit. It would also be included within the Governance audit when the Board meeting was attended by the internal audit governance specialist. It could also be looked at in the future capital projects audit.

**Action:** Committee Chair to recommend approval of the Internal Audit Plan 2019/20 to the Board.

### **1.9/19.20 Regularity Self Assessment Questionnaire and Bournville College Investigation**

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Mr Grindell advised the Committee that the format of the self assessment questionnaire was set by the ESFA and completed by the College annually and reviewed by external audit. Governors noted that on page 3 the answer to the question on the independence of the Clerk appeared to be missing and it was agreed that this would be added. Governors asked how the Bribery Policy was communicated to staff. In reply it was reported that it is published on the staff intranet and there were plans to hold some fraud and bribery staff training in the future. The Principal agreed to look into this. Governors discussed on page 9 the question regarding the Charity Commission's guidance on investments and it was agreed that the College's Treasury Management Policy should be referenced here.

Governors noted the Bournville College Investigation report which had been included with the Regularity Questionnaire and thanked the Clerk for the summary of FCoT's compliance with the 15 issues raised by the ESFA during the investigation. Whilst it was reassuring to see that no compliance issues had arisen, the Committee felt that it would be helpful for them to receive training on the Post 16 Audit Code of Practice and the FE and Sixth Form Colleges' Governance Guide which had been highlighted as key documents in the Bournville investigation. The Clerk agreed to explore the best means of delivering such training, possibly at a future Board meeting.

#### **Actions:**

- Committee Chair to recommend approval of the Regularity Self Assessment Questionnaire with suggested amendments to the Board.
- Principal to consider future staff training on fraud and bribery.
- Clerk to consider future Board training on ACoP and the FE and Sixth Form Colleges' Governance Guide.

### **1.10/19.20 Regularity Audit Report & Financial Statements Audit Management Report**

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Ms Wakefield introduced the Regularity Audit Report and thanked the FCoT team for an efficient and effective process. The two areas of significant risks listed in the report were income recognition and management override of controls and these were required on all external audits. The areas of management judgement reported were FRS 102 where the assumptions used were judged to be acceptable, depreciation where policies were found to be reasonable and the depreciation charge was not materially misstated, and bad debt provision where provision was judged to be reasonable. Governors enquired why there was a specific provision for a bad debt of £52k for Skillsnet and Mr Grindell explained that the College was a sub-contractor for them to deliver apprenticeships for Ford but there was an unpaid bill of £50k from April/May 2019. Other colleges were also reporting problems with slow payment by Skillsnet and although the College was making some progress it was prudent to include provision in the bad debts. Going forward the College would consider its strategic relationship with Skillsnet.

Ms Wakefield reported that other matters discussed with management included the accounting treatment of the College's property at Albert Road, the impairment charge for the demolition of C block and additional liabilities for the Local Government Pension Scheme arising from the GMP and McCloud judgements. In section 4 of the Regularity Audit Report three misstatements were included, two unadjusted relating to the investment property at Albert Road and an accrual for capital works, and one adjusted for the impairment charge for C block.

Governors noted that F&GP Committee would scrutinise the detail of the financial statements but took an overview of the document. They noted the new remuneration reporting for the Principal's pay and remuneration on page 33 and suggested that it was made clear that the multiples were calculated before tax. Mr Grindell agreed to amend the document.

#### **Actions:**

- Committee Chair to recommend the Regularity Audit Report to the Corporation Board.
- Mr Grindell to amend p33 of the Financial Statements as suggested.

### **1.11/19.20 Draft Annual Audit Committee Report for 2018/19 to the Corporation & Principal**

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Mr Grindell explained that the format was similar to previous years. Some typographical errors were noted and it was suggested that on page 4 paragraph 6 reference be made to the Committee following the Post 16 Audit Code of Practice.

**Action:** Committee Chair to recommend approval of the Audit Committee Report to the Board, subject to the amendment suggested.

### **1.12/19.20 Risk Register Update**

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Mr Grindell said that following the advice of the Committee at the last meeting he had slimmed down the register to focus on the core key strategic risks. One new risk was number 5 covering the heightened levels of Safeguarding risks amongst students. Governors enquired what revisions there would be to the list over the year and Mr Grindell replied that the mitigating actions might change or the scores. The register was very much a live document. He would also try to reflect the internal auditor's comments regarding articulating the consequences of risks. The Committee thanked Mr Grindell for his ongoing work on the register.

*Ms Raynes and Ms Wakefield left the meeting.*

### **1.13/18.19 Internal and External Audit Performance Review 2018/19**

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This item was a confidential minute.

**Action:** Committee Chair to recommend approval of the Internal and External Audit Performance Review Assessments to the Board.

*Mr Grindell left the meeting.*

**1.14/18.19 Confidential matters of report by the Principal**

This item was a confidential minute.

**1.15/19.209 Confidential minutes of the meeting held 18<sup>th</sup> June 2019**

The restricted circulation confidential Part 2 Section B and Section C minutes of the last meeting were accepted as true and accurate records and were signed by the Chair.

**1.16/18.19 Any other business**

The Committee agreed that the later starting time had worked well and thus subject to the agreement of the absent members of the Committee agreed to move future meetings to a 9.15am start time.

**1.17/18.19 Date and time of next Audit Committee meeting**

Tuesday 17<sup>th</sup> March at 9.15am.

*The meeting closed at 11.15 am.*

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

Signed:.....

Dated:.....

**Summary of action points**

<b>Item</b>	<b>Action</b>
1.5 Review Terms of Reference and Committee Effectiveness	<ul style="list-style-type: none"> <li>• Committee Chair to recommend the Terms of Reference to the Board with the inclusion of one new term.</li> <li>• Clerk to raise with Search Committee the recruitment of a new Governor to Audit Committee with a financial or audit qualification.</li> </ul>
1.7 Internal Audit Annual Report 2018/19	Committee Chair to recommend approval of the Internal Audit Annual Report for 2018/19 to the Board.
1.8 Draft Strategic Internal Audit Plan for 2019/20	Committee Chair to recommend approval of the Internal Audit Plan 2019/20 to the Board.
1.9 Regularity Self Assessment Questionnaire and Bournville College Investigation	<ul style="list-style-type: none"> <li>• Committee Chair to recommend approval of the Regularity Self Assessment Questionnaire with suggested amendments to the Board.</li> <li>• Principal to consider future staff training on fraud and bribery.</li> <li>• Clerk to consider future Board training on ACoP and the FE and sixth form colleges' governance guide.</li> </ul>
1.10 Regularity Audit Report & Financial Statements	• Committee Chair to recommend the Regularity Audit Report to the Corporation Board.

	<ul style="list-style-type: none"><li>• Mr Grindell to amend p33 of the Financial Statements as suggested.</li></ul>
1.11 Draft Annual Audit Committee Report to the Corporation & Principal	Committee Chair to recommend approval of the Audit Committee Report to the Board, subject to the amendment suggested.
1.13 Internal and External Audit Performance Review 2018/19	Committee Chair to recommend approval of the Internal and External Audit Performance Review Assessments to the Board.