

AUDIT COMMITTEE

AGENDA NOTICE

Audit Committee Meeting
Date: Tuesday 17th March 2020
Time: 9.15am
Venue: Principal's Office

Please note that the meeting will start at 9.15am with a short training session from RSM on the Post 16 Audit Code of Practice

2.1 Opening of Meeting and Apologies for Absence

2.2 Declarations of Interest

2.3 Minutes of the last Audit Committee meeting held 26th November 2019
Part 1 Appendix 2.3

2.4 Matters arising from the minutes:
Chair of Audit Committee Appendix 2.4

INTERNAL AUDIT

2.5 Internal Audit Services Reports
Key financial controls – RSM & Head of Finance
Cyber security – RSM & Computer Services Advisor
Appendix 2.5

2.6 Outstanding Internal Audit Action Points
Report by Head of Finance & RSM Appendix 2.6

RISK REGISTER

2.7 Risk Register Update
Report by the Principal Appendix 2.7

2.8 Department Risk Register Presentation – Engineering & Plumbing
Mr Hodge Assistant Principal Construction & Engineering and Mr Hutton Head of Engineering to present the risk registers for Engineering and Plumbing

Auditor to leave the meeting

CONFIDENTIAL ITEMS

2.9 Confidential Matters of Report by the Principal (restricted to External Governors & the Principal)
Verbal report by the Principal

2.10 Minutes of the last Audit Committee meeting held 26th November 2019 (cont)
Part 2B Confidential with restricted circulation Appendix 2.10

2.11 Date & Time of the next Audit Committee meeting
Tuesday 16th June 2020 at 9.15am

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 P Ashley – Head of Finance
Mr B Travers – Computer Services Advisor
Mr C Hodge – Assistant Principal Construction &
Engineering
Mr S Hutton – Head of Engineering
Ms C Gillam – Clerk to Corporation
Ms L Raynes – RSM

Farnborough College of Technology

Audit Committee

Minutes of meeting held on Tuesday 17th March 2020

Present:

Mr J Francis – Chair (via video conference)
Mrs S Chapman - (via video conference)
Mrs G Christie
Ms C Fargeot
Ms W Megeney

In Attendance:

Ms V Barrett - Principal
Ms L Raynes – RSM (left after item 2.7)
Mr P Ashley – Head of Finance
Mr C Hodge – Assistant Principal Construction & Engineering (left after item 2.8)
Mr S Hutton – Head of Engineering (arrived mid item 2.8 and left after item 2.8)
Ms C Gillam – Clerk to the Corporation (via speakerphone)

Quorate: Yes

The meeting opened at 9.25am

2.1/19.20 Opening of Meeting and Apologies for Absence

Apologies were received and accepted from Mr Crippa, Mr Grindell and the external auditors Mazars. Mr Ashley and Mr Hodge were welcomed to the meeting. It was agreed that due to staffing issues at Aldershot College caused by the national advice to self-isolate under certain circumstances, item 2.8 would be moved to the start of the meeting to enable Mr Hodge to return to the Aldershot site. Mr Hutton would join the meeting as soon as possible.

2.8/19.20 Department Risk Register Presentation – Engineering & Construction

Mr Hodge gave an overview of the actions taken to mitigate against risk in two areas, construction and engineering. He noted that Governors had been aware of several issues regarding engineering over the past three years. He was pleased to announce that the situation in engineering had turned around and now engineering had a 100% retention rate, an attendance rate of 92% (the best in the College) and was predicted an achievement rate of over 90%. He praised Mr Hutton's leadership and management as Head of Engineering and noted how no classes in engineering were left uncovered and students were provided with excellent wrap around care. Mr Hodge explained that construction was more of a challenge but here also significant progress was being made. He informed Governors that since his appointment in October 2019 in order to provide strong leadership to the Aldershot College he was based there 80% of the week. He described how he had focused upon cultural change at the Aldershot site, and was encouraging students to change their perceptions of themselves. Attendance had improved to 88% and in the particularly challenging area of plumbing attendance had risen from 75% last year to 94%, and predicted achievement was 88% compared to 63% last year. Mr Hodge spoke about how he nurtured self-esteem and ambition in Aldershot students. He was keen to stress that he wanted the best for his students, and he let them know that he gave them his total support, but he also enforced rigorous discipline.

The Principal reminded the Committee that some of the challenges faced in engineering had been ongoing for years in that her predecessor had struggled to appoint a long-term Head of Engineering. In this context Mr Hutton's appointment was a particular success and since his arrival in April 2019 he had developed the curriculum, provided strong leadership and cover

for classes, and had the highest expectations for his students. She noted how students did not want to 'disappoint' Mr Hutton and that like Mr Hodge at Aldershot, Mr Hutton had fostered cultural change and a positive learning environment.

Governors asked Mr Hodge if he felt that he had the right staff in place in engineering and construction. Mr Hodge replied that there was a sound teaching cohort across both and that he and Mr Hutton led by example, helping to cover classes and being out on the ground and not just behind a desk. The Principal noted that the atmosphere at Aldershot College amongst staff was more open and transparent. Mrs Chapman informed the Committee that having missed the previous Board site tour of Aldershot she had received a tour from Mr Hodge in January 2020 and that the cultural change being discussed today was evident. The students were highly engaged and Mr Hodge was a positive role model.

Mr Hutton joined the meeting.

Governors asked how student numbers compared to previous years. Mr Hutton and Mr Hodge both said that numbers had increased in engineering and construction compared to last year and set out the sizes of their groups which Mr Hodge agreed to confirm via email after the meeting. Level 2 brickwork was the smallest area with only 8 students but with 36 on the level 1 course it was hoped that about half would progress through to level 2 next year. Mr Hodge noted that since arriving at the College he had seen very able students on level 1 courses and had to make some in-year transfers to level 2. Currently there were no level 3 courses at Aldershot but there would be from next year. It was not the case that for the acquisition of practical skills students with GCSE grade 5s and 6s had to start at a level 1 course and work their way up as the most able students could start at a higher level. Governors enquired about the potential link with Churchill Construction which had been reported to Curriculum & Standards Committee the previous week. Mr Hodge explained that this was an exciting new development with a major construction company. An agreement to offer brickworking had been agreed as there was a shortage of bricklayers and Churchill was prepared to guarantee employment to Aldershot bricklaying students. Discussions were also underway to offer scaffolding courses which offered great potential as there was a training gap in the local area and it could be offered as a full cost course. It would require space to offer and so ways to incorporate it into the footprint available at Aldershot were being explored. Mr Hodge also noted that a benefit of working with Churchill was that their staff would come and deliver site skills to students to prepare them for site work. Governors noted that in a post-Brexit economy providing skilled tradespeople was vital. Mr Hutton added that engineering had close links with key local employers such as TAG, Airbus and Gulfstream and explained how these companies provided work experience and apprenticeship opportunities.

The Committee thanked Mr Hodge and Mr Hutton for an uplifting and informative presentation. The turnaround in engineering was significant, as were the cultural changes in engineering and at the Aldershot site. The Committee thanked them both and their teams of staff for all their hard work.

Mr Hodge and Mr Hutton left the meeting.

2.2/19.20 Declarations of Interest

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

2.3/19.20 Minutes of the meeting held 26th November 2019

The Part 1 minutes of the last meeting were accepted as a true and accurate record. Mr Francis agreed to sign the minutes and scan them in for the Clerk to receive electronically.

2.4/19.20 Matters arising from the minutes

The Committee noted that all actions had been completed and requested an update on progress with the recruitment of a new Governor to Audit Committee with a financial or audit

qualification. The Clerk confirmed that adverts for Governor vacancies had been placed with a number of organisations including Inspiring Governance via which the Board had recruited Mr Francis and Mrs Chapman. There was a drive to recruit Governors with a financial background as in addition to the Audit vacancy the Board would also need to replace Mr Edwards who would come to the end of his term in March 2020 and who like Mr Francis was a qualified accountant. It was suggested that the Clerk contact the Finance Directors of local companies and approach local accountancy and audit companies for potential governors. The Clerk also confirmed that Search Committee would be recruiting to a third Governor vacancy, that of Professor Yeomans. A representative from the University of Surrey had met with members of Search Committee and a recommendation to appoint would be brought to the April Board.

Governors also enquired as to progress with the various training referred to in the matters arising update. The Principal noted that a future all staff development day would address fraud and bribery training and be delivered by Mr Grindell. The Audit Committee's training on the Audit Code of Practice (ACoP) would be delivered in this meeting by Ms Raynes from RSM. The Clerk would schedule at a future Board training on the FE and VI Form Colleges' Governance Guide.

2.5/19.20 Internal Audit Services Reports

Ms Raynes began by delivering a short training session on the ACoP and then introduced the reports on the first two internal audit assignments of the 2019/20 programme.

RSM Training Session

Ms Raynes noted that the current ACoP was published in February 2019 for the 2018/19 academic year and thus this year's ACoP was expected imminently. However, she also noted that it did not tend to change too much year on year. The ACoP set out what assurance the ESFA required from the sector and how it was obtained. Internal audit was not listed as an assurance source because it was no longer a sector requirement. Many colleges continued to use internal audit as a key assurance source for the Audit Committee's annual report to the Board. The ACoP also set out the requirements of an Audit Committee and it was noted that all colleges are required to have an Audit Committee. Ms Raynes reminded Governors that in 2017/18 the Code of Practice required that Staff Governors be removed from membership of Audit Committees, but also explained that since then as long as their independence and objectivity could be ensured they could now be included in Audit Committee membership. Audit Committees were to have an appropriate mix of skills and experience and not exclusively financial/audit experience. The Audit Committee was required to advise the Corporation on the adequacy and effectiveness of the Corporation's assurance framework. Governors discussed how it would be more difficult for an Audit Committee to meet this requirement without internal audit. However, it also noted that FCoT's Audit Committee had decided in 2017/18 to not have an internal audit opinion although it did still schedule some internal audit work because a specialist was used to conduct a mock Ofsted inspection. It was agreed that this had been a sensible action to address a key risk area that year and that in future the College might switch as appropriate between having a full programme of internal audit work leading to an audit opinion, and having a smaller internal audit programme without an opinion and using other assurance provision. The key was to choose the types of assurance that the Committee required to meet its responsibilities. Ms Raynes noted that some VI Form colleges chose not to use internal audit, but larger FE colleges tended to retain internal audit services.

Finally, Ms Raynes highlighted that updates to last year's ACoP had increased emphasis on fraud prevention and detection and included 10 questions on fraud. It was suggested that perhaps the questions could be worked through in a future Audit Committee meeting.

Key Financial Controls

Ms Raynes noted that substantial assurance had been given with no recommended management actions. One suggestion had been made regarding the date stamping of invoices and Mr Ashley advised the Committee that the College was checking with its software supplier Symmetry to see if goods receipting dates could be shown on the system for audit trail purposes. Governors welcomed the positive report noting that key financial controls received consistently positive audit reports and enquired whether an internal audit opinion could be given if this area were to be replaced in the internal audit schedule of work for one year by another risk area. Ms Raynes advised that it was usual to include key financial controls in order to obtain an opinion, but it would be something that the College could discuss with Mr Cheetham at RSM. It would probably need to be replaced by another area of financial focus

Governors enquired why on page 6 of the report only 4 tenders had been received instead of 5. Ms Raynes agreed to look into the detail and report back but stressed that the College had complied with its Financial Regulations. Mr Ashley suggested that in some circumstances 5 tenders were sought but only 4 were received. Governors also noted that the College's debt collection operated on a manual basis and asked if the auditors were aware of automated practices and how effective these were. Ms Raynes replied that it would depend on how significant an issue bad debts were. Mr Ashley said that it was not a significant issue and was effectively run on a daily basis by two sales ledger clerks but agreed it was an area that the College could look at in the future.

Cyber Security Protocols

Ms Raynes advised the Committee that the report had been prepared by an IT specialist and cyber security was an issue for the sector and beyond. Reasonable assurance had been given with 5 medium priority recommended management actions. However, she noted that these all raised process rather than control issues and largely concerned the need for formal documented processes. The Principal agreed that the work was taking place, but the documenting of the processes needed to catch up. Governors discussed whether cyber security should be included in the disaster recovery policy and the Principal agreed that it could. It was also noted that more should be included on cyber security in the risk register as it currently had one entry in the risk register under IT infrastructure. There was also a difference between cyber security and IT failure, and these should be separate items in the risk register. Mr Ashley advised the Committee that the College had taken out cyber security insurance for the first time last year. It was agreed that the Computer Services Manager would be asked to give a presentation on cyber security to the summer Audit Committee.

Actions:

- Committee Chair to recommend approval of the IAS Reports for February 2019 to the Board.
- Clerk to include a presentation from the Computer Services Manager on the summer Audit Committee agenda.

2.6/19.20 Outstanding Internal Audit Action Points

Ms Raynes explained that the report showed the College's internal tracking of action points and would be verified by RSM later in the year. Governors asked for more detail as to the work placement checks and the Principal informed them that an additional staff member had been recruited because of the growth in work placements due to increased numbers of students and the introduction of T Levels. No student would attend a work placement until a risk assessment had taken place. Smarter planning of the timing of these risk assessments (moving them from September into the summer) would help to prevent a bottleneck. However, it was also noted that the current Covid 19 situation had placed a significant workload upon the College's Health & Safety Officer. In response to a discussion of the monitoring of actions for items 1.1 and 1.1.1 the Principal agreed that she would ask for an update on both areas at SMT.

2.7/19.20 Risk Register Update

Governors observed that there were inconsistencies between the register of curriculum risks presented at Curriculum & Standards Committee and the curriculum risks included on the full register received by the Audit Committee. It was agreed that an executive summary or progress tracker for each Committee and for the Board would be highly beneficial. There needed to be a way of tracking what was happening to risks and some accompanying narrative. The Committee noted that this was a recurring request and acknowledged the workload it would place upon the Consultant Director of Finance. It was suggested that perhaps the Chairs of the Committees or just the Chair of Audit Committee could meet with the Consultant Director of Finance to discuss a possible format. It was reported that it was intended that one master risk register be populated for Audit which would automatically generate sub-registers for C&S and F&GP Committees.

In looking at the detail of the register it was noted that at C&S Committee it was suggested that differential scoring be introduced for English and maths with the risk score for English being reduced. It was also suggested that perhaps despite all the good work undertaken by the College to mitigate wellbeing risks the rise in suicidal ideation and mental health issues in general might lead SMT to consider whether the risk score for wellbeing should be increased. Such examples of Committee led changes to the register were the types of items that should be picked up in an executive summary. The Principal reflected that the Covid 19 outbreak now needed to be included on the register with its significant and widespread risks.

Having raised the coronavirus outbreak the Committee asked the Principal for an update on action taken at the College. The Principal agreed to give a full update to the April Board but highlighted that she held regular virus incident meetings with SMT and that she had conducted a deep clean of the College that weekend as although the College had not had a case they had had a staff member reporting symptoms. The College would be holding a remote working day on Friday where staff would work from home and students would work online. The College would remain open until otherwise advised by the DfE but it was sensible to test remote working and online delivery. All staff were being issued with a laptop to enable home working and it was expected that the number of staff self-isolating which was currently 17 would increase. The College would enforce a compulsory shutdown for a 2 week Easter break with all staff required to take annual leave. The Principal explained that as a community college FCoT would also look to play its part in serving the wider community in whatever ways could prove beneficial as it had resources to support vulnerable groups such as catering for the elderly or homeless.

Action: Consultant Director of Finance to review the format of the risk register and introduce an executive summary/progress tracker.

Ms Raynes left the meeting.

2.9/19.20 Confidential matters of report by the Principal

The Principal briefed the Committee on two staffing matters where staff had left the College.

2.10/19.20 Confidential minutes of the meeting held 26th November 2019

The restricted circulation confidential Part 2 minutes of the last meeting were accepted as a true and accurate record and were signed by the Chair. The Clerk confirmed that the internal audit for capital projects had been brought forward to 2019/20 as requested.

2.11/19.20 Any other business

The Committee agreed that the blend of virtual and actual attendance had worked well and been a positive test for future such meetings during the coronavirus outbreak. They noted that the coming weeks would bring challenges and wished everyone the best at this difficult time.

The Committee noted that this was Ms Megeney’s last meeting and thanked her for all her hard work on the Committee.

2.12/19.20 Date and time of next Audit Committee meeting

Tuesday 16th June 2020 at 9.15am.

The meeting closed at 11.52 am.

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

Signed:.....

Dated:.....

Summary of action points

Item	Action
2.5 Internal Audit Services Reports	<ul style="list-style-type: none">• Committee Chair to recommend approval of the IAS Reports for February 2019 to the Board.• Clerk to include a presentation from the Computer Services Manager on the summer Audit Committee agenda.
2.8 Risk Register Update	Consultant Director of Finance to review the format of the risk register and introduce an executive summary/progress tracker.