

AUDIT COMMITTEE

AGENDA NOTICE

Audit Committee Meeting
Date: Tuesday 15th March 2022
Time: 9.15am
Venue: Online

- 2.1 Opening of Meeting and Apologies for Absence**
- 2.2 Declarations of Interest**
- 2.3 Minutes of the last Audit Committee meeting held 23rd November 2021**
Part 1 Appendix 2.3
- 2.4 Matters arising from the minutes:**
Chair of Audit Committee Appendix 2.4

INTERNAL AUDIT TRAINING

- 2.5 RSM Training Session - The scope of work of audit committees and internal auditors in college corporations**
Presentation by RSM Appendix 2.5

INTERNAL AUDIT

- 2.6 Internal Audit Services Report**
Report by Director of Finance & Corporate Services & RSM Appendix 2.6
- 2.7 Outstanding Internal Audit Action Points**
Report by Director of Finance & Corporate Services Appendix 2.7

RISK REGISTER

- 2.8 Risk Register Update**
Report by the Director of Finance & Corporate Services Appendix 2.8

POLICY UPDATES

- 2.9 Fraud & Irregularity Policy**
Report by the Director of Finance & Corporate Services Appendix 2.9
- 2.10 Public Interest Disclosure (Whistleblowing) Policy**
Report by the Director of Finance & Corporate Services Appendix 2.10

Auditor to leave the meeting

CONFIDENTIAL ITEMS

- 2.11 Minutes of the last Audit Committee meeting held 23rd November 2021 (cont)**
Part 2 Confidential with restricted circulation Appendix 2.11
- 2.12 Confidential Matters of Report by the Principal (restricted to External Governors & the Principal & the Director of Finance & Corporate Services)**
Verbal report by the Principal
- 2.13 Date & Time of the next Audit Committee meeting**
Tuesday 21st June 2022 at 9.15am

DISTRIBUTION LIST

Committee

Mr J Francis – Chair
Mrs S Chapman
Mr N Crippa
Ms J Houzer
Dr F Oduneye

In attendance

Ms V Barrett – Principal
Mr P Makwana – Director of Finance & Corporate Services
Ms E Gipson – RSM
Ms C Gillam – Clerk to Corporation

Farnborough College of Technology

Audit Committee

Minutes of meeting held on Tuesday 15th March 2022

Present:

Mr J Francis – Chair (initially via video conference then from late item 2.5 audio conference)
Mr N Crippa - (via video conference)
Dr F Oduneye - (via video conference)

In Attendance:

Ms V Barrett – Principal (via video conference)
Mr P Makwana – Director of Finance & Corporate Services (via video conference)
Ms E Gipson – RSM (via video conference) - left after item 2.10
Ms C Gillam – Clerk to the Corporation (via video conference)

Quorate: Yes

The meeting opened at 9.15am

2.1/21.22 Opening of Meeting and Apologies for Absence

Apologies were received and accepted from Mrs Chapman and Ms Houzer. It was noted that due to rising covid cases in College the meeting had been moved from hybrid to online attendance only.

2.2/21.22 Declarations of Interest

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

2.3/21.22 Minutes of the meeting held 23rd November 2021

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

2.4/21.22 Matters arising from the minutes

The Committee received the progress report on matters arising and noted that the Principal's Report would contain details of staff vacancies. The Principal reported that she had discussed students' IT risks with the Computer Services Manager who had advised that many of the security improvements benefitted students as well as staff for example the introduction of dual factor authentication and cyber security training. It was agreed that a report on IT issues would be brought to the summer Audit Committee meeting. The Principal added that there was a heightened risk regarding cyber security due to the conflict in Ukraine.

The Director of Finance & Corporate Services gave an update on the potential use of software to support the presentation of the risk register. Such systems were very costly and did not offer much benefit. The Internal Auditor had confirmed in the report on risk management included in agenda item 2.6 that the College's existing systems for the risk register were effective.

2.5/21.22 RSM Training session – The scope of work of Audit Committees and Internal Auditors in College Corporations

Ms Gipson gave a presentation on the updated guidance published by the ESFA regarding the role of Audit Committees and how Internal and External Auditors work with them. The main role of the Audit Committee is to scrutinise the robustness of the internal control framework and all colleges, regardless of their model of governance, are required to have an Audit

Committee which must meet termly. The membership of the Committee should be diverse, skilled and experienced and this should be reviewed through regular skills audits. A new requirement was for an Audit Committee to examine value for money and satisfy itself that effective arrangements are in place. Here Ms Gipson cautioned that the cheapest provision did not always represent the best value and thus it was important to have the right tendering processes to evaluate both quality and price. Value for money also incorporated areas such as building utilisation and staff utilisation and with the current crisis in staffing in FE it was evident that staffing costs would increase. Audit Committees would be required to address value for money in their annual opinion to the Board. Governors enquired whether value for money was an area of potential overlap with the work of the Finance & General Purposes (F&GP) Committee. The Internal Auditor agreed that it was, but that the Committees should not duplicate effort. Audit Committee should consider how it would feel assured that F&GP was doing this work e.g. through reading summaries of their work as reported to the Board? It was noted that F&GP minutes are included in the pack of Board papers and thus seen by all Governors, including members of Audit Committee. Governors asked if accountability for value for money could be delegated to F&GP Committee but Ms Gipson advised that Audit Committee was required to give an opinion. That opinion would be informed by a range of assurances from different sources such as F&GP minutes as well as the work of Internal Audit and External Audit. It could, however, be stated that F&GP Committee would look at value for money and the Audit Committee would provide an opinion (based upon a variety of sources) on value for money in its annual report to the Board. The Principal agreed noting that best value went far beyond procurement and it would be helpful at the next Board meeting to discuss how to support Audit Committee to obtain the information it requires to provide its opinion. Governors agreed to formalise that F&GP Committee would look at value for money and this would in turn form part of the Audit Committee's opinion.

Turning to the role of the Internal Auditor (IA) Ms Gipson noted that IA reports on a programme of work that covers both financial and non-financial aspects and which has been agreed in advance with the management of the College. A full audit opinion can be given, depending upon the programme of work, but this should not be the only form of assurance a College receives. Other forms of assurance may include the work of the External Auditors, an ESFA funding audit, an Ofsted inspection, a Health & Safety inspection and so forth. Moving on to what the Audit Committee requires from its IA it was noted that this would include either an audit opinion (or for a smaller programme of works what is called a 'programme of agreed upon procedures'), assurances regarding the College's risks, and honest and clear communication with the IA as a critical friend. New ethical standards had been introduced regarding External Audit (EA) to ensure the independence of the EA. The Director of Finance & Corporate Services enquired whether this would affect EA conducting the Teachers' Pension audit but Ms Gipson noted that this work was not affected and EA could continue its work in that area. Governors asked whether there was any statutory reporting in the area of environmental sustainability and if this was an area where IA could assist. Ms Gipson noted that it was a relatively new area to education and companies were starting to include environmental sustainability in their audits. The DfE would be publishing sustainability objectives for the sector in 2023 and the Association of Colleges had included a section on environmental sustainability in its updated Code of Good Governance for English Colleges.

Due to technical difficulties Mr Francis moved from video conference to audio conference.

The Principal added that the College had commissioned a report on environmental sustainability which would be brought to the Corporation Board.

2.6/21.22 Internal Audit Services Reports

The Director of Finance & Corporate Services introduced the first two reports of the 2021/22 Internal Audit Plan for Risk Management and HR Processes for Starters and Leavers. Both areas had received substantial assurance with three low priority actions for management for both reports. One of the low priority actions for the Risk Management report concerned the

risk scoring mechanism as there were instances where the total gross risk score was lower than the total net risk score. This could give the appearance that mitigating actions were having a negative impact. But the Director of Finance & Corporate Services explained that in an area of risk such as the staffing crisis the external factors had changed so significantly in year that the net risk score had increased during the year. The IA had suggested that for such circumstances both the gross and net risks should be increased at the same time, but FCoT procedure was to increase the net risk to reflect a snapshot in time and leave the gross risk unchanged. Ms Gipson added that this was a matter of presentation. Internal Audit was confident that the College is actively monitoring its risks but there was a discussion as to how this should be presented within the risk register and hence it had been identified as a low priority action. Governors agreed that this was a documentation issue. With the turbulence of world events a case could be made for greater dynamism in updating gross risk scores and Dr Oduneye observed that his employer does this every 6 months. The deterioration of the external environment was something that businesses had little or no control over and was not a reflection of the effect of mitigating actions. Governors and management debated how to capture this noting that FCoT procedure had been to reflect the severity of a risk through a changing net risk score, with the gross risk a fixed point taken at the start of an academic year. Yet this had led to certain cases where the net risk was now much higher than the gross risk. The Principal concluded that she was happy to take the Internal Auditor's advice and move to adjust gross as well as net risk scores. She added that in the case of recruitment many mitigating actions had been tried and a variety of new approaches were being adopted and so the Committee would be able to see progress once the Term 3 scores were reported. But it was also important to flag the external context which was beyond the College's control.

The Director of Finance & Corporate Services noted that the last two reports of the 2020/21 Internal Audit Plan had been circulated to the Committee covering Business Continuity (lessons learned from Covid) and Board assurance. However, the wrong report had been circulated for Board assurance and the correct report would be circulated via email to the Committee after the meeting. The Business Continuity report had received substantial assurance with no management actions.

Governors returned to the report on HR Processes noting that there was no mention of safer recruitment practices in the report. Ms Gipson explained that she did not think it was included in the scope of that particular report but she would check and amend the report.

Actions:

- Committee Chair to recommend approval of the four IA Reports to the Board.
- Director of Finance & Corporate Services to adjust the gross risk scores for the two highest rated risks concerning staffing.

2.7/21.22 Outstanding Internal Audit Points

The Director of Finance & Corporate Services reported on progress made with Internal Audit action points. Progress would be verified by the Internal Audit team at a meeting the following week and reported to Audit Committee in its summer meeting.

2.8/21.22 Risk Register Update

The Director of Finance & Corporate Services introduced the latest register for 2021/22 which comprised 14 risks: 6 with a net score of 9; 6 with a net score of 12; 2 with a net score of 20. The two highest scoring risks both concerned staff: recruitment and retention, and increased staff absences due to the ongoing pandemic. Governors noted that the key to the pictorial table stated 'management of the risk needs major improvement' for the 6 orange risks in the graphic. It was agreed that the key was incorrect as these risks were relatively stable and so the key should be amended. Governors noted that the two staffing risks with a net score of 20 had increased from a gross score of 12 (recruitment and retention) and 16 (staff absences).

This illustrated the discussion which had taken place under agenda item 2.6 that the net scores were driven by external circumstances such as Brexit and covid. Governors asked the Principal for an update regarding the College's staffing situation. The Principal noted that changes to isolation requirements meant that staff were no longer required to isolate if a family member has covid which helped. Two staff had returned to work with long covid but were improving. Recruitment of staff continued to present challenges and was not helped by the behaviour of recruitment agencies. A new approach being taken by the College in Digital was to invite final year HND students to explore teaching and two students had given a micro teach and were being supported with a bespoke training programme to provide further teaching. An IT technician was also providing some Digital teaching, as was the Associate Director of Learning Information Services who was a former IT lecturer. The Principal believed that by the end of the month the Digital area would be fully staffed and thanked existing staff members in the team for their support and hard work to provide cover whilst additional arrangements were being put in place. Business, Travel & Tourism was another area that had seen staffing difficulties but these should be addressed by the end of the month. Ex-servicemen and women were being approached to assist teaching the Public Services area, but Construction still represented a huge recruitment challenge. Agency staffing costs were now well beyond budget and staffing issues were made more acute by any covid related absences. Governors noted that there were global economy problems so the cost of living crisis would remain in the short to medium term and this in turn put pressure on jobs. Governors enquired whether using technology for remote teaching could be explored further as this would open up a wider pool of potential lecturers beyond the local area. The Principal agreed that the idea had merit but the Government required teaching for 16-18 learners to be face to face in College. The situation was less prescriptive for HE and adults and so hybrid teaching models could be looked at there. One strategy being adopted by the College was immersive learning and teaching 60 students the same module in one lecture theatre. Another idea being explored was online marking of assignments assisted by artificial intelligence as reducing the marking load would free up teaching time for lecturers. The Principal noted that a report on this project could be brought to both the Audit and Curriculum & Standards Committees. It was a longer term project and lecturers would be required to quality control the marking but the risk of staff feeling threatened by technology would also need to be managed. Governors added that another factor would be to ensure no loss of quality from the students' experience of assessment. There was a careful balance to be struck between efficiencies in the sector and learning effectiveness. The Principal added that only grade 1 teachers would be used to teach large immersive classes or oversee online marking.

Governors enquired as to pay strategies to improve staff retention and the Principal advised that a paper exploring potential remuneration strategies was being brought to F&GP Committee and then to the April Board. The College was exploring a sustainable means of awarding annual pay rises that kept pace with rising inflation. Governors added that non-monetary incentives were also important as staff who were happy in their working environment were less likely to leave. Having purposeful work and opportunities to grow were important. The Principal agreed and gave some examples which had been adopted.

Finally Governors requested an update regarding the two cyber security related risks risk 4 and risk 14 in the register. It was agreed that the Computer Services Manager would be invited back to speak to the Committee as he had in November 2020 to provide an update and that this should be an annual agenda item for the Committee.

Actions:

- Director of Finance & Corporate Services to amend the key to the risk register pictorial.
- Principal to invite the Computer Services Manager to the June Audit Committee meeting to present on cyber security.

2.9/21.22 Fraud & Irregularity Policy

The Director of Finance & Corporate Services presented the updated policy which had no substantive changes.

Action: Committee Chair to recommend approval of the Fraud & Irregularity Policy to the Board.

2.10/21.22 Public Interest Disclosure (Whistleblowing) Policy

The Director of Finance & Corporate Services presented the updated policy which had minor changes. He noted an error on the cover which stated that a change had been made regarding safeguarding but this was incorrect and would be removed from the cover before it went to the Board.

Action: Committee Chair to recommend approval of the Public Interest Disclosure (Whistleblowing) Policy to the Board.

Ms Gipson left the meeting.

2.11/21.22 Confidential minutes of the meeting held 23rd November 2021

The confidential Part 2 minutes of the last meeting were accepted as a true and accurate record. The Committee Chair agreed to sign the minutes and scan them in for the Clerk to receive electronically.

2.12/21.22 Confidential matters of report by the Principal

This item was a confidential minute.

2.13/21.22 Date and time of next Audit Committee meeting

Tuesday 21st June 2022 at 9.15am.

The meeting closed at 11.05 am.

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

Signed:.....

Dated:.....

Summary of action points

Item	Action
2.6 Internal Audit Services Reports	<ul style="list-style-type: none"> • Committee Chair to recommend approval of the four IA Reports to the Board. • Director of Finance & Corporate Services to adjust the gross risk scores for the two highest rated risks concerning staffing.
2.8 Risk Register Update	<ul style="list-style-type: none"> • Director of Finance & Corporate Services to amend the key to the risk register pictorial. • Principal to invite the Computer Services Manager to the June Audit Committee meeting to present on cyber security.
2.9 Fraud & Irregularity Policy	Committee Chair to recommend approval of the Fraud & Irregularity Policy to the Board.

2.10 Public Interest Disclosure (Whistleblowing) Policy	Committee Chair to recommend approval of the Public Interest Disclosure (Whistleblowing) Policy to the Board.
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