

## AGENDA NOTICE

**Audit Committee Meeting**  
**Date:** Tuesday 21<sup>st</sup> June 2022  
**Time:** 9.15am  
**Venue:** Online

- 3.1 Opening of Meeting and Apologies for Absence**
- 3.2 Declarations of Interest**
- 3.3 Part 1 minutes of the last Audit Committee meeting held 15<sup>th</sup> March 2022**  
Chair of Audit Committee Appendix 3.3
- 3.4 Matters arising from the minutes**  
Chair of Audit Committee Appendix 3.4

### PRESENTATION

- 3.5 Cyber Security**  
Presentation by Ben Travers, Computer Services Manager

### INTERNAL AUDIT

- 3.6 Internal Audit Services Reports**  
Report by Director of Finance & Corporate Services & RSM Appendix 3.6
- 3.7 Outstanding Internal Audit Action Points**  
Report by Director of Finance & Corporate Services & RSM Appendix 3.7
- 3.8 Internal Audit Plan 2022-23**  
Report by Director of Finance & Corporate Services & RSM Appendix 3.8

### EXTERNAL AUDIT

- 3.9 External Auditors 2021/22 Accounts Audit Plan**  
Report by Mazars & Director of Finance & Corporate Services Appendix 3.9

### RISK REGISTER, CODE OF PRACTICE & POLICY UPDATES

- 3.10 Post-16 Audit Code of Practice**  
Report by Director of Finance & Corporate Services Appendix 3.10
- 3.11 Anti-Bribery Policy Update**  
Report by Director of Finance & Corporate Services Appendix 3.11
- 3.12 Risk Management Policy Update**  
Report by Director of Finance & Corporate Services Appendix 3.12
- 3.13 Risk Register Update**  
Report by Director of Finance & Corporate Services Appendix 3.13

*Auditors to leave the meeting*

### CONFIDENTIAL

- 3.14 Any Confidential Matters of Report**  
Verbal report by the Principal
- 3.15 Minutes of the last Audit Committee meeting held 15<sup>th</sup> March 2022 (cont.)**  
Part 2 Confidential with restricted circulation Appendix 3.15
- 3.16 Date & Time of the next Audit Committee meeting**  
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## **DISTRIBUTION LIST**

### Committee

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

### In attendance

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

## Farnborough College of Technology

### Audit Committee

Minutes of meeting held on Tuesday 21<sup>st</sup> June 2022

Present:

Mr J Francis – Chair (via video conference)  
Mrs S Chapman - (via video conference)  
Mr N Crippa - (via video conference)

In Attendance:

Ms V Barrett – Principal (via video conference)  
Mr P Makwana – Director of Finance & Corporate Services (via video conference)  
Mr B Travers – Computer Services Manager (via video conference) – left after item 3.5  
Ms E Gipson – RSM (via video conference) - left after item 3.13  
Ms N Wakefield – Mazars (via video conference) - left after item 3.13  
Ms C Gillam – Clerk to the Corporation (via video conference)

Quorate: Yes

*The meeting opened at 9.18am*

*The agenda order was changed as follows.*

#### **3.5/21.22 Presentation – Cyber Security**

Mr Travers, Computer Services Manager, gave a presentation on cyber security at FCoT. He began by explaining the current security landscape, informing the Committee that FE institutions have been targeted with multiple cyber attacks recorded. These attacks varied in impact but could result in the loss of business data and systems going offline. Since the situation in the Ukraine the National Cyber Security Centre (NCSC) has advised of an elevated threat level for the UK. Mr Travers said that there were a number of sources of help including the NCSC, National Institute of Standards and Technology (NIST), Joint Information Systems Committee (JISC), blue chip vendors such as Microsoft and Sophos, and the company Modulo2 which employs Mr Travers and supports a number of colleges and companies. NCSC has published a list of 10 steps to cyber security and Mr Travers explained where the College was for each step:

*Risk Management* – local risk analysis is performed in the Computer Services department monthly and this feeds through to the College wide risk register. An IT Risk Management policy is in place.

*Engagement & Training* – termly cyber awareness training is provided for staff and this year termly cyber security training has also been provided to students. The College now has multiple Microsoft Educators in place which builds digital skills.

*Asset Management* – the College tracks all of its assets in a tool called 'Asset explorer' which is also used to manage contracts across the College.

*Architecture & Configuration* – the College works with Modulo2 which has experience in implementing secure architectures. FCoT's proposed new infrastructure will have a smaller IT footprint onsite with more hosted in the cloud. Mr Travers shared a series of graphics illustrating how since 2017 the College had moved from having more onsite servers and less stored in the cloud, to the proposed new infrastructure of more in the cloud and less on site. This would mean that there would be fewer things that could go wrong onsite.

*Vulnerability* – the number of college endpoints continues to grow which increases the required number of licenses for endpoint security. The College would be moving to a cloud managed antivirus solution. New requirements from next year will mean that all devices which have access to company data have to be secure which will include bring your own devices.

*Identity & Access Management* – all identity and access management controls are reviewed and periodic reviews of access ensure the least privilege principle is applied.

*Data Security* – the majority of College data sits within Microsoft 365 with a Microsoft 365 backup in place and a third external backup solution. There are some monitoring controls in place to monitor data leaving the College but this is not currently enforced.

*Logging & Monitoring* – this is enabled for all core systems and all monitoring alerts are sent to Mr Travers or the Computer Services Supervisor. Some organisations send such alerts to an external service to sort through and prioritise but FCoT does not.

*Incident Management* – all IT incidents are tracked through the College's IT helpdesk. The Computer Services department recently reviewed its incident management process.

*Supply Chain Security* – where possible the College works with known brands so that controls are in place.

### Governors' questions and comments

Governors enquired what attendance rates were like for cyber security training for both staff and students. Mr Travers explained that the student training took place in tutorials and so was well attended. Governors suggested that it would be helpful to track attendance rates. More information was requested on the Microsoft Educators and Mr Travers explained that they were staff who had completed the requisite amount of training on the Microsoft Educator platform who could then use their skills to teach other staff. The numbers of such trained staff had increased in the past two years. The Principal added that although this did not specifically support cyber security it raised digital awareness and upskilled staff in key Microsoft applications and from that growing IT confidence greater cyber awareness grew. Governors enquired whether the move towards more systems being hosted on the cloud made IT harder or easier to manage. Mr Travers reflected that it was about the same, but greater cloud use brought benefits such as secure platforms managed by Microsoft. Governors challenged whether this was a risk as if Microsoft was hacked would the College's vulnerability be increased? Mr Travers advised that this was not the case as Microsoft invest millions annually in cyber security and has the capacity to better deal with a cyber attack than one college. It has multiple back ups and can do a better job of protecting FCoT's data than the College can with its limited resources. The Internal Auditor noted that many clients were seeing an increase in cyber attacks although success rates were not high. Mr Travers agreed noting that the College's firewall has hundreds of probes a day. Governors asked for more information regarding the monitoring alerts and Mr Travers explained that there are many IT systems and all provide information on how they are working and for example send an email alert to report an error. He can receive 50 such emails a day but some organisations use a third party company to review these emails and flag the ones that require action thus saving their IT department time. Finally Governors questioned how personally involved Mr Travers was with the preparation, review and management of the IT risks. Mr Travers replied that he was totally involved from working through the risks with his IT team to bringing the top level risks through to the main College risk register.

Governors thanked Mr Travers for an excellent presentation. The Principal noted that the presentation would be repeated at the July Board meeting.

*Mr Travers left the meeting.*

### **3.1/21.22 Opening of Meeting and Apologies for Absence**

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Apologies were received and accepted from Ms Houzer.

### **3.2/21.22 Declarations of Interest**

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

### **3.3/21.22 Minutes of the meeting held 15<sup>th</sup> March 2022**

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The Part 1 minutes of the last meeting were accepted as a true and accurate record and would be signed by the Chair.

### **3.4/21.22 Matters arising from the minutes**

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The Committee received the progress report on matters arising noting all actions had been completed.

### **3.6/21.22 Internal Audit Services Reports**

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The Director of Finance & Corporate Services introduced the reports for Key Financial Controls and Learner Number Systems. For Key Financial Controls substantial assurance had been given with no management actions. The RSM Internal Auditor drew attention to the data analytics included in Appendix A of the report which provided interesting additional information such as duplicate transactions with no concerns raised and the highest value transactions FCoT has for information with no concerns raised. The Learner Number Systems report raised one medium priority action and five low priority actions for management. The medium priority action concerned post May 2017 apprenticeship funding and identified one instance of the College being unable to evidence it had collected the co-investment from the employer. The Internal Auditor noted that such issues were found in post May 2017 apprenticeship funding in other FE colleges as the apprenticeship framework is complex and constantly changing. Other than that RSM noted examples of compliance with funding rules.

#### Governors' questions and comments

Governors asked what the recommendation was to resolve the issue identified in apprenticeship funding. The Internal Auditor explained that the employer co-investment has to be collected by the College and recorded properly. In this instance the College's database was incorrect as it had flagged a company as a small employer when it was not. The effect would be twofold in that the College would not then collect the money it was owed and also that the College would not be able to collect the apprenticeship completion payment. It was noted that the employer themselves had accidentally ticked the 'small employer' box which led to the error on the database. The Internal Auditor noted that it was an isolated case and if there was a systematic weakness the auditors would have expected to have found other instances. Governors enquired where the liability would lie given that the employer had ticked the wrong box. The Internal Auditor said that the ESFA would view this as the College's liability. Governors asked how such employer inaccuracy could be identified by the College. The Internal Auditor noted that as well as running regular reports from the database (which would not identify such an issue), the College should undertake its own deep dives, similar to that conducted by the auditors, to check the data held. Here for example that would mean checking that the correct information was captured in the employer's contract. The Director of Finance & Corporate Services added that as reported on page 34 of the board pack the Apprenticeship department has now enhanced its checking mechanisms.

**Action:** Committee Chair to recommend approval of the two IA Reports to the Board.

### **3.7/21.22 Outstanding Internal Audit Action Points**

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The Internal Auditor reported that work on follow-ups for the year was complete and had been signed off by RSM. She had attended the Board meeting on 13<sup>th</sup> June where the final advisory actions on the Board Meeting Observation report had been discussed and this was now completed.

### **3.8/21.22 Internal Audit Plan 2022-23**

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The RSM Internal Auditor presented the draft Internal Audit Plan for 2022/23 noting that a similar approach had been taken to previous years in that it had been prepared following

discussion with management, scrutiny of the risk register, and consideration of known sector issues. Two risk based assurances would cover Teaching Staff Utilisation, and Budgeting and Financial Planning, core assurance would review Governance, and the standard items of Learner Number Systems and Follow Up would complete the planned activity. The number of audit days had not changed from 2021/22 although the day rate fee had increased.

#### Governors' questions and comments

Governors asked if the two risk based assurances were taken from the risk register. The Internal Auditor replied that they had been taken from the version of the risk register available at that time (i.e. not the new register) and the text in italics under each item was transferred from the risk register. Governors asked if the risks represented two of the highest risks and the Internal Auditor noted that the Teaching Staff Utilisation was one of FCoT's highest risks. Financial health was not such a high a risk in that FCoT was a financially stable college but this was an area that it was wise to periodically check. Governors enquired what the increase was in the day rate for internal audit services and the Internal Auditor replied it was an increase of about 6%.

**Action:** Committee Chair to recommend approval of the Internal Audit Plan 2022-23 to the Board.

### **3.9/21.22 External Auditors 2021/22 Accounts Audit Plan**

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The Mazars External Auditor presented the Accounts Audit Plan for 2021/22 which was along similar lines to previous years and had been discussed with the Director of Finance & Corporate Services and the Head of Finance. She explained that the additional work on funding and learner numbers which had taken place last year to test ESFA income would continue this year. Additional work would also be undertaken on Pension Schemes this year.

#### Governors' questions and comments

Governors questioned whether the additional testing of ESFA income was likely to remain. The External Auditor replied that she thought it likely that it would now remain to be repeated every year. The Director of Finance & Corporate Services noted that as Internal Audit conducts a Learner Numbers audit every year this provides some reliance and so fewer checks are required from External Audit. The External Auditor agreed that any work undertaken by Internal Audit reduced the size of the sampling undertaken by External Audit, although some External Audit sampling would always have to take place.

**Action:** Committee Chair to recommend approval of the External Auditors 2021/22 Accounts Audit Plan to the Board.

### **3.10/21.22 Post-16 Audit Code of Practice**

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The Director of Finance & Corporate Services drew attention to the updates to the Post-16 Audit Code of Practice.

### **3.11/21.22 Anti-Bribery Policy Update**

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The Committee noted the updated Policy and recommended it to the Board for approval.

**Action:** Committee Chair to recommend approval of the updated Anti-Bribery Policy to the Board.

### **3.12/21.22 Risk Management Policy Update**

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The Director of Finance & Corporate Services drew attention to a change to the scoring of risks from four to three colour grading so that each risk could be RAG rated.

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

### **3.13/21.22 Risk Register Update**

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The Principal informed the Committee that she had met with the Chairs of C&S, Audit and F&GP Committees to discuss the new look risk register. The previous register contained too much detail captured in A3 spreadsheets with very small font. Whilst this might be suitable for a large multinational company the document needed to be owned by SMT and be effective for the purpose of their risk management. This simpler and clearer risk register contains a column to capture comments on delivery and effectiveness whilst the front cover summarises what has taken place. A change has been made to table 1 on the cover following feedback from the Chair of C&S Committee to include reference to the risk numbers, and a link to the relevant enabling goal from the Transformation Plan has been included following feedback from the Chair of F&GP Committee. The Principal added that she was considering reducing the risk score for risk 9 concerning inability to recruit and retain staff as the staffing situation had improved. The impact of the risk would remain high but the likelihood was now probably less. Finally the Principal apologised that the risk register had been issued late but noted that this reflected the ongoing work and revisions which had taken place following the Ofsted inspection.

#### Governors' questions and comments

Governors praised the new risk register which was clear and easy to read and thanked the Principal and Director of Finance & Corporate Services for their hard work. One further suggestion for improvement was to include in table 1 on the cover sheet a couple of words to give the context for each of the red risks as this would give a headline of the highest risks without needing to refer to the detail of the risk register. The cover sheet was praised as an executive summary which provided the information that Governors need. Another suggestion was that as net risk scores have been removed and this is a live and dynamic document perhaps the word 'gross' should be removed from the risk register to simply leave 'score'. Finally on the risk register the column detailing change could be simplified to show trending up or down as the cover does.

The Principal sought feedback from the auditors and the Internal Auditor commented that the new document was easier to review and easier to focus upon those risks tracking upwards. She added that the format of risk registers varied across the sector but this one included all the information that was required.

*Ms Gipson and Ms Wakefield left the meeting.*

### **3.14/21.22 Confidential matters of report by the Principal**

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*This item was a confidential Part 2 minute.*

### **3.15/21.22 Confidential minutes of the meeting held 15<sup>th</sup> March 2022**

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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.

### **3.16/21.22 Date and time of next Audit Committee meeting**

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This would be confirmed after the July Board meeting.

*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**

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<b>Item</b>	<b>Action</b>
3.6 Internal Audit Services Report	Committee Chair to recommend approval of the two IA Reports to the Board.
3.8 Internal Audit Plan 2022/23	Committee Chair to recommend approval of the Internal Audit Plan 2022-23 to the Board.
3.9 External Auditors 2021/22 Accounts Audit Plan	Committee Chair to recommend approval of the External Auditors 2021/22 Accounts Audit Plan to the Board.
3.11 Anti-Bribery Policy Update	Committee Chair to recommend approval of the updated Anti-Bribery Policy to the Board.
3.12 Risk Management Policy Update	Committee Chair to recommend approval of the updated Risk Management Policy to the Board.
3.14 Confidential matters of report by the Principal	<ul style="list-style-type: none"> <li>• Principal to bring the investigation report to the November Audit Committee.</li> <li>• Director of Finance &amp; Corporate Services to include staff wellbeing in the brief for the Internal Audit Staff Utilisation review.</li> </ul>