

AUDIT COMMITTEE

AGENDA NOTICE

Audit Committee Meeting

Date: Monday 21st November 2022

Time: 5 – 7pm

Venue: Online

- 1.1 Opening of Meeting and Apologies for Absence**
- 1.2 Declarations of Interest**
- 1.3 Minutes of the last Audit Committee meeting held 21st June 2022**
Part 1 Appendix 1.3
- 1.4 Matters arising from the minutes:**
Chair of Audit Committee Appendix 1.4
- 1.5 Review Committee Terms of Reference and Committee Effectiveness**
Chair of Audit Committee Appendix 1.5

INTERNAL AUDIT

- 1.6 Internal Audit Services Reports**
Report by the Director of Finance & Corporate Services & RSM Appendix 1.6
- 1.7 Outstanding Internal Audit Action Points**
Report by the Director of Finance & Corporate Services & RSM Appendix 1.7
- 1.8 Internal Audit Annual Report for 2021/22**
Report by the Director of Finance & Corporate Services & RSM Appendix 1.8

EXTERNAL AUDIT

- 1.9 Regularity Self-Assessment Questionnaire**
Report by the Director of Finance & Corporate Services Appendix 1.9
- 1.10 Regularity Audit Report & Financial Statements Audit Management Report**
Report by the Director of Finance & Corporate Services & Mazars Appendix 1.10

AUDIT COMMITTEE

- 1.11 (Draft) Audit Committee Annual Report for 2021/22 to Corporation & Principal**
Chair of Audit Appendix 1.11
- 1.12 Post 16 Audit Code of Practice Update**
Report by the Director of Finance & Corporate Services Appendix 1.12

RISK REGISTER

- 1.13 Risk Register 2022/23**
Report by the Director of Finance & Corporate Services Appendix 1.13

Auditors to leave the meeting

CONFIDENTIAL ITEMS

- 1.14 Minutes of the last Audit Committee meeting 21st June 20212 (cont.)**
Part 2 Confidential with restricted circulation Appendix 1.14
- 1.15 Auditors Performance Review 2021/22 – Confidential**
Report by the Director of Finance & Corporate Services Appendix 1.15
- 1.16 Any confidential matters of report by the Principal**
Report by the Principal Appendix 1.16
- 1.17 Any Other Business**
1. Any items for discussion under AOB must be sent through in advance to the Clerk.
2. To agree the 2/3 key items from the meeting for the Chair to report on at the December Board
- 1.18 Date & time of the next Audit Committee meeting**
Monday 13th March 2023 at 5pm

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 Monday 21st November 2022

Present:

Mr J Francis – Chair (via video conference)
Mrs S Chapman - (via video conference)
Mr N Crippa - (via video conference) - left early item 1.13
Ms J Houzer - (via video conference)

In Attendance:

Ms V Barrett – Principal (via video conference)
Mr P Makwana – Director of Finance & Corporate Services (via video conference)
Mr T Parker – RSM (via video conference) - left after item 1.13
Ms N Wakefield – Mazars (via video conference) - left after item 1.13
Ms C Gillam – Clerk to the Corporation (via video conference)

Quorate: Yes

The meeting opened at 5.07pm

1.1/22.23 Opening of Meeting and Apologies for Absence

There were no apologies.

1.2/22.23 Declarations of Interest

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

1.3/22.23 Minutes of the meeting held 21st June 2022

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

1.4/22.23 Matters arising from the minutes

The Committee received the progress report on matters arising and noted that all actions had been completed.

1.5/22.23 Review Committee Terms of Reference and Committee Effectiveness

No amendments were made to the Terms of Reference.

1.6/22.23 Internal Audit Services Report

The Director of Finance & Corporate Services notified the Committee that the Internal Audit assignments would commence from January 2023 with teaching staff utilisation, and budgeting and financial planning, followed in March 2023 by governance, learner number audit, and follow-up. The Director of Finance & Corporate Services noted that as requested by the Committee wellbeing had been added to the teaching staff utilisation review. Mr Parker from RSM was welcomed to the meeting and Mr Parker explained that he would be attending the Committee meetings to cover Ms Gipson's maternity leave.

Governors' questions and comments

Governors requested further detail as to what a staff wellbeing audit would cover. Mr Parker explained that whilst the scope for FCoT's audit of this area had not yet been agreed with management, RSM had conducted such reviews in other colleges looking at aspects such as the ways in which a college monitors wellbeing, the offer available to staff to support wellbeing,

and how such an offer is communicated, documented and its usage. Governors enquired where in the Board's Committee structure wellbeing is reported and the Principal advised that this fell under the general purposes remit of the Finance & General Purposes Committee.

1.7/22.23 Outstanding Internal Audit Action Points

The Director of Finance & Corporate Services introduced the paper tracking the implementation of the actions raised from prior audits and invited Mr Parker to speak to the detail. Mr Parker explained that this was a report prepared by the College and in the follow-up review undertaken by Internal Audit in March 2023 RSM would look at the evidence behind the implementation of the actions. Mr Parker observed that most of the actions arose from the 2021/22 review of Learner Number Systems (LNS) and these actions would also be picked up in the 2022/23 review of LNS. It was noted that apprenticeship testing for LNS next year would change fairly substantially due to changes in funding rules. Overall good progress had been made with the actions.

Governors' questions and comments

Governors enquired whether the College's new part-time provision would be reviewed under the LNS audit and the Principal noted that all 16-18 provision would be reviewed by the Internal Auditors so this would naturally also include the new part-time provision. She added that as one of the first colleges to adopt the new apprenticeship standards the College was better placed than those adopting the standards for the first time in 2022/23. Mr Parker agreed that apprenticeship audits were generally difficult due to the complexity of the funding rules and normally resulted in a lot of management actions. He observed that FCoT was performing ahead of the sector average in terms of its management actions for LNS and that most of the actions here were largely paperwork issues. The Principal noted that when the new standards came in in 2017/18 the College realised the gravity of the risk to its apprenticeship funding and tightened up its paperwork. There was always room for improvement but at least FCoT was ahead of the curve.

1.8/22.23 Internal Audit Annual Report for 2021/22

Mr Parker advised the Committee that the Internal Audit opinion which had been given was the second highest and that it was extremely difficult to secure the highest rated opinion. Less than 5% of RSM's client base were given the highest rated opinion as this required almost no management actions. Therefore the College was in a good place with this opinion which was based upon its governance, risk management and internal controls. Good progress had been made in the follow-up actions and Appendix B of the report set out the summary of internal audit work completed during the year and the levels of assurance given.

Governors' questions and comments

Governors enquired why there was no assurance opinion given for LNS. Mr Parker explained that this was an advisory report. RSM follows the ESFA methodology for auditing learner numbers and reviews about 30 out of thousands of possible learners. It is not practical to test the number that would be required to give an audit opinion, but a full report is prepared which has advisory status. This is the normal practice for all colleges. Governors asked why this was different to some of the other areas such as Key Financial Controls where an assurance opinion had been given. Mr Parker explained that it was possible to undertake more testing, and thus give an opinion, for financial controls. For LNS every learner file can be huge and there are about 20 tests per learner file concerning eligibility, start and end dates and learner support funding so there are multiple paperwork points. Internal Audit complete their review in the manner of a mock ESFA audit and so select 30 learners per funding stream. An action plan and detailed report is then prepared. If the ESFA conducted their own audit they would not provide an opinion either but a factual report. Unlike the ESFA report, the Internal Audit report on LNS also reports on good points so presents a rounded picture to management and then the Audit Committee. The Principal added that the RSM audit was also just a snapshot of a

moment in time. The College has rolling enrolments throughout the year for apprenticeships and adults so it would not be possible for the Internal Auditor to give an opinion when they could not see everything. The Committee however could be assured that management monitor the advisory reports closely and address the actions arising. Governors enquired whether there was any best practice from other colleges that could provide an additional level of assurance for LNS? Mr Parker advised the Committee that the College was working to a good standard and the advisory reports do reference best practice where applicable. The College could commission a report with an audit opinion for a specific area of LNS such as learner support funding, but as no significant risks have been identified for LNS it is hard to see that this would add value. The Director of Finance & Corporate Services added that both Mazars and RSM are amongst a handful of audit firms approved by the ESFA to conduct LNS audits. RSM as the College's Internal Auditor conduct a review of LNS annually and now Mazars at the External Auditor are also required to conduct some LNS testing as part of their Audit completion work so the Committee can be reassured that both firms are experienced in this area. Ms Wakefield agreed noting that initially Mazars check that the Internal Audit of LNS has taken place and then test samples in addition to that work which provides the College with an additional layer of review.

Action: Committee Chair to recommend approval of the Internal Audit Annual Report for 2021/22 to the Board.

1.9/22.23 Regularity Self Assessment Questionnaire

The Director of Finance & Corporate Services introduced the questionnaire known as the RSAQ and invited Ms Wakefield to speak to the detail. Ms Wakefield explained that the questionnaire was completed by the College and then would be signed by the Principal and the Chair of Corporation with the Financial Statements following approval at the December Board meeting. Mazars' role as External Auditors was to check that the College's responses to the questionnaire were substantiated with evidence.

Governors' questions and comments

Governors noted that whilst this was an annual document it would be helpful to have any specific changes from previous years' returns highlighted in the future. The Principal noted that whilst there had been changes to the RSAQ in 2020/21, there were relatively few amendments this year. Governors noted that there was a duplication error at the top of page 9.

Action: Committee Chair to recommend approval of the Regularity Self Assessment Questionnaire to the Board.

1.10/22.23 Regularity Audit Report & Financial Statements Audit Management Report

Ms Wakefield presented the External Auditor's report on the audit of the 2021/22 Financial Statements noting that it was a very clean report. She thanked the Director of Finance & Corporate Services and his team for their assistance noting that they were well prepared to answer queries and had produced a good quality set of financial statements. There were no concerns raised in the areas of management override of controls, depreciation and FRS 102. The report noted that there was bad debt provision of £75k but that the majority of the year end debtor balance related to very recent debts or debts not due. There were no internal control recommendations and only one misstated item which was a correction between balance sheet categories. All that remained was some additional work on pensions and a final review of points.

Governors' questions and comments

The Committee was pleased to receive such a positive report and noted that an adjustment of £61k to the Financial Statements was an extremely good result. Governors enquired when the final work would be completed and Ms Wakefield advised that work would be finalised the week of the Board meeting. Governors enquired whether there was a concern regarding the College's provision for bad debts and Ms Wakefield replied that there was not a material misstatement and the College's debt provision has been made on a reasonable basis. The Committee was pleased to recommend approval of the report to the Board.

Action: Committee Chair to recommend approval of the Regularity Audit Report to the Board.

1.11/22.23 Draft Annual Audit Committee Report for 2021/22 to the Corporation & Principal

The report was received and approved. The Chair noted that the sections highlighting substantial changes would be removed from the report when sent to the Board.

Action: Committee Chair to recommend approval of the Audit Committee Report to the Board.

1.12/22.23 Post 16 Audit Code of Practice Update

The Director of Finance & Corporate Services noted that the Post 16 Audit Code of Practice which had been updated in April 2022 had been further updated in September 2022. The paper set out the minor changes to the document for the Committee's information.

1.13/22.23 Risk Register Update 2022/23

The Director of Finance & Corporate Services introduced the risk register in the new format agreed by the Committee.

Mr Crippa left the meeting.

He reminded the Committee that F&GP Committee review the financial risks and Curriculum & Standards Committee review the curriculum risks, but that Audit Committee review all the risks. All risks are monitored by SMT. Progress report information will be populated from next term.

Governors' questions and comments

Governors noted that there were 14 amber rated risks. Ms Houzer as Chair of the Curriculum & Standards Committee commented that at their recent meeting they had suggested the inclusion of an additional risk and changes to the likelihood score for C3 and C7 from 3 to 4. The Principal noted that the amendments suggested by that Committee would be incorporated into the risk register when it came to the December Board meeting. Mr Parker observed that it was good practice to see Committees being assigned risks and making recommendations in this way.

Governors commented that under the previous Principal the first risk on the risk register was the risk of the College losing its Ofsted outstanding status, and enquired whether the spirit of that risk needed to be incorporated into the risk register. The Principal advised that the College was now in a different place regarding such a risk, but that Curriculum & Standards Committee had discussed the dangers of complacency.

Mr Parker enquired if the risk score was a residual score and the Director of Finance & Corporate Services explained that following a lengthy discussion at a previous Audit Committee meeting it had been agreed to move away from residual risk and have a single score that reflected a snapshot in time, and then monitor progress between terms. The previous scoring system had made it look like despite all the mitigating actions being taken by the College, a risk score was increasing and the actions were having no impact, when it was external factors that were more at play. Regarding one such risk the Principal advised the Committee that substantial work

had taken place over the summer to recruit staff to Engineering, Business and IT. Construction recruitment was still a challenge but the situation overall had improved. Governors were pleased to note this but asked how well staffed support areas were. The Principal noted that there were no issues and support staff were embracing integrated technology which has helped staffing in areas such as Finance, HR and MIS.

Turning to risk F6 Governors enquired whether capacity issues would be addressed by the new Property Strategy. The Principal agreed and advised that the new Hart Centre would give the College capacity to grow.

Overall the Committee praised the new format of the register, and felt that 14 risks was a manageable size for future monitoring.

Mr Parker and Ms Wakefield left the meeting.

1.14/22.23 Confidential minutes of the meeting held 21st June 2022

The confidential Part 2 minutes of the last meeting were accepted as a true and accurate record and would be signed by the Chair.

1.15/22.23 Auditors Performance Review 2021/22 - Confidential

This item was a confidential minute.

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

1.16/22.23 Any confidential matters of report

This item was a confidential minute.

1.17/22.23 Any other business

The Committee agreed to raise with the Board the encouraging audit position set out in the Internal Audit Report, the clean External Audit Report, and its discussions regarding the risk register.

1.17/22.23 Date and time of next Audit Committee meeting

Monday 13th March 2023 at 5pm.

The meeting closed at 6.22 pm.

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

Signed:.....

Dated:.....

Summary of action points

Item	Action
1.8 Internal Audit Annual Report 2021/22	Committee Chair to recommend approval of the Internal Audit Annual Report for 2021/22 to the Board.
1.9 Regularity Self Assessment Questionnaire	Committee Chair to recommend approval of the Regularity Self Assessment Questionnaire to the Board.
1.10 Regularity Audit Report	Committee Chair to recommend approval of the Regularity Audit Report to the Board.
1.11 Draft Annual Audit Committee Report	Committee Chair to recommend approval of the Audit Committee Report to the Board.
1.15 Auditors Performance Review	Committee Chair to recommend approval of the Internal and External Audit Performance Review Assessments to the Board.