AUDIT COMMITTEE

AGENDA NOTICE

Audit Committee Meeting **Date:** Monday 13th March 2023 **Time:** 5 - 7pm **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 21st November 2022**
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 – Cyber Security Risk**
Presentation by RSM

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

2.8 **Benchmarking Report**
Report by Director of Finance & Corporate Services & RSM   Appendix 2.8

RISK REGISTER

2.9 **Risk Register 2022/23**
Report by the Director of Finance & Corporate Services   Appendix 2.9

Auditor to leave the meeting

CONFIDENTIAL ITEMS

2.10 **Minutes of the last Audit Committee meeting held 21st November 2022 (cont)**
Part 2 Confidential with restricted circulation   Appendix 2.10

2.11 **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 March Board

2.12 **Date & Time of the next Audit Committee meeting**
Monday 19th June 2023 at 5pm

Farnborough College of Technology

Audit Committee
Minutes of meeting held on Monday 13th March 2023

Present:
Mr J Francis – Chair (via video conference)
Mrs S Chapman - (via video conference) - from item 2.3, left during item 2.6 and returned during item 2.8, left late item 2.9
Mr N Crippa - (via video conference) - left late item 2.5
Ms J Houzer - (via video conference)
Ms K Yeomans (via video conference)

In Attendance:
Ms K Benelwa – RSM (via video conference) – left after item 2.5
Mr P Makwana –Director of Finance & Corporate Services (via video conference)
Mr T Parker – RSM (via video conference) - left after item 2.9
Ms C Gillam – Clerk to the Corporation (via video conference)

Quorate: Yes

The meeting opened at 5.07pm

2.1/22.23   Opening of Meeting and Apologies for Absence
No apologies were received from Committee members, although it was noted that the Principal had given her apologies. The Chair welcomed Ms Yeomans to her first Audit Committee, and welcomed Ms Benelwa as a guest presenter from RSM.

2.2/22.23   Declarations of Interest
No declarations of interests were noted in relation to the agenda items.

2.3/22.23   Minutes of the meeting held 21st November 2022
Mrs Chapman joined the meeting.
The Part 1 minutes of the last meeting were accepted as a true and accurate record and would be signed by the Chair.

2.4/22.23   Matters arising from the minutes
The Committee received the progress report on matters arising and noted that all actions had been completed.

2.5/22.23   RSM Training Session – Cyber Security Risk
Mr Parker noted that his RSM colleague Ms Benelwa had been invited to the meeting to provide a training session to the Audit Committee on cyber security and technology risk issues.

Ms Benelwa explained that she was part of the technology risk assurance team at RSM and had worked as an IT auditor for 10 years. She had particular experience in supporting clients in the non-profit sectors such as education, charities and the NHS. Her presentation would cover three areas: the current cyber security landscape, key risks in the education sector, and how to safeguard your organisation. She invited Governors to ask questions during the presentation to make the session as interactive as possible.

Cyber security landscape
Ms Benelwa shared the following key statistics:
- 95% of cyber security breaches are down to human error

- £7.5 trillion global cost of cybercrime
- £195 billion projected cost of ransomware expected by 2031
- 39% outdated security technology used by organisations
- 4 million cyber security jobs unfilled worldwide
- currently ransomware attacks every 11 seconds – this is expected to rise to every 2 seconds by 2031.

Vulnerabilities in the education sector included using out of date operating systems, ineffective patch management, lack of password controls, insufficient security and awareness training, privileged access issues, and lack of guidance regarding bring your own devices.

Q. If bringing your own devices leaves some of the education sector open to risk, what is the situation like at FCoT?
PM. Since the pandemic the College has provided lots of laptops to learners. The College does allow learners to use their own devices and uses Azure for learners to access Microsoft products and College systems which has its own firewall. There have been no incidents involving personal devices and network security to date.

Q. What percentage of learners bring their own devices to College?
PM. Figures are not to hand but it seems more common for learners to use the College provided laptops. However, many learners also use their phones.

Q. Are any of the specific vulnerabilities listed for the education sector more significant than the others?
KB. All are equally significant and are interconnected.

The Director of Finance & Corporate Services informed Governors that the College's own laptops could only download authorised applications and were wiped nightly. The risk register on page 71 of the meeting pack under risk F2 set out the controls used to protect the College's IT systems such as various firewalls. The College also employs an external consultant company Modulo2 to keep the College's IT systems up to date. All College emails carry fluorescent yellow warnings with a reminder not to open unknown attachments. Yet despite every precaution taken there was the possibility that an organisation over its lifetime could be infiltrated by a cyber hack.

Q. What is the College's insurance position regarding a ransomware attack?
PM. The College's insurance does cover cyber security and ransomware threats. However insurance will not pay the cost of a ransom.

Key risks in the education sector
Ms Benelwa explained that one of the reasons why education was a target for cyber crime was that there were more routes to data, more data in transit, technology controls might not be in place and misuse of social media. The Director of Finance & Corporate Services noted that when the College shares information with Internal and External Audit they use the file sharing platform Huddle. This protected sensitive data such as the HR files sent as part of the recent Internal Audit review of staff utilisation. Ms Benelwa added that data is valuable and common cyber threats included ransomware, phishing, whaling, malware and identity theft.

Q. Is the College still conducting its own phishing tests?
PM. Yes.
Governors noted that it would be helpful to know if the response to the phishing tests was getting better or worse to indicate levels of awareness.

Ms Benelwa noted that cyber attacks could come from inside or outside the organisation, be thieves or just curious or mischievous individuals.

Q. Is there a kitemark for cyber security for colleges to work to?
KB. The National Cyber Security Centre publishes 10 steps to cyber security which is similar to a government standard, and addresses the 10 areas that organisations should address. The Clerk reminded the Committee that the College's former Computer Services Manager had presented against those 10 steps to the Committee in June 2022 and agreed to circulate that presentation. The Director of Finance & Corporate Services added that the College also has Cyber Essentials Plus certification.

Ms Benelwa noted that third parties such as an external consultancy can bring their own risk of exposure so the College should always consider how to manage such companies' access to their data and know how the data is being protected. The College should make sure safeguards are in place. The Director of Finance & Corporate Services agreed but also noted that Modulo2 were well known in the IT sector and have good credentials.

How to safeguard the organisation
To conclude the presentation Ms Benelwa suggested ways in which to safeguard an organisation. These included having strategies and procedures in place, threat modelling, physical penetration testing, cyber exposure testing, phishing exercises, breach readiness preparation and digital footprint and mapping.
Mr Crippa left the meeting.

The Committee thanked Ms Benelwa for an informative presentation.
Ms Benelwa left the meeting.

Action: Clerk to circulate the 2022 Computer Services Manager's presentation to members.

2.6/22.23   Internal Audit Services Report

The Director of Finance & Corporate Services introduced the first audits of the 2022/23 year. He reminded the Committee that staff wellbeing had been added to the programme following the Committee's request in November. Mr Parker took the Committee through the Staff Utilisation and Wellbeing report first noting that this was a good report for the College. The report was split to cover each area and the assurance opinion was also split. Staff utilisation was often a difficult area for the sector but the College had performed well, with reasonable assurance given and only 4 low priority management actions largely around developing documentation. Turning to page 21 of the pack on effectiveness Mr Parker noted that the sector goal for utilisation was 95% so for FCoT to have results at 100% or over could reflect capacity and staff recruitment issues. Mr Parker reported that the BDD bar on the graph at 149.1% was an anomaly as this covered only one member of staff. The next highest area was the Enterprise, Creative and Sports faculty with 43 staff and a staff utilisation of 107.9%. There was no evidence of poor utilisation in any of the faculties. Given that utilisation rates were high, it was appropriate to also review staff wellbeing. Mr Parker directed the Committee's attention to the graphic on page 22 showing utilisation staff bandings and observed that the majority of staff were in the green categories between 90 and 110% utilisation. For the bands highlighted in red at the bottom of the graphic this was more likely to reflect errors or anomalies. The College should focus its attention on the small number of staff in the red bands at the top of the graphic showing over utilisation and look at recruitment in these areas and staff wellbeing. The Director of Finance & Corporate Services added that the College has a range of small and large class sizes, and all curriculum delivery is agreed with the Vice Principal overseeing each faculty area. The College's staff to income ratio is one of the lowest in the sector. The management actions recommended in the audit were mainly formalising processes.

Mrs Chapman left the meeting.
Mr Thomas concluded that the College's staff utilisation audit report was good and did not contain the underutilisation seen elsewhere in the sector which would be of greater concern. As the Director of Finance & Corporate Services had just observed, the actions were to formalise the control framework. Turning to the staff wellbeing section of the report he noted that there was much good practice here. The audit report had given substantial assurance and there were three low priority management actions covering formalising the draft Wellbeing policy, detailing support mechanisms and reporting through F&GP Committee.

Turning to the Budgeting and Financial Planning audit report MR Parker reported that substantial assurance had been given. The auditors had reviewed the controls and effectiveness for example the accuracy of budget predictions and the explanations for any variations. The conclusion was that the budget process works effectively and there was one low priority management action to formalise the budget timetable for next year.

Governors' questions and comments
Governors congratulated the College on two good reports with a small number of low priority management actions and approved recommending the reports to the Board.

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

2.7/22.23   Outstanding Internal Audit Action Points
The Director of Finance & Corporate Services advised that there were no material changes to the summary of outstanding actions from the equivalent paper presented to the Committee in November 2022. RSM would conduct a review of the implementation of the actions in April and the report would be updated for the Committee in June.

2.8/22.23   Benchmarking Report
Mr Parker advised the Committee that the benchmarking report assessed the College against all other FE clients for whom RSM provides a service. The review encompassed a client base covering 243 individual assignments that resulted in an assurance opinion. Comparisons were given both to the FE sector and broken down by types of college. Page 4 of the report showed that FCoT was ahead of the sector for assurance levels, and page 6 showed that FCoT was ahead of the sector for low priority management actions. A few medium priority actions for the College in 2019/20 had been above the sector average. Pages 8-9 gave a thematic overview of high priority actions across the sector and the text in red noted a student records action for the College in its Learner Number Systems audit report in 2021/22. Page 10 showed that FCoT was ahead of the sector for internal audit annual opinions.
Mrs Chapman returned to the meeting.
Mr Parker added that whilst the report showed that 18% of clients had received the highest annual opinion in 2021/22, it should be noted that none of these clients were in the south-east region.

The Committee received the report with thanks.

2.9/22.23   Risk Register 2022/23
The Director of Finance & Corporate Services presented the 2022/23 risk register. There were now 14 most significant risks compared to 15 in term 1. This was due to a previous finance risk being deleted as it replicated a curriculum risk. 12 out of the 14 risks were amber rated and due to lagged reporting the comments on effectiveness reported on term 1. Between term 1 and term 2 the C3 and C6 risks had changed from red to amber and the F4 and F5 risks had changed from amber to green. The Director of Finance & Corporate Services reminded the Committee that F&GP Committee reviews the financial risks and Curriculum & Standards Committee reviews the curriculum risks, and SMT monitor all.

Governors' questions and comments
Ms Houzer as Chair of the Curriculum & Standards Committee commented that at their meeting last week the C&S Committee was happy with the two risk changes from red to amber. She added that the Committee had recommended that the risk register be shared with the College's EDI Committee in order that they look at the risks through the prism of EDI. This was a soft approach rather than a hard data approach, but it was felt that the EDI Committee might have valuable insights regarding whether any particular groups would be more impacted by certain risks.

Governors requested further detail on the College's current position regarding the funding risk F4. The Director of Finance & Corporate Services advised that 16-18 funding would not change in-year and AEB was on target. Income overall has decreased by £250k but salary costs have decreased by an equivalent amount due to the Hart College not being operational this year. This will therefore have a nil effect on the bottom line. A paper to the F&GP Committee later this week will set out that the budget forecast of £303K surplus is now forecast to be £167k but the College does have contingencies to counter.

Governors praised the format of the executive summary to the risk register and acknowledged the work involved to develop it to this point. However, it was suggested that adding a short summary for each risk e.g. 'continuing labour shortages' alongside its risk number would help Governors with referencing. This would be especially helpful for the non-Audit Committee Governors on the Board when the full risk register is discussed at Board meetings. After discussion, it was agreed that adding such detail would distract from the clarity of the scoring overview tables, but would be helpful in the main text. Mr Parker noted that such a summary to help identify the risks had been given in point 3.6 in the executive summary, but could also have been added to point 3.2. The Director of Finance & Corporate Services cautioned that there was a danger of misinterpreting a risk when a summary was used, but in conclusion Governors agreed that a brief description of each risk in brackets in the narrative of the executive summary would be a helpful consideration going forward.

Finally, Governors requested an update on the current situation regarding risk C7 (attracting staff). The Director of Finance & Corporate Services noted that in some areas the situation had improved but some vacancies remained.
Mrs Chapman left the meeting.
Mr Parker added that this risk was red rated for many in the sector as the public sector was struggling to compete in vocational areas with the pay awards in industry.

Mr Parker noted that he was happy to consider suggestions from the Committee for any areas from the risk register to include in the 2023/24 internal audit programme.
Mr Parker left the meeting.

2.10/22.23 Confidential minutes of the meeting held 21st November 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.

2.11/22.23 Any other business
The Committee agreed to raise with the Board the clean bill of health in the two Internal Audit Reports, and the Committee's risk register focus.

Governors requested an update regarding the situation with the length of contract remaining for the Internal and External Auditors. The Director of Finance & Corporate Services noted that both RSM and Mazars were appointed on a 5 year contract comprising 3 years + 1 + 1. The final year would end next year and thus the College would need to retender mid 2024.

2.12/22.23 Date and time of next Audit Committee meeting

Monday 19th June 2023 at 5pm.

The meeting closed at 6.38 pm.

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

Signed:..

Dated:..

Summary of action points

Item	Action
2.5 Cyber Security Risk presentation	Clerk to circulate the 2022 Computer Services Manager's presentation to members.
2.6 Internal Audit Services Report	Committee Chair to recommend approval of the two IA reports to the Board.