

Approved

EXETER COLLEGE FURTHER EDUCATION CORPORATION

AUDIT AND RISK ASSURANCE COMMITTEE

Minutes of the meeting held on Wednesday 7 March 2018 in the Board, Hele Road, Exeter College

Present Dave Underwood Vice Chair acting as Chair
David Batho
John Coombs
Jo Matthews

Apologies Sarah Brampton
John Laramy
Kate Barczok

In Attendance

<i>To item 6</i>	Rob Bosworth	VP Schools Partnerships and Curriculum
<i>Bar item 6.1</i>	Steve Campion	VP Finance and Business Operations
<i>Item 5.1 only</i>	Mike Blakeley	Director of Apprenticeships & Employer Engagement
<i>Item 4.1 only</i>	Richard Brine	Head of ILS
<i>Bar item 9</i>	Clive Fitzgerald	Tiaa
	Barbara Sweeney	Clerk

1. Welcome, Apologies and Declarations of Interest Action

In the Chair's absence, the Vice Chair took the chair and welcomed colleagues to the meeting. He particularly welcomed Clive Fitzgerald from the Internal Auditors, TIAA

Apologies were received

There were no declarations of interest

2. Minutes

2.1 The minutes of meeting held on 22nd November 2017, as circulated, were agreed and signed by the Chair.

3. Matters arising

3.1 Board Decisions

The report advising what Board actions had been taken on the recommendation of this Committee was received and **noted**.

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There were no other matters arising which were not on the agenda.

Richard Brine, Head of Information Learning Services (ILS), joined the meeting for item 4 only.

4. **Audit Project Reports**

General data Protection Regulations (GDPR)

The report was received and considered. The review, undertaken in December 2017 as part of the planned internal audit work for 2017-18, was to provide assurance that effective plans were in place to comply with the new EU General Data Protection Regulations (GDPR) to be introduced on 25th May 2018, irrespective of Brexit. Breaches could result in significant financial penalties levied by the Information Commissioner. Clive confirmed that the College was well on its way to compliance, that there was good overall knowledge, and a significant amount of information. All agreed recommendations would be completed on time.

The appraisal review tested how the key control and operational practice needed to be addressed to strengthen the control environment. Current practice was aligned with the new legislation on a number of key elements of EU GDPR. The review did not include any compliance testing as legislation was not yet in place. Twenty operational action points were identified, nineteen of which were management actions and one which was an operational effectiveness matter. No recommendations were judged as urgent.

Clive highlighted two recommendations. HR systems had not been updated since 2014 and were a number of versions behind the current release. Unsupported versions risked both security and functionality. The Committee considered this in detail. Was there any benchmark of an optimum time to wait before an upgrade? It was not good practice to be an early adopter of a new iteration. However, neither was it wise to wait until the version was no longer supported. In some sectors suppliers were required to give 24 months' notice for withdrawal of support for a version. Work was underway to address HR and MIS platforms which would support improvements. This would require Board approval for investment.

The second highlighted recommendation related to the designated Data Protection Officer (DPO), and whether there was any conflict of interest with his role as Head of ILS. Could the role be undertaken by a different individual or contracted out. The Committee considered the options and agreed that the current designated DPO was appropriate.

Considering other recommendations, the Committee noted that students should be advised of the introduction of GDPR. What support was planned for staff training? Recognising the value in building this into the curriculum

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to increase learner awareness of the importance of managing personal information, the College had developed internal materials which were shared nationally through the JISC network. The Head of ILS's link with curriculum was via the Learning and Resource Centres. The Senior Curriculum Group (SCG) was responsible for classroom curriculum. The Committee agreed to recommend that the Quality and Standards Committee should request assurance that there was a focus on GDPR awareness within the curriculum. Finally, the Committee was assured that credit card slips recorded only the final four digits of the users' card number.

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Overall the College was well placed and moving towards compliance. There was a good knowledge base and awareness of the impact of GDPR. Clive confirmed that the College was more advanced in preparations than many others he had reviewed, both within and outside the FE sector.

The Committee agreed to

a) Note the report

b) Recommend that the Quality and Standards Committee seek assurance on GDPR within the curriculum

Mike Blakeley, Director of Apprenticeships and Employer Engagement joined the meeting for item 5.1 only.

5. Deep Dive

5.1 Apprenticeship levy and funding

The update was received and the Vice Principal Finance and Business Operations reminded the Committee that at its meeting on 6th October 2017 the Board had agreed a number of risks, proposed by the Board's Committees, for the Audit and Risk Assurance to consider in detail through Deep Dives, with one subject interrogated at each Audit and Risk Assurance meeting. The Apprenticeship Levy had been identified as a key risk and in the intervening months the position had become even more complex and confused.

Mike updated the Committee. The Education and Skills Funding Agency managed delivery of apprenticeships via different contracts for the various elements of apprenticeship delivery. Exeter College had successfully bid for, and been included on the Register of Apprenticeship Providers. This had enabled the College to secure a number of key levy contracts. In addition existing engaged businesses were now taking on multiple apprentices. This resulted in the College bucking the national trend and increasing apprentices against a national picture of declining numbers.

Over the past twelve months the process had increased in complexity, and

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the number of funding pots had increased from two to six. Non-levy tendering from March 2018-April 2019 had stalled and then been reintroduced. It was clear that process for non-levy tendering had not been ideal, and European procurement practice had resulted in significant anomalies in the awarding of contracts, with some awarded to private providers having grade 4 Ofsted ratings and providers which were no longer trading or were bankrupt. Notwithstanding, there were lessons to be learned going forward, when submitting future tenders. Ten colleges including Exeter College had been unsuccessful in the tender process, including four tertiary colleges, and the Committee considered their different approaches in challenging the decision or mitigating the impact.

The College's levy business was strong and growing, and this would mitigate the budget shortfall for 2017-18, together with the fact that most non levy starters were enrolled in the autumn, prior to the March 2018 start of the non-levy contracts. However there was an impact from March 2018 to April 2019, after which the situation reverted to a deregulated market.

The College's Apprenticeship Strategic Group, set up to monitor levy provision, had extended its remit to include non-levy apprenticeships, and several options were under consideration to manage the budget shortfall for 2018-19. The Committee was updated on the favoured options and progress towards them. Given the large number of small and medium size enterprises (SMEs) in the region it was important to manage relationships and communications, and the Committee was assured that the Business Solutions team was proactive. There was strong support from local businesses, aware of the anomaly of the College not being awarded the non-levy contract.

The Committee considered and challenged the range of mitigating options, and there would be further updates to Governors on the preferred solutions to address the budget shortfall. It was also important to plug the gap in curriculum from March 2018. The Committee applauded the sophisticated and lateral thinking to address the issue, but recommended an open mind to the most appropriate solution. The Committee agreed to

a) Note the update

b) Applaud the proactive way the issue had been addressed

c) Agree that lessons had been learned for future tenders

d) Acknowledge the short term challenge of managing SMEs

e) Endorsed continuing investigations of credible long term solutions

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f) Update the Risk Register

College Managers withdrew for Item 4.7

6. Special Items

6.1 Governors Only Item with Internal Auditors

As recommended best practice, Governors received an update from the Internal Auditors without Management in attendance. Despite the fact that only one review had been completed, Clive confirmed that he was not aware of any issues which he should bring to the Committee and that there had been no surprises since securing the tender.

During the review staff had been very helpful and well organised with scheduled meetings and a positive response to requests, at short notice, for additional information and meetings.

Clive updated the Committee on the Internal Audit Strategic Plan and Annual Plan and confirmed scheduled reviews.

The Committee noted the update.

7. Internal Audit Action Plan

7.1 Progress Update

The report was received. Steve summarised the progress against recommendations.

For Business Continuity, the exercise was scheduled for a time of least disruption for the students. There was progress towards the three outstanding actions on the Core Financial Controls, with target dates of July 2018.

The actions resulting from the GDPR review were well in hand and the Committee recommended that this be a standing agenda item to provide assurance.

The Committee agreed to remove the completed actions from the Internal Audit Action Plan and the Committee agreed to:

a) Note the report.

b) Remove completed actions from future reports

Vote: unanimous

8. Risk Management

[http://portal.exe-coll.ac.uk/sites/leadership/gov/staff/Meetings 1718/2. Audit and Risk Assurance/4. 13th June/ARA 070318 approved mins for web.doc](http://portal.exe-coll.ac.uk/sites/leadership/gov/staff/Meetings%201718/2.%20Audit%20and%20Risk%20Assurance/4.%2013th%20June/ARA%20070318%20approved%20mins%20for%20web.doc)

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8.1 Risk Management Update

The report, including the Risk Register, was received. Steve confirmed that it was reviewed by the Senior Leadership Team on 26th February 2018 and included recommendations from the Quality and Standards and Business Services Committees. He updated Governors on the new and amended risks providing the rationale for decisions. For some the narrative of the risk descriptor had been enhanced, in some cases there were additional or updated mitigations and controls and for several the risk rating had been revised. He also confirmed which risks had been removed and why.

The Committee requested that the Internal Audit Strategic plan be mapped to the risk register so that the Committee could be assured that the internal audit function was focusing on the appropriate areas. SC

The Committee agreed to

Recommended the Risk Register to the Board

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Vote: unanimous

9. **Review of Performance of External Auditors 2016/17**

The report was received and considered. Bishop Fleming had completed the first of their contracted 5 years as external auditors, subject to annual review. The Committee scrutinised the draft evaluation document and agreed to amend ratings in two criteria.

Subject to those changes, the Committee agreed

To recommend the reappointment of Bishop Fleming as external auditors for the 2017/2018 financial year to the Board for approval at its meeting on 4 May 2018.

BHS

Vote: unanimous

10. **Reporting and future planning**

10.1 Items to take to Board

The Committee reviewed the agenda and agreed on the items to be reported to the Board at its next meeting on 4th May 2018.

10.2 Items for next meeting

The Committee reviewed the cycle of business for the June meeting and agreed on additional items to be included in the agenda for the next meeting. The External Audit Plan would be received at the June meeting of the Audit and Risk Assurance Committee henceforth. The Committee also requested a further update on progress to actions recommended in the GDRP review.

Approved

11. **Dates of Next Meetings**
Wednesday 13^h June 2018