

Approved

EXETER COLLEGE FURTHER EDUCATION CORPORATION

AUDIT AND RISK ASSURANCE COMMITTEE

Minutes of the meeting held on Wednesday 13th June 2018 in the Board Room, Hele Road, Exeter College

Present Sarah Brampton Chair
Dave Underwood
From Item 4.2 John Coombs

Apologies Jo Matthews
Kate Barczok

In Attendance

	John Laramy	Principal
	Steve Campion	VP Finance and Business Operations
<i>Item 4.1 only</i>	Nick Anderson	Head of Maths and Science
<i>Item 4.1 only</i>	Mike Blakeley	Director of Apprenticeships & Employer Engagement
<i>Items 4.1 and 5 only</i>	Richard Brine	Head of ILS
<i>Item 7 only</i>	Jenny Leach	Assistant Principal
<i>Item 7 only</i>	Toby Coombes	Head of Finance, Funding and MIS
	Nathan Coughlin	Bishop Fleming
	Clive Fitzgerald	Tiaa
	Lily Garth	Clerk (from 1 August 2018)
	Barbara Sweeney	Clerk

1. **Welcome Apologies and Declarations of Interest**

Action

The Chair welcomed colleagues to the last meeting of the Academic year. She particularly welcomed Nathan Coughlin from Bishop Fleming, the External Auditors and Clive Fitzgerald from Tiaa, the Internal Audit Service. Also in attendance as an observer was the Lily Garth, who was the newly appointed Clerk with effect from 1 August 2018. The Chair thanked the outgoing Clerk.

With the resignation of David Batho the Committee was carrying a vacancy.

Apologies were received. The Committee was quorate.

There were no declarations of interest

2. **Minutes**

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2.1 The minutes of the meeting held on 7th March 2018, as circulated, were agreed and signed by the Chair.

3.1 **Board Decisions**

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

All other matters were covered elsewhere on the agenda.

Nick Anderson, Head of Maths and Science, Mike Blakeley, Director of Apprenticeships & Employer Engagement and Richard Brine, Head of Information Learner Services joined for the relevant parts of item 4.1. Richard Brine remained in attendance for item 5 also.

4. **Internal Audit Service**

4.1 Project Reports

The report was received and considered. The reviews were undertaken in April 2018 as part of the planned internal audit work for 2017-18. The Maths and Science Departmental Review was a Compliance Review, and the Apprenticeship Levy and Cyber Security both System Reviews. Based on evaluation and testing of key probity risks each was assessed as providing reasonable assurance, with the system of internal controls generally adequate and operating effectively but with some improvements required to ensure risks were managed and process objectives achieved.

- Maths and Science Departmental Review

There were three important recommendations, with June 2018 completion targets and six routine, with completion targets of July 2018 other than one relating to the Financial Regulations which would be updated at its scheduled review in December 2018. Recommendations were accepted by Management, and Nick updated the Committee on the key controls. The Faculty had moved into new accommodation two years ago and the timing of the review was to provide an opportunity for the Faculty to have systems and processes embedded before independent assurance was sought.

- Apprenticeship Levy

There were two important and three routine recommendations with all, bar one, accepted by Management. This related to the completion of the instalment and final payment information on Apprenticeship Agreements. Predicting when final payment would be taken was dependent on the likely month of completion. All figures were correct in terms of value, but the date of collection was ambiguous. The Committee accepted the justification and noted that apprenticeship funding was challenging and subject to much turbulence and constant change. The College was seen as a sector leader with best practice shared at national forums.

Dates for completion and the responsible officer for accepted actions would be added to the draft report, and it was anticipated that all actions

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would be complete by the academic year end.

- **Cyber Security**

There were five important and one routine recommendations, relating to policy and procedure. Actions plans included updating terminology to reference cyber-crime. This would be completed as documents were due for scheduled review.

The Committee discussed the value of identifying a nominated Governor and member of the Executive with overarching responsibility for managing mitigations of cyber-crime. Across sectors this was seen as best practice. Whilst Terms of Reference for this Committee required a member with specialist IT skills, there was no nominated governor. The Committee debated the benefit of named governors for high risk issues. The Committee was reminded that the College had invested significant resources to mitigate cyber-crime with an internal audit on penetration testing and ongoing operational meetings. The College was the first in the sector to achieve the Cyber Essentials accreditation.

The Chair requested that Management consider further the benefit of a nominated governor. The Vice Principal Finance and Business Operations was the Executive Accountable Officer for Cyber-crime.

The Committee also considered the recommendation relating to gas extraction in subterranean accommodation for a server and the risk of the lack of oxygen in the event of a fire. The Committee challenged whether there was compliance with building regulations and sought further assurance at the next meeting.

SC/SS

The report was noted

The Agenda was reordered, taking item 5 before item 4.2

5. General Data Protection Regulations (GDPR) update

The report was received and considered. Richard highlighted the key issues. To address GDPR a cross College working group had been established to develop a response plan. There had been six meetings prior to the GDPR go-live date on 25 May 2018 and the internal auditors had completed a review of preparedness, which had validated the plan and highlighted key areas for focus, identified gaps and developed policies. There was also the opportunity to learn from good practice.

The two year plan was on track and continued to evolve. The group considered compliance issues and archiving practice, and a key challenge was that whilst many processes were centralised, as a devolved organisation, it was vital to ensure compliance in all areas and effective communication for sharing best practice. Going forward, there would be further focus on processes surrounding data sets, taking into account the

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necessity of 'Privacy by Design' and data protection impact assessments. The Committee sought assurance that any tension with safeguarding issues were managed. Richard provided assurance, confirming that there must always be a single route to a central system.

The internal auditors confirmed that the College was ahead of the curve, not just within the sector but across all sectors which Tiaa served. The Committee commended the inclusion of a GDPR update as a standing agenda item but recommended that KPI metrics be agreed to ensure progress towards full compliance.

SC/RB

The Committee confirmed that it was content with the Risk Register rating. At the request of Governors, GDPR had been identified as a separate risk, and the update provided assurance of controls. There was good engagement cross College and a high level of awareness

The Committee noted the report and agreed that GDPR remain a standing agenda item and that it remain on the Risk Register.

SC/RB

4.2 Summary of Year to Date Internal Audit Service

The update was received and Tiaa confirmed progress against the Internal Audit Programme. There would be no subcontractor review this year given the low value of provision.

The Committee requested that in future a written report be included in the papers, rather than receive an oral update, and that the report be circulated with the draft minutes. It was also recommended that the Internal Audit Plan for the following year be received for recommendation to the Board at the summer meeting of the Committee. Future Internal Audit Reports would be individual to the review rather than a consolidated report.

The Committee

a) noted the Update

b) requested written year to date summary reports in the future

Tiaa

c) requested a written year to date summary report be circulated with the draft minutes of this meeting

Tiaa/
BHS

d) agreed that there be individual Internal Audit Reports for each review rather than a consolidated report

Tiaa

e) Agreed that the Internal Audit Plan for the following academic year be received at the June meeting of the Committee

Clerk

Approved

6. **Internal Audit Action Plan**

6.1 Progress Update

The report was received. Steve Campion, Vice Principal Finance and Business Operations confirmed that the outstanding action from the Business Continuity review to undertake scenario planning was scheduled at the College Leadership Team (CLT) residential later that week. Two outstanding low priority actions from the financial controls review would be completed as part of the year end process.

The recommended actions from the GDPR were considered under item 5.

The Committee agreed to

a) Note the report.

b) Remove completed actions from future reports

Jenny Leach, Assistant Principal and Toby Coombes, Head of Finance Funding and MIS joined the meeting for item 7 only

7. **Deep Dive**

7.1 Adult Funding

The update was received and, using a PowerPoint presentation, Toby and Jenny updated the Committee on the key challenges. Comparing funding between 2012/13 and 2017/18, 19+ adult funding other than apprenticeships had fallen from £3.m to £1m. Following the recession the funding agency (then the SFA) had considered spend, and focussed on employment skills, mainly apprenticeships. Reskilling was a lower priority, and the strategy was to reform qualifications.

The three pronged strategy was to reduce qualifications and make them more focussed, cut allocations and reduce the number of learners who could claim funding, the latter having the greatest impact. Loans were introduced and work based learning would only be funded if an apprenticeship. A graph illustrated the significant proportion of learners no longer eligible for funding.

2012-13 funding in a 2017-18 model illustrated the decline in the Adult Skills Budget, with the majority of funding moved to different funding streams and offset by the rise in apprentices. Access to HE had declined with a 24% reduction in numbers. The nature of learners had also changed with more learners now already having level 3, so that funding came from adult loans. GCSE adult learner numbers had declined with students required to achieve level 2 as 16-18 learners, and saturation of provision. The impact of Brexit on ESOL learners was still unknown.

The challenge was that a significant proportion of allocated funding was

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handed back at the end of the year because of low demand. The issue was common to all colleges and the ESFA was looking to stimulate interest.

Locally, plans to improve adult learner numbers included the development of the new Faculty for Professional and Adult Learning (PALs). There would be a further update at the next Board meeting on 6th July 2018. The strategy was to focus where there was maximum value, such as Access courses, which fitted with local demographics. In an area with almost full employment there was an opportunity to promote higher skills for progression to better employment. This was supported by targeted marketing. There would also be a focus on what was most popular. Opportunities also included using data analytics to identify new markets and utilising the Adult Bursary to target eligible individuals.

The Committee commended the update. What would success look like? A reduction to within 10% of funding handed back to the ESFA was a clear ambition. This was challenging given the reduction in potential learners. With unfilled courses hitting the bottom line, it was not wise to chase small numbers and profit margins. Increasing subcontracting also carried risk.

The Committee noted the update.

8. **Financial Statements Audit Plan for year ending 31 July 2018.**

The report detailing Bishop Fleming's Audit Plan for the forthcoming audit of the statutory accounts was received. Nathan Coughlin from Bishop Fleming highlighted the key points.

It was the External Auditor's responsibility to form an opinion on whether the Financial Statements gave a fair and true view and that they were completed in accordance with International Standards on Auditing and the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency (ESFA). There was also a responsibility to consider whether any funding received from public bodies had been used appropriately through testing controls around regularity and propriety. The audit would also consider materiality and whether the financial statements were free from material misstatements.

Based on knowledge of the College and known sector issues, significant risks which the audit would test included management override of controls, revenue recognition (given the complexity of revenue streams), accounting for capital projects, (including testing whether grants were allocated to the correct year), and key estimates and assumptions including pension assumptions. These risks were seen to have the greatest impact on accounts.

The College had acquired a new company, The Alternative Curriculum

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Services Limited (ACS). Although acquisition was not material, there would be a decision on whether to consolidate the company into the financial statements. Balances could be excluded on the grounds of materiality. There were a number of significant capital projects and some of the works would go over year end. The audit would test capital expenditure so that it was recognised in the correct financial period. Pension assumptions would be tested against actuarial benchmarks.

Ethical standards required that there was a declaration of independence by the auditors as to their objectivity and independence in carrying out the audit, with safeguards to minimise such threats together with reasons as to why they were sufficient. Nathan confirmed that the auditors had supported the College with a number of projects. Independence would be maintained through having named auditors undertaking separate functions.

The Committee challenged whether testing performance of ACS would have merit, but was assured that the acquisition was to manage the College's non levy provision, and that the contract would be novated to the College.

The Committee confirmed that it was content with the scope of the audit, and agreed to:

Recommend the External Audit Plan to the Board on the 6th July 2018.

Vote: Unanimous

9. **Risk Management**

The report was received and considered. The revised Risk Management Policy, which was due its biennial review, included amendments to risk management processes (as requested by Governors), changes to the format of the risk register and an updated schedule of key dates in the risk management cycle.

The Senior Leadership Team (SLT) had reviewed and updated the Risk Register at its meeting on 4th June 2018 to include amendments requested by Governors. Steve highlighted the changes to ratings and mitigations, and provided justification for decisions. The Committee considered further the risks associated with GCSE English and maths, specifically the management of the examination process. Whilst controls had been effective, the Committee requested further assurance and a better understanding of the mitigations around the risk and recommended Clerk that this be the subject of a future Deep Dive.

The Committee agreed to:

a) To recommend the revised Risk Management Policy to the

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Board on 6th July 2018

b) To receive and recommend the updated Risk Register to the Board on 6th July 2018

10. Value for Money Annual Report

The annual report was received and provided data on the College's metrics, measuring quality performance and value for money against the national average. The Committee also received the Education and Skills Funding Agency (ESFA) Financial Dashboard as further evidence of external assurance.

Data showed that the College was providing Value for Money, when benchmarked against national data on success, student recruitment and resources.

There was pressure on staff costs and, with almost full employment in the area, recruitment and retention remained a challenge. The Committee was concerned that the College fell below the national FEC median for cash days in hand and recommended that the Business Services Committee scrutinise this further at its next meeting on 25th June 2018 and there be an update to the next meeting of this Committee.

The Committee agreed to:

Clerk

Note the Report

11. Special Items

11.1 Post 16 Audit Code of Practice (March 2018)

The report was received and the Chair reminded the Committee that the Board had received and approved the updated Post 16 Audit Code of Practice at the last Board. Relevant amendments included the requirement that no staff governors sit on Audit Committees.

The Committee noted the Post 16 Audit Code of Practice (March 2018)

11.2 Membership of Audit Committee 2018-19

The report was received and considered. Given that the Audit Committee must remain independent in appointing its members in accordance with the Post 16 Audit Code of Practice, the Search and Governance, which had considered the membership of the Audit and Risk Assurance Committee at its meeting on 16th April 2018, recommended approval by the Committee of the circulated membership.

The Committee agreed to

Approve the Audit Committee membership for 2018-19.

Approved

Vote: Unanimous

12. **Committee Self Evaluation**

The report was received. The Board had agreed the process for Committee Self-Assessment, comprising feedback from Governors' individual self-evaluation forms, and a review of the Committee's year at the last meeting of the academic year. A copy of the previous year's QIP was circulated as a resource and strengths and areas for improvement for the current year were identified. The discussion would form the basis of a narrative, to be produced by the Clerk and considered at the autumn meeting of the Committee.

The Committee noted the report.

13. **Future Meetings**

13.1 Items to take to Board

The Committee reviewed the cycle of business for the September meeting. A Deep Dive on the management of the English and maths GCSE examinations would be included.

BHS

13.2 Items to take to Board

The Committee agreed on the items to be reported to the Board at its next meeting on 6th July 2018.

14. **Dates of meetings for 2017/18**

Wednesday	19th	September	2018
Wednesday	21st	November	2018
Wednesday	6th	March	2019
Wednesday	12th	June	2019