

## EXETER COLLEGE FURTHER EDUCATION CORPORATION

### AUDIT AND RISK ASSURANCE COMMITTEE

#### Minutes of the meeting held on Wednesday 21 November 2018 in the Board, Hele Road, Exeter College

##### **Present**

Sarah Brampton  
Dave Underwood  
John Coombs  
Jo Matthews

Chair from item 7.1  
Chair to item 7.1

##### **In Attendance**

*All bar item 7.7* Kate Barczok  
*All bar item 7.7* Steve Campion  
Nathan Coughlin  
Barbara Sweeney

College Accountant  
Executive Director Finance & Resources  
Bishop Fleming  
Clerk to the Corporation

##### **Apologies**

John Laramy  
Michelle Pugh  
Tiaa

- |   | <b>Action</b> |
|---|---------------|
| 1. <b>Welcome Apologies and Declarations of Interest</b><br>With the delay of the Chair, the Vice Chair welcomed colleagues to the meeting, which was the annual meeting at which the Committee considered the Key Issues Discussion Document (KIDD) and Letter of Representation relating to the Statutory Accounts for recommendation to the Board. He particularly welcomed Nathan Coughlin from Bishop Fleming.<br><br>Apologies were received. Since there were no internal audit reports to be received at the meeting Tiaa also sent apologies.<br><br>There were no declarations of interest. | Action        |
| 2. <b>Minutes</b><br>The minutes of meeting held on 19 <sup>th</sup> September 2018, as circulated, were agreed and signed by the Chair.  | Action        |
| 3. <b>Matters arising</b><br>3.1 Board Decisions<br>The report advising what Board actions had been taken on the recommendation of this Committee was received and <b>noted</b> .   | Action        |
| 3.2 Subterranean Server – compliance with best practice.<br>Steve Campion updated the Committee on a risk which had been identified during the Cyber Security review in 2017-18. Within the Maths and Science building the server's subterranean location, whilst compliant with building regulations, posed a risk. There would be a further update to the next  | Clerk         |

meeting in March 2019, with a cost effective solution identified.

- 3.3 The Clerk reminded the Committee that it had agreed to a self-assessment rating of good and strengths and even better ifs at the last Committee meeting. The narrative emanating from that discussion and resulting Quality Improvement Plan was received and, subject to including a more detailed plan and dates for one of the actions, agreed it as an accurate reflection of the discussion for inclusion in the Governance SAR. BHS

3.4 Committee Terms of Reference

The revised Terms of Reference for the Committee were received, and included the latest recommendation from the Audit Code of Practice stipulating that staff governors may not be members.

Given the size of membership, the Committee discussed the risk of not being quorate. The Audit Code of Practice stated that Audit Committees should be independent in determining membership\*. It was therefore agreed that the Committee would consider membership for recommendation to the Board at its next meeting in March 2019, the Chair having consulted with the Search and Governance Committee regarding skills at its next meeting in January 2019. The Chair would also propose that, from June 2019, Audit and Risk Assurance Committee meetings be scheduled on a Monday, in line with all other committees. Clerk

*\*Post meeting note: Governors who are Members of the Business Services Committee may not sit on the Audit and Risk Assurance Committee. This should be factored in to any recommendations on membership.* SB

The Committee agreed to

**Recommend the revised Terms of Reference to the Board at its meeting on 7<sup>th</sup> December 2018.** BHS

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

**4. Risk Management Update**

4.1 Risk Register

The revised Risk Register, update by the Senior Leadership Team on 19<sup>th</sup> November 2018, was received and considered. Steve Campion updated on changes to risks, including new risks, amended mitigations and risk ratings. There was particular focus on HE student recruitment, staff recruitment, non-levy apprenticeships, the Flybe Academy and IT security.

The Committee agreed to

**Recommend the updated Risk Register to the Board on 7<sup>th</sup> December 2018.** Clerk

*Vote: unanimous*

4.2 Annual Report to the Corporation

The report was received. Steve Campion, VP Finance and Business Operations, confirmed that the Annual Report summarised the activity relating to risk management for the year. The date of the latest Policy review was corrected.

Tiaa, the Internal Auditors, had completed a review of Risk Management in 2017-18 assigning a judgement of substantial assurance. One recommendation was that the Risk Register should record risks which had been removed with the justification.

Significant risks within the year linked to Faculty and Departmental risk registers and the Quality and Resource Review Days demonstrated strong triangulation.

The Committee agreed to:

**Recommend the Risk Management Annual Report to the Board for approval at its meeting on 7th December 2018.**

BHS

*Vote: unanimous*

5. **Audit and Risk Assurance Committee Annual Report to Corporation**

The report was received and the Committee considered the draft which would be presented to the Board in order for it to confirm in the Financial Statements the adequacy and effectiveness of the College's system of risk management, controls and governance process.

The Committee agreed that the report was an accurate reflection of the work of the Committee during the year. The Committee agreed to

**Recommend the Audit Committee Annual Report to the Board for approval at its meeting on 7<sup>th</sup> December 2018.**

*Vote: unanimous*

6. Education and Skills Funding Agency (ESFA) Funding Audit

The update was received and Steve confirmed that the College had received the draft report but that the still awaited final report would come to the next Clerk meeting in March 2019.

Numerous management actions had been recommended and there was also substantial input needed from the Finance Team following the fieldwork. The Head of Finance Funding and MIS and Director of Apprenticeships and Employer Engagement were particularly commended.

The overall outcome was a refund of circa £10k to the College.

**The Committee noted the update**

7. **Financial Statements - Confidential**

7.1 Key Issues Discussion Document (KIDD)

The report was received and Nathan Coughlin, Bishop Fleming, updated the Committee on the Key Issues Discussion Document. He confirmed that the auditors had completed the fieldwork and received all that was required to be able to issue a clean audit opinion subject to Board approval of the financial statements, the post balance sheet events and receipt of the letter of representation.

Nathan gave an overview of the process. Using a RAG rating of the audit process, readiness for the audit, quality of working papers and availability of staff were all green. Key accounting issues had been discussed early in readiness for the audit, and there were ongoing improvements to the fixed asset register, which had the potential to impact on the financial statements.

The Audit Plan was unchanged from that agreed by the Committee on 13<sup>th</sup> June 2018 and subsequently approved by the Board. The report summarised the significant risks identified and the work completed to address the risks. There were no management override of controls and no significant issues in revenue recognition. No issues were identified in accounting for capital projects and capital grant funding, with income allocated to the correct period for summer works.

During the year the College had acquired a company with a non-levy apprenticeship contract. This had not been consolidated into the main accounts for the College and had been treated as an investment, which was not material to the financial statements. The scale and complexity of the sale of Wear Barton had generated material sales proceeds and although complex to define the proportion of asset, this was treated as a disposal in the financial statements.

There had been considerable progress in updating the fixed asset register. Although this was not a material concern, the importance of accurate identification was recognised.

The Committee considered the key accounting judgements applied by management and estimates used by management in the preparation of the financial statements. The most significant estimate was the valuation of net pension liabilities for employees in the Local Government Pension Scheme. Actuarially, the pension liability had decreased. The assumptions of the College were common to the sector.

Once adjustments were stripped out, the underlying financial performance of the College was a surplus, albeit lower than last year, due to pressure on staff costs and tight funding.

Data analytics on the key risk areas based on trends led to more focussed audit. Following testing, there was no concern over regularity and the auditors were comfortable to give an unqualified opinion. Regarding

independence of the audit, Nathan confirmed that whilst there had been due diligence on the acquisition of a new company, work had been undertaken by a separate partner, not involved in the audit, and was therefore not considered a significant threat to independence.

Control observations and recommendations included updating bank mandates to current staff. It was confirmed that this action had been completed and systems amended.

The Committee considered key risks. Staffing costs had increased in the second half of the year, with rates increased in posts where recruitment was a challenge. HE student recruitment was down due to external factors, including HE institutions removing the cap on student numbers and widespread use of unconditional offers. Government funding remained static. The Business Efficiency Group had been reconvened and had already identified £500k of non-pay cost savings. The challenge was to ensure long term sustainability. Staff costs and pension contributions would remain a watching brief.

The Committee thanked all those involved and agreed to

**Recommend the Audit Findings Report to the Board on the 7<sup>th</sup> December 2018.**

BHS

*Vote: unanimous*

#### 7.2 Financial Statements - Exeter College

The accounts were **received and noted**. They would be scrutinised by the Business Services Committee on the 26<sup>th</sup> November 2018 and, subject to scrutiny, recommended to the Board. The College had reached a turnover of over £40m for the first time, due to the increase in student numbers, apprenticeships and the travel scheme, which also affected costs. Salaries had also impacted.

Key issues were the sale of Wear Barton, which resulted in an increase in cash levels at year end, and actuarial gains in the pension funds. The Annual Statement included staffing ratio which, at 68%, was higher than the optimal 65%. The financial health of the College had moved from Outstanding to a strong Good, which would not impact on grants or investments. The importance of investing in the quality of the learner experience was regarded as a positive.

The Committee noted that the College had acquired a new business to deliver non levy apprenticeships, registered at Companies House as Exeter College Apprentices Limited. The first set of accounts would be the year ending July 2019.

**The Committee noted the report.**

- 7.3 Regularity self-assessment report  
The report was received. The Education and Skills Funding Agency (ESFA) had developed a Regularity Self-Assessment to provide responses to regularity requirements. This required the signature of the Chair of the Board and the Committee agree to

**Recommend the Regularity Self-Assessment to the Board at its meeting on 7th December 2018.**

BHS

*Vote: Unanimous*

- 7.4 Financial Statements – Aplus Training (SW) Limited  
The accounts of the dormant company were **received and noted**. They would be received by the Business Services Committee on the 26<sup>th</sup> November 2018 and, subject to scrutiny, recommended to the Board.
- 4.5 Financial Statements – Exeter College Services Ltd – formerly Ecole Limited.  
The accounts were **received and noted**. It was recommended that the intercompany debt be treated as a debt provision in the College accounts, therefore leaving the intercompany debt in the subsidiary accounts.

Amended accounts for Exeter College Services Ltd would be received by the Business Services Committee on the 26<sup>th</sup> November 2018 and, subject to scrutiny, recommended to the Board.

KF/BHS

- 7.6 Letter of Representation  
The report was received and considered. Nathan confirmed that the letter was generic across the sector. It was to be recommended for Board approval confirming that it was satisfied that the financial statements gave a true and fair view of the results and financial position of the College.

The Committee agreed to

**Recommend the Letter of Representation to the Board, on 7th December 2018.**

BHS

*Vote: unanimous*

*College Managers withdrew for Item 7.7*

- 7.7 Governors' Only Item with Auditors  
As recommended best practice, Governors received an update from the External Auditors without Management in attendance. Nathan confirmed that there was a positive and transparent relationship. The College engaged well and alerted the auditors of any potential issues well in advance.

**The Committee noted the update.**

**Internal Audit Action Plan**

- 8.1 Progress Update

The report was received. Kate Barczok, College Accountant, summarised the progress against recommendations, predominantly GDPR.

The target for deleting electronic personal data had been deferred to May 2019. There was national guidance, however the GDPR working group's aim was to achieve automated processes. The Committee was assured that current arrangements to maintain secure data were robust. Following a change in the role of the former Data Protection Officer (DPO) the responsibility had been transferred to the Head of Quality and Compliance.

All staff, including Governors, would be required to complete mandatory online training. Clerk

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*

8.2. GDPR update  
Taken under item 8.1

**9. Reporting and future planning**

9.1 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 7<sup>th</sup> December 2018.

9.2 Items for next meeting  
The Committee reviewed the cycle of business for the March 2019 meeting and agreed on additional items to be included in the agenda for the next meeting.

It was agreed that the next meeting would include a deep dive into HE student recruitment and funding, with a deep dive into GDPR from the new DPO at a later meeting. Clerk

9.3 Risk Register review.  
The Committee reviewed the risk register in the light of the meeting and agreed that no changes were required.

**10. Dates of Next Meetings**

Wednesday	6 <sup>th</sup> March	2019
Monday	10 <sup>th</sup> June	2019 ( subject to Board ratification)

SB/  
Clerk