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EXETER COLLEGE FURTHER EDUCATION CORPORATION

AUDIT AND RISK ASSURANCE COMMITTEE

Minutes of the meeting held on Wednesday 22nd November 2017 in the Board, Hele Road, Exeter College

Present	Sarah Brampton Dave Underwood David Batho John Coombs Jo Matthews	Chair
In Attendance		
<i>All bar item 4.7</i>	John Laramy	Principal
<i>To item 4.7</i>	Kate Barczok	College Accountant
<i>All bar item 4.7</i>	Steve Campion	Executive Director Finance & Resources
	Tim Borton	Bishop Fleming
<i>Item 4.1-4.6 only</i>	Toby Coombes	Head of Finance Funding and MIS
	Nathan Coughlin	Bishop Fleming
	Barbara Sweeney	Clerk to the Corporation
Apologies	Tiaa	

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

The Chair welcomed colleagues to the meeting, which was the annual meeting at which the Committee considered the Audit Findings and Letter of Representation relating to the Statutory Accounts for recommendation to the Board. She particularly welcomed Tim Borton and Nathan Coughlin from Bishop Fleming, and Toby Coombes, who was in attendance for item 4 only.

Apologies were received from Tiaa, since there were no internal audit reports to be received at the meeting.

There were no declarations of interest
2. **Minutes**
- 2.1 The minutes of meeting held on 20th September 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**.
- 3.2 The Clerk reminded the Committee that, following the self-evaluation

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process, it had been recommended that in order to sustain the quality of performance of committees when the membership changed, Governors be offered support if requested.

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

4. **Financial Statements - Confidential**

4.1 Audit Findings Report

The report was received and Tim Borton, Bishop Fleming, updated the Committee on the Audit Finding, otherwise known as 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.

Tim gave an overview of the process, following review of Grant Thornton's (the previous external auditors) audit files to obtain systems information and background behind judgements in the 2016 financial statements. 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 the quality of financial statements was largely compliant with the Casterbridge model but for some formatting and disclosure issues. However, there were no significant issues. The only area of the financial records which were not accurate was the fixed asset register, which had the potential to impact on the financial statements.

Nathan Coughlin, Bishop Fleming, highlighted the key issues within the document. Despite this being the first year of the contract, the audit had gone smoothly.

The audit plan was unchanged from that agreed by the Committee on 20th September 2017 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, and the auditors were comfortable with the pension assumptions.

A number of issues were found when reconciling the fixed asset register to the net book value of fixed assets. Predominantly matters of housekeeping, the auditors were comfortable that this would not have a net impact. Furthermore, actions were being implemented to address recommendations from the internal audit review, and the Committee was assured that controls were now in place. Management was also monitoring value for money from the catering contract, with future options considered from July 2019.

Misstatements identified by the audit and which were adjusted in the final

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financial statements included a staff cost note for catering staff who were not employed by the College. The staff numbers note correctly excluded these from the employee numbers in the year. This had overstated staff costs by an amount similar to the prior year balance. However this was not material and would be addressed going forward.

The Committee considered the key accounting judgements applied by management and estimates used by management in the preparation of the financial statements. The Committee was assured that the assumptions of the College were common to the sector and the key accounting assumption was the valuation of net pension liabilities for employees in the local government pension scheme. Pension assumptions would increase further with an increase in CPI and salaries.

However, once these adjustments were stripped out, the underlying financial performance of the College was much stronger and more comparable with previous periods and management information. The July management accounts recorded the operating surplus before pension adjustments of £1,102,000 compared to a final actual position of £1,079,000, demonstrating the limited number of other adjustments required at the year end to produce the final statutory accounts outturn, and which put the College in Outstanding Financial Health.

To put the overall performance in context, operating surplus /deficit as a proportion of income for the College plotted against the whole sector, using 2016 sector data showed that the College was in the top 40% of colleges on this metric in the prior year.

There had been a review of journal narratives for any suspicious wording which could highlight manipulation of journals. Where there was a hit against a key word, these were reviewed and determined to be reasonable and normal journals. However, there were a large number of journals with 'adjust' or 'correct' in the journal title which was partly due to a change to more detailed coding of certain transactions so that they could be more easily linked to individual students. All large journals above the auditor's performance materiality level were reviewed for reasonableness and were found to be in line with the normal course of business.

Following testing there was no concern over regularity and the auditors were comfortable to give an unqualified opinion.

The Committee thanked all those involved and agreed to

BHS

Recommend the Audit Findings Report to the Board on the 8th December 2017.

Vote: unanimous

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4.2 Financial Statements - Exeter College
The accounts were **received and noted**. They would be scrutinised by the Business Services Committee on the 27th November 2017 and, subject to scrutiny, recommended to the Board.

4.3 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 8th December 2017.

BHS

Vote: Unanimous

4.4 Financial Statements – Aplus Training (SW) Limited
The accounts of the dormant company were **received and noted**. They would be scrutinised by the Business Services Committee on the 27th November 2017 and, subject to scrutiny, recommended to the Board. The Committee received an update on Aplus, which would be subsumed into a new Faculty of Professional Adult Learning from the 1st January 2018.

4.5 Financial Statement - Ecole Limited
The accounts of the dormant company were **received and noted**. They would be scrutinised by the Business Services Committee on the 27th November 2017 and, subject to scrutiny, recommended to the Board.

4.6 Letter of Representation
The report was received and considered. Tim 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 8th December 2017.

BHS

Vote: unanimous

College Managers withdrew for Item 4.7

4.7 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 and that there had

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been investment from both sides to ensure that, as new auditors, Bishop Fleming had been able to be effective from the start, aided by productive planning meetings.

It was confirmed that Bishop Fleming had provided advice on setting up the nursery. However, independence had been assured as the work had been undertaken by a separate tax expert within the firm.

The Committee noted the update.

5. Internal Audit Action Plan

5.1 Progress Update

The report was received. Kate Barczok, College Accountant, summarised the progress against recommendations. All actions on all bar one of the reviews were complete and she updated on progress towards the three outstanding recommendations, which were low or advisory.

For Business Continuity, rehearsal plans were complete and 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 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

6. Deep Dives

It was agreed that the first deep dive be deferred to the next meeting of the Committee on 7th March 2018. There would be an update to explore the Apprenticeship Levy and Apprenticeship Funding.

The Committee noted the update

SC

7. Risk Management

7.1 Annual Report to 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 Risk Register was reviewed before each meeting of the Audit and Risk Assurance Committee. In 2016-17 the Register had been mapped against a register from an amalgamated sample of the sector, provided by the former internal auditors, PwC.

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The Quality and Resource Review days had demonstrated that risk management was well embedded in the College, with Faculties and Departments following the same Risk Register template, and issues raised and considered for inclusion into the College Risk Register.

There had been a change in Internal Auditors. Tiaa had yet to report, but was currently undertaking a review of General Data Protection Regulation (GDPR) to test for readiness for the new changes to be introduced on 25th May 2018. A College project group was identifying gaps and the review would add value.

The Committee agreed to:

Recommend the Risk Management Annual Report to the Corporation Board for approval at its meeting on 8th December 2017. BHS

Vote: unanimous

7.2 Risk Management Update

The report, including the Risk Register, was received. Steve confirmed that it was reviewed ahead of each Audit and Risk Assurance Committee meeting by the Senior Leadership Team, and had last been reviewed on 8th November 2017. Although mainly unchanged from the register considered by the Committee at its last meeting, he update Governors, providing the rationale for decisions.

The Committee challenged whether GDPR should be identified as a separate risk rather than a subset of R27 Breach of Legislation risk. The Committee was assured that this would be considered at the next review of the Register.

The Committee considered the six high net risks. Was this an increase on previous years? The Committee agreed that it was most likely a reflection of five years' austerity and the impact of external policies. The Chair of Quality and Standards confirmed that there was regular monitoring of controls of the high risks mapped to that Committee, and there were regular updates to provide assurance. The risk appetite of the Board should determine whether the number of high risks was acceptable. The Committee recommended that future Risk Registers included information on the historic number of high net risks. SC

The Committee agreed to

Recommended the Risk Register to the Board BHS

Vote: unanimous

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

The report was received and the Committee considered the draft which

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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 name of the Committee had changed in the year to reflect greater focus on risk assurance and there had been recognition of the importance of including an External Member with IT expertise. The Board had opted to retain the internal audit function.

The Committee agreed that the report was an accurate reflection of the work of the Committee during the year. Subject to identifying one of the Members as the Committee's Vice Chair, the Committee agreed to

BHS

Recommend the Audit Committee Annual Report to the Board for approval at its meeting on 8th December 2017.

Vote: unanimous

8. Reporting and future planning

8.1 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 8th December 2017.

8.2 Items for next meeting

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

9. Dates of Next Meetings

Wednesday	7 th March	2018
Wednesday	13 ^h June	2018

Chair: