

EXETER COLLEGE FURTHER EDUCATION CORPORATION

AUDIT AND RISK ASSURANCE COMMITTEE

Minutes of the meeting held on Monday 7 June 2021 via Zoom

Present	Sarah Brampton	Chair
	Neil Hitchings	Vice Chair
	Jo Matthews	Co-opted
	Rob Hutchins	Co-opted
	Adele Westcott	Co-opted
In Attendance	John Laramy	Principal/CEO
	<i>To item 9 only</i> Nathan Coughlin	Bishop Fleming
	<i>To item 8 only</i> Nick Macbeath	Tiaa
	Alison Layton-Hill	Clerk to the Corporation
Apologies	None	

1. **Welcome, Apologies and Declarations of Interest** **Action**
 The Chair welcomed colleagues to the meeting and extended a particular welcome to Nathan Coughlin and Nick Macbeath. There were no apologies or declarations of interest received.
2. **Minutes**
 - 2.1 The minutes of the meeting held on 15 March 2021, as circulated, were agreed by the Committee.
 - 2.2 The confidential minutes of the meeting held on 15 March 2021 as circulated, were agreed by the Committee.
3. **Matters arising**
 There were no matters arising that were not covered elsewhere on the agenda.
4. **The Future of the Deep Dive**
 The Committee engaged in a conversation about how the current deep dive item might be structured in the future to ensure ongoing and meaningful monitoring and scrutiny of the College’s risk register.

The Committee agreed that exposing the high risks to governors, as well as the focus on Covid-19, had been useful and had provided a high level of assurance. Governors were now keen to have a more systematic approach to reviewing risks which would also support the formulation of the internal audit plan. It was suggested that the committee scrutinise two risks per meeting and that the relevant managers are invited to give an overview of

the risks within their area of work. A move towards assurance mapping to give clarity as to where assurance is coming from was also suggested.

The Committee agreed:

- a) to evolve the deep dive process into a more systematic approach to reviewing risks and to scrutinise two risks per meeting**
- b) that the Chief Financial Officer will produce a plan for the next academic year setting out which risks will be scrutinised at each meeting, commencing with the highest risks**
- c) to move towards assurance mapping to give clarity about where assurance originates from**

RC

RC

5. Risk Management Update

5.1 Risk Register

The Committee received and considered the updated risk register, which had been reviewed by the senior leadership team. The Chief Financial Officer highlighted those risks that had been removed, added or amended.

There was a heightened focus on cyber security which had been raised to a high risk. The Committee was advised that the College had implemented enhanced insurance, increased multi factor authentication and intends to engage a cyber security specialist company to undertake an audit to provide further reassurance.

The Committee welcomed the enhanced insurance, however was mindful that when IT support is outsourced it is essential to continue to undertake independent penetration testing.

The Committee questioned whether the College had connected to any national sector best practice in terms of protecting against cyber crime to complement the work of the internal auditor. It was confirmed that the College engages with training and support from the Association of Colleges.

Governors sought reassurance that there was sufficient resource and resilience within the IT team. The Chief Financial Officer explained the IT team structure, which included a new manager, and confirmed that there was the opportunity to recruit additional resources if required.

Referring to Covid-19, the Committee was reassured that the number of cases within the college community had been very low throughout the pandemic to date, which supported the effectiveness of the Committee's scrutiny and how the College had managed the issue.

The Committee agreed:

- a) the risk ratings and movement as presented and voted to recommend the risk register to the Board on 2 July 2021**

Clerk

- b) that the college enters into a long-term engagement with a cyber security specialist to undertake an audit using contingency days within the internal audit plan. RC
- c) that the Chief Financial Officer would explore the possibility of a member of the internal auditor's cyber team attending a committee meeting to give an overview of cyber security and sector best practice. RC

6. **Internal Audit Service**

6.1 Project Reports

The Chair invited Nick Macbeath from Tiaa to present the new style internal audit reports that had been circulated with the papers.

6.1.1 – Business Continuity Planning

The Committee received the report and noted a substantial level of reassurance with two minor operational recommendations. The Committee challenged the appropriateness of categorising the recommendation relating to 'embedding lessons learnt' so low. It was confirmed that the recommendation related to formalising the process as opposed to implementation.

6.1.2 – Governance Performance Monitoring

The Committee received the report and noted a substantial level of reassurance with three routine recommendations. Relating to KPI performance indicators, the Principal expressed caution that KPIs could be restricting and that governors had previously requested more categorised information to allow for a more analytical level of scrutiny.

6.1.3 – Learner Numbers

The Committee received the oral update and noted that the internal auditor was proposing a substantial level of assurance. The full report will be received by the committee at its next meeting.

6.1.4 – Key Financial Controls

The Committee received the oral update and noted that the internal auditor was proposing a substantial level of assurance. The full report will be received by the committee at its next meeting.

The Committee noted the project reports

6.2 IAS 2020/2021 Programme Review

The Committee received an update of the work that the internal auditors had undertaken during 2020/2021. The Committee sought clarification about how the nine contingency days would be used in the current year. It was confirmed that three days would be allocated to the sub-contractor assurance review and the remaining six days would be used to commence the cyber security review.

The Committee noted the report

- 6.3 IAS 2021/2022 Strategy and Programme
The Committee received the proposed IAS strategy and programme for 2021/2022 and noted the key emerging themes across the sector as: cyber security and information governance, FE white paper, Covid-19 and mental wellbeing. Governors reviewed the rolling strategic plan which identified the reviews that had been undertaken over the previous three years and those proposed for 2021/22. The annual plan provided more detail of the rationale and scope for the proposed reviews.

Referring to the Audit Code of Practice highlighting the need for assurance over the accuracy of student data, it was suggested that the days allocated to risk management would be better attributed to a review of student numbers. The committee also requested a review of the new risk related managing capital projects.

The Committee sought confirmation from the internal auditor that the proposed plan provides sufficient resources to give an appropriate level of assurance to the committee. It was felt that the 35 days allocated was considered appropriate and would allow a good level of assurance. The Committee reserved the option to request additional days, as scrutiny of the risk register progresses, after consultation with the senior leadership team.

The Committee agreed to recommend the draft programme for 2021/2022 to the Board for approval at its meeting on 2 July 2021 subject to:

- a) allocating internal audit days to a review of student numbers
- b) increasing internal audit days for cyber security

RC

7. Internal Audit Recommendations

7.1 Recommendation tracker report

The internal auditor updated the Committee on progress against the recommendations and governors noted that three actions remain outstanding but on target.

The Committee noted the report

8. Post 16 Audit Code of Practice (ACoP)

The Committee received the report and updated Audit Code of Practice (March 2021) and noted the amendments.

The Committee questioned where College health and safety breaches were reported, referring to paragraph 31 of the ACoP, which states that these should be considered by the Audit Committee. It was confirmed that health and safety breaches are currently overseen by the Business Services Committee, however this responsibility should be transferred to the Audit and Risk Assurance Committee.

The Committee agreed:

- a) **to recommend the adoption of the updated Audit Code of Practice to the Board on 2 July 2021** Clerk
- b) **that the Committee terms of reference will be amended to reflect that the Audit and Risk Assurance Committee will provide assurance related to health and safety breaches** Clerk

Nick Macbeath left the meeting

9. **Financial Statements Audit Plan for year ending 31 July 2021**

9.1 External Audit Plan 2020/2021

The external auditor set out the scope of work for the financial statements audit plan for 2020/2021.

It was raised that the plan would need to be amended to include expressing an opinion on the financial statements for Exeter College Apprenticeships Ltd.

The risk areas were noted, most significantly; 'management override of controls' and 'fraud in income recognition'. 'capital projects', 'pension assumptions' and 'fair value of embedded financial instrument' were identified as heightened risks, although not considered as significant risks.

Amendments to the Audit Code of Practice were highlighted, in particular the need to retender the external audit service every five years and the expectation that external auditors will have the opportunity to present their findings to the Board. In this respect it was recommended that the Chair of the Corporation is invited to the Audit and Risk Assurance Committee meeting each November.

The Committee received confirmation that the going concern report provided by the Chief Financial Officer will be a recurring paper. It was also confirmed that the Business Services Committee receive an annual report relating to the College's reserves, borrowings and capital developments.

The Committee confirmed that it was content with the scope of the audit and the proposed fees and thanked the external auditor for his report.

The Committee agreed to recommend the external audit plan for 2020/2021 to the Board on 3 July 2020 for approval Clerk

10. **Committee Business**

10.1 Membership 2021/2022

To support the independence of the committee, it is for the committee itself to approve its membership.

The Committee agreed its membership for the academic year 2021/2022

10.2 Committee Self-evaluation
The Chair led a discussion on the Committee's effectiveness over the past year.

The Committee agreed to receive an updated self-evaluation to consider at the first meeting of the next academic year

Clerk

Nathan Coughlin left the meeting

11. **Internal and External audit tenders**

The Chief Financial Officer explained to the committee that both the internal and external audit tenders were due to be reviewed the following year and that the College will go out to tender for both.

The Committee encouraged the Chief Financial Officer to allow sufficient time for the process and to fully consider quality, as well as cost, to ensure the most effective auditors are engaged.

RC

The Committee noted the update

12. **Emerging Risks**

The Committee did not consider that any material additional risks had emerged during the meeting. Governors questioned how the committee would be made aware of emerging risks identified by other committees and it was agreed that the Clerk would inform the Committee Chair.

Clerk

The Committee questioned whether risk registers are shared across colleges to support a best practice document. It was suggested that the external auditor could provide advice and that the national Financial Directors network could be approached in terms of recent risks they may have added.

RC

13. **Future Meetings**

13.1 The Committee agreed to take the following items to the Board:

- Future of the deep dive proposal
- Risk Register including amendments raised at the meeting
- Internal Audit Reports
- Internal Audit Plan
- Financial Statements Audit Plan
- Post 16 Audit Code of Practice

13.2 **Items for the next meeting**

The committee reviewed and agreed the items for the next meeting

13.3 Meeting Dates:

- 13 September 2021
- 15 November 2021
- 21 March 2022

14. **Items for Information**

14.1 Post 16 Audit Code of Practice

14.2 Anti-Fraud Register