

EXETER COLLEGE FURTHER EDUCATION CORPORATION**AUDIT COMMITTEE****Minutes of the meeting held on Wednesday 1st October 2014 in the Board Room, Hele Road, Exeter College**

Present	David Allen	Chair
	David Batho	
	Elaine Hobson	

In Attendance

	John Laramy	Vice Principal
	Steve Campion	Executive Director Finance and Enterprise
<i>To item 11</i>	Heather Ancient	PwC
<i>Item 5 only</i>	Richard Brine	Head of Information Learning Services (ILS)
<i>Item 5 only</i>	Toby Coombes	Head of Management Information Systems (MIS)
<i>To item 11</i>	Nathan Coughlin	PwC
<i>To item 5</i>	Paul Putnam	Grant Thornton
	Juliet Tremeer	Head of Finance
	Barbara Sweeney	Clerk to the Corporation

Apologies

Richard Atkins	
Matt Roach	
Mark Bartlett	Grant Thornton

1. Welcome and Apologies Action

The Chair welcomed colleagues to the first meeting of the new academic year and his first in the Chair, and provided a brief overview of his experience on Audit Committees. He particularly welcomed Heather Ancient and Nathan Coughlin from Pricewaterhouse Coopers and Paul Putnam from Grant Thornton who were attending the meeting.

Apologies were received.

David Batho declared an interest in item 5 as ICT manager at the College.

2. Minutes

Minutes of meeting held on 18th June 2014

The minutes and confidential minutes of the meeting held on 18th June 2014, as circulated, were agreed and signed by the Chair.

3. Matters arising

3.1 Board Decisions

The report advising what actions had been taken on recommendations from this Committee presented to the Board was received and noted.

There were no other matters which were not covered elsewhere on the agenda

4. **Financial Statements Auditors**

4.1 External Audit Plan for year ending 31 July 2014.

The report detailing Grant Thornton's Audit Plan for the forthcoming audit of the statutory accounts was received. Paul Putnam, Associate Director, Grant Thornton, highlighted the key issues. He alerted the Committee to developments relevant to the College. The new Accounts Direction Handbook incorporated new requirements for the financial statements. Changes in Corporate Governance requirements included the publication of the new Joint Audit Code of Practice (JACOP) Part II, and Auditing Standards had been revised, introducing enhanced reporting requirements for colleges who had voluntarily adopted the UK Code of Governance. A revised regularity framework was being published alongside a new self-assessment questionnaire.

From the year ending July 2016 the College would be required to report under FRS102 and the new SORP for the education sector. This would require changes to financial reporting. The transition date had passed on 1st August 2014 and the auditors were working with the College to prepare for the changes. Whilst it was important that data was available, it should not drive decision making, and Paul highlighted the key changes to data gathering which related to loans, financial instruments and acquisitions. The resulting statements would be more substantial, include more data and be more volatile.

Paul confirmed the areas for focus in the forthcoming statutory accounts audit. The delay in confirmation of funding income would impact on revenue recognition, and timescales would be tight. There would be key judgements around pension scheme assumptions and a focus on benchmarking. Other areas of focus would be the cut off period for creditors.

The proposed schedule was confirmed, and the review would commence on 6th October 2014, with testing of Aplus Training (SW) Ltd, where the focus of the audit would be to ensure that the transfer of assets and liabilities had been correctly stated. 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 10th October 2014.

BHS

Vote: Unanimous

Richard Brine Head of Information Learning Services (ILS) and Toby Coombes, Head of Management Information Systems (MIS) joined the

meeting for item 5 only.

5. **Internal Audit Service**

5.1 Project reports:

- Security Analysis Report – Penetration Testing

This item was dealt with as a confidential item in accordance with the College's confidentiality policy and recorded in the confidential minutes.

6. **Internal Audit Service Annual Report for 2013/14**

The report was received and Heather confirmed that with effect from 1st August 2013, the revised Joint Audit Code of Practice (JACOP) no longer required the Head of Internal Audit to provide an annual opinion. However, the report summarised the findings of the internal auditor's work during the year. The revised JACOP provided greater scope to flex the internal audit resource.

The report provided a summary of all reports undertaken, both traditional and specialist. Heather referred the Committee to the direction of travel. There were no critical or high risks and the number of medium risks had reduced. The increase in low risks were indicative of the culture of control and control framework in the College which continued to be strong. She confirmed that there had been effective use of the new flexibility, with auto enrolment and real time information testing replaced by penetration testing at the request of management.

The status of the follow up report was a good indication of impact of success and there were only two actions outstanding. She alerted the Committee to the feedback of audit and the Committee agreed to

Recommend the Internal Audit Service Annual Report for 2013/2014 to the Board for approval at its meeting on the 10th October 2014.

BHS

Vote: Unanimous

7. **Internal Audit Action Plan**

Progress Update

The report was received. Juliet Tremeer, Head of Finance, explained that she had reviewed the detailed action plan and there were no outstanding actions from the 2012/13 audit reports. Of the 17 actions emanating from in the 2013/14 reports, four low priority actions remained outstanding. Two medium actions had been completed since the last Audit meeting.

Juliet updated the Committee on the outstanding actions. One related to the finance system which was no longer fit for purpose. The decision had been taken to review and replace the system if necessary, and since this would take time to implement, the target date was extended to August 2015. The College was talking to new as well as the existing provider and an upgrade of the current system was being considered alongside a new system. The audit plan for 2015/16 included re-testing.

The remaining three actions related to subcontractor arrangements, which would be addressed by the revisions in the subcontracting procedures manual. The outgoing Head of Business Solutions had approved the manual but the newly appointed Head wished to review the documents and as a result, whilst still within target date, completion remained outstanding.

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

JT

8. Internal Audit Risk Assessment and Plan 2014/15

The report was received Heather confirmed that the Internal Auditors had met with management and, having consulted the risk register, agreed a programme of testing. Corporate Governance and Risk Management had not been reviewed since 2012/13 and would be included in the programme. Health and Safety had been deferred in 2013/14 and a controls audit would be undertaken. There would be an extensive follow up of penetration testing. Since there was overlap with information governance, this would no longer be the subject of a separate review. Given the outstanding Ofsted inspection a review of quality and performance was deemed to add little value.

As last year, the time allocated to a review of auto enrolment and real time testing would be better utilised in testing higher priorities. Given the increase in international students, a specialist review corporate tax issues would be completed.

Each year a departmental review was completed and this year construction would be tested. There was currently a vacancy for a Head of Faculty, and whilst the reviews focussed on administration, it was noted that the timing of the review was not ideal with no Head of Faculty in post. A student records review would be completed, but as focussed on the Aplus faculty, this would be small.

Turning to 2015/16, Heather confirmed that the programme was deliberately loose and would depend on the outcome of 2014/15.

The Internal Auditors confirmed that all contingency days had been used. However the flexibility of the programme meant that if required the programme could change, subject to the Committee's approval.

The Committee noted the benchmarking data of risk registers in the sector to provide a sense check of the College's risks compared to other institutions. The Committee agreed, subject to the timing of the Construction Departmental review, to:

Recommend the Proposed Programme for 2014/15 to the Board for approval at its meeting on 10th October 2014.

BHS

*Vote: Unanimous***9. Risk Management Update**

The report was received, which included the updated Risk Register and the Risk Heat Chart. Steve Campion, Executive Director of Finance and Enterprise confirmed that the Senior Leadership Team had reviewed all risks.

Following the SLT review, new risks had been added relating to the College's response to the recommendation on the future of Bicton, (R31), IT security (R 32), and the Ted Wragg Trust (R33). He also confirmed the risks removed from the register, explaining the justification for each, and the rationale for retaining other risks. The Committee debated the value of including risks which were influenced only by external factors. If the College could not influence mitigating factors, was it appropriate to include on the register? Accepting the premise, it was nevertheless important to monitor such risks, and balance it with maintaining a manageable number of risks to sharpen focus. This would be considered by SLT the next time the risk register was reviewed.

SC/
SLT

The Committee asked about the College's early warning triggers. Was there a process to spot risks early? Whilst there were no formalised mechanisms, Faculty Quality and Resource Review Days provided a forum whereby risks were identified at an early stage and the weekly SLT meetings also provided an opportunity.

The Committee agreed to:

a) Note the update**b) Recommend the updated Risk Management to the Board on 10 October 2014***Vote: Unanimous***10. Governance Issues**

- 10.1 The report, detailing the draft self-assessment report (SAR) for the Audit Committee was received and the Clerk explained that SARs from all Committees would be aggregated to form the Board's SAR, which in turn would be included in the College SAR. Because of the change in timing of appraisals, Governor feedback no longer informed the SAR, which was drafted using previous versions and knowledge of the Committee.

However it was for the Committee to amend and recommend.

The format of the SAR would be reviewed following the Governor appraisals in the Spring, but the current format would be used for the 2013/14 SAR. Whilst content with the strengths, the Committee agreed that the membership was too low.

The Committee agreed:

To recommend that the Committee SAR be incorporated into the Board's SAR and presented to the Quality and Standards Committee for subsequent recommendation to the Board.

Vote: Unanimous

11. **Review of Performance of Internal Audit Service 2012/13**

The report was received, using the tool which the Board adopted at its meeting on 3 July 2013. Steve confirmed that he had completed the review as a draft for the Committee to consider, based on Internal Audit Reports and feedback forms following reviews. There were a number of highlighted sections which the Committee needed to complete.

The Committee considered the report and agreed its response to the outstanding questions. It also agreed on the importance of specialist reviewers having the appropriate skills and knowledge.

The Clerk confirmed that the current contract with the Internal Auditors expired on 31st July 2016. At that stage the Committee might consider the flexibilities provided by the JACOP relating to Internal Audit Service. However it was agreed that for the next year it was important to retain the service.

Following an assessment of the evaluation tool the Committee agreed to:

Recommend the reappointment of PricewaterhouseCoopers for the financial year 2014/15 to the Board for approval at its meeting on 10th October 2014. BHS

Vote: Unanimous

12. **Dates of next meetings** *All meetings at 5.30*

Wednesday	3 rd	December	2014
Wednesday	11 th	March	2015
Wednesday	17 th	June	2015