

Approved

EXETER COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held on Wednesday 9th March 2016 in the Board Room, Hele Road, Exeter College

Present	Chris Hoar	Chair
	Elaine Hobson	
	David Batho	
	John Coombs	Co-optee

In Attendance

<i>All bar item 5.2</i>	John Laramy	Vice Principal
<i>All bar item 5.2</i>	Steve Campion	Executive Director Finance and Enterprise
<i>To Item 8</i>	Jon Whyte	PwC
<i>Item 4.2 only</i>	Toby Coombes	Head of Finance Funding and MIS
<i>All bar item 5.2</i>	Derek Fargher	Interim Finance Controller
<i>Item 4.2 only</i>	Gemma Noble	Head of People
<i>Item 4.1 only</i>	Gareth Lambert	Head of Engineering, Aerospace and Automotive
	Barbara Sweeney	Clerk to the Corporation

Apologies

Richard Atkins	
Heather Ancient	(PwC)
Dave Underwood	

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| 1. | Welcome Apologies and Declarations of Interest | Action |
| | The Chair welcomed colleagues to the meeting. He particularly welcomed Jon Whyte from Pricewaterhouse Coopers and Derek Fargher who was attending in his capacity as Interim Finance Controller. | |
| | Apologies were received. | |
| | David Batho declared an interest in item 5.2 as ICT manager at the College. | |
| 2. | Minutes | |
| 2.1 | The minutes of the meeting held on 2 nd December 2015, as circulated, were agreed and signed by the Chair. | |
| 2.2 | The confidential minutes of the meeting held on 2 nd December 2015, as circulated, were agreed and signed by the Chair. | |
| 3.1 | Board Decisions | |

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

All other matters had been completed or were covered elsewhere on the agenda.

4. **Internal Audit Project Reports**

The report incorporating the following project reports together with an Internal Audit Monitoring Paper from the Auditors was received.

Gareth Lambert, Head of Engineering, Aerospace and Automotive Faculty joined the meeting for item 4.1 only.

4.1 Engineering, Aerospace and Automotive Departmental Review

The report, giving low overall risk, was received and considered. The review was undertaken as part of the approved internal audit plan, and examined the departmental controls over costing of activities, course fees, purchase ordering procedures, part time lecturers, security of assets and management information. Overall, the controls were well designed and operating effectively.

Areas of good practice included the introduction of "Wisepay" during the year, providing students with a facility to pay online, resulting in improved controls over the collection of monies from students. Collection and recording of workshop fees had been identified as a medium risk recommendation in the 2014/15 Construction Department review. The implementation of the new FIS system was also identified as an area of good practice. A number of automated controls contributed to an improved control environment such as approval of all purchase orders by the Head of Faculty. Furthermore, the faculty's budget was now being broken down into a number of more detailed budget lines to allow for greater transparency and accuracy of cost monitoring.

One low risk recommendation was identified, relating to the recording and tracking of attractive assets. College policy is that assets under £1,000 are expensed in the Income and Expenditure account on purchase (not depreciated). However, an "attractive asset register" is used to monitor those assets which are less than £1,000 and have not been recorded on the finance system, but which do need to be tracked given their nature (items such as iPads, laptops and cameras). The current year's attractive asset register was inaccurate and incomplete, with a lack of clarity as to who was responsible for maintaining the register. The agreed action was for the register to be reviewed by July 2016 to ensure that it is complete and accurate, with clear communication that responsibility for the attractive asset register rests with Heads of Faculty / Department.

The Head of EAA and his team were commended for a positive review.

The Committee noted the report.

Toby Coombes, Head of Finance Funding and MIS and Gemma Noble, Head of People, joined the meeting for items 4.2 only.

4.2 HR and Payroll

The report, giving the low overall risk, was received and considered. Payroll was last reviewed in 2012/13 and resulted in a medium risk report. HR has not been reviewed previously. The combined review of Human Resources and Payroll was part of the 2015/16 audit plan. The review found that processes and controls in these systems were generally appropriately designed and operating effectively but there was scope to further improve controls in certain areas.

There had been various changes impacting the Payroll and HR processes during 2014/15 and 2015/16. A new Finance System, Oracle, was implemented in August 2015. In addition, the role of Payroll Officer was covered by a temporary member of staff whilst the experienced Payroll Officer was on maternity leave, returning in August 2015. The College underwent a reorganisation during Summer 2015 resulting in the merger of the MIS and Finance departments into Finance, Funding and MIS and had identified some issues during the latter half of 2014/15 on under and over payments and implemented a number of measures to mitigate the risk of similar errors reoccurring.

A number of areas of good practice were identified, including continued refinement and improvement of automated controls for Payroll and HR data monitoring; appropriate procedures for new staff, including obtaining references and DBS checks; periodic monitoring to ensure mandatory training is up-to-date and readily available HR information on the Management Information System (MIS) system including a comprehensive annual report received by the Board. Monthly payroll reconciliations were performed and variances investigated and resolved in a timely manner, and there was appropriate segregation of duties between the HR and Payroll functions.

There were four low risk recommendations: The Financial Regulations and Procedures did not stipulate accommodation and subsistence rate caps. To address this the Financial Regulations and Procedures / Travel and Expenses Policy would be updated to include hotel and subsistence rate caps, with a target date of September 2016. Furthermore, the format of the travel and expenses claim form made it susceptible to duplicating mileage claims which could lead to overpayments. The College had reviewed the form and would remind staff of their responsibility to thoroughly check expense claims. One employee in the sample tested had not signed the variable pay claim form as confirmation of hours worked. The College would remind staff of the need to ensure all variable pay claim forms were appropriately completed by the claimant, and authorised and reviewed by the Payroll Department. The College was considering

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implementing an electronic system which would mitigate the risk of error. Finally, amendments to standing data had not been processed on the payroll in a timely manner, resulting in discrepancies between HR and Payroll records. This had resulted in overpayments but new controls implemented highlighted an exception in April 2015. The College was currently in the process of implementing an automated control which would check for discrepancies between the HR and payroll systems

The Committee commended the team and **noted the report.**

4.3 Audit Monitoring Update

Jon confirmed that the Internal Audit Monitoring Paper was a summary of the projects agreed in the Audit Plan and updated the Committee on the progress against them. Reports from two reviews had been received at this meeting and the remaining reviews were scheduled. Procurement had been deferred due to sickness but would be completed in May with the same scope.

Fraud risk training had been deferred to 2016/17 to provide capacity for the Subcontractor Review, a controls assurance review using contingency days. Fieldwork had been completed and the report would come to the June Audit meeting.

The Committee noted the Report.

5. **Special Items**

5.1 FRS102 Working Group Update

The report was received and Derek confirmed that required changes were minimal and, in the main presentational. Financial Statements for years ending July 2014 and July 2015 would have to be restated and issued as amended.

The main changes for reallocations were outstanding holiday pay, which was calculated at circa £200k. The pension deficit was now part of the Income and Expenditure account, rather than as a below the line adjustment. The contracts data base would need to be consolidated into a single document. Whilst this currently had little impact as contracts were already on the balance sheet, the position could change with potential future projects.

The balance sheet would be revised, with reallocation of the pension deficits and deferred capital grants. Bank Covenants might be affected by these changes. However the College's banks accepted that the changes were to comply with accounting policies rather than changes in trading.

All amendments to the prior periods' accounts would be agreed before the end of July 2016 by the external Auditors.

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Steve confirmed that the reports had also been received by the Business Services Committee, in common with the sector.

The Committee thanked Derek and agreed to

Note the Report.

The Vice Principal, Executive Director Finance and Resources and Interim Finance Controller withdrew for item 5.2 only.

5.2 Governors Only Item with Auditors

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 Action Plan**

6.1 Progress Update

The report was received. Steve updated the Committee on progress towards the one outstanding action for 2014/15, which related to the students' record system for Aplus. The training provider had come into the College and subsequently been incorporated into the Faculty of Business and IT. Because of the changes in staff, completion of the action had been deferred.

There were four outstanding actions from 2015/16, all from the two reviews in considered at this meeting. The target date for the one outstanding action from the Departmental Review was July 2016 and the three from the HR and Payroll Review were due for completion in September 2016.

The Committee agreed to

a) Note the report.

b) Remove completed actions

6.2 Revision to Internal Audit Plan

The update was received and Steve confirmed the Skills Funding Agency focus on subcontractors, with an additional requirement for providers to undertake annual assurance reviews once income was over a certain threshold. Although the College had reduced the number of subcontractors, the threshold had been reached and contingency days had been used to review Subcontractor Provision. It had been a clean audit and the Committee would receive the report at its June meeting.

Fraud risk training had been deferred and would be included in the 2016/17 Internal Audit Plan.

The Committee agreed to

Recommend the revised internal Audit Plan to the Board on 6th

BHS

Approved

May 2016.

Vote: Unanimous

6.3 Information Governance Update

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

7. **Risk Management Update**

The report, including the revised Risk Register and Heat Map was received and considered. Steve confirmed that the Senior Leadership Team (SLT) had reviewed and updated the Risk Register and Risk Heat Map in February 2016. He highlighted the changes from the previous version, and provided justification for the addition of new risks, and the raising or lowering of existing risk ratings. The Committee challenged the rating and Committee responsibility for risk R32. Whilst the Audit Committee was responsible for assuring the Board that there was mitigation against all risks, the responsibility for risk itself lay within the terms of reference of the Business Services Committee. The risk rating would be reconsidered by the Senior Leadership Team when the register was next reviewed in the summer term.

The Committee agreed to:

a) Note the report.

b) Recommend the revised Risk register and Heat Map to the Board on the 6th May 2016.

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8. **Review of Performance of External Auditors 2014/15**

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

9. **Date of next meetings**

Wednesday 15th June 2016