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## EXETER COLLEGE FURTHER EDUCATION CORPORATION

### AUDIT COMMITTEE

#### Minutes of the meeting held on Wednesday 14<sup>th</sup> June 2017 in the Board Room, Hele Road, Exeter College

<b>Present</b>	Chris Hoar	Chair
	Elaine Hobson	Vice Chair
	David Batho	
<i>From Item 7</i>	John Coombs	Co-optee
	Dave Underwood	

#### In Attendance

	John Laramy	Principal
	Kate Barczok	College Accountant
<i>Item 5.1 (part) only</i>	Jennie Hamilton	Head of Student Experience
<i>Item 5.1 (part) only</i>	Rachel Iles	Head of Advice and Recruitment
<i>Item 5.1 (part) only</i>	Chris Petheram	Head of Foundation Studies
	Emily Steed	PricewaterhouseCoopers
	Barbara Sweeney	Clerk to the Corporation

<b>Apologies</b>	Heather Ancient	PricewaterhouseCoopers
	Richard Brine	Head of Information Learning Services
	Steve Campion	Vice Principal, Finance and Business Operations

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

The Chair welcomed colleagues to the last meeting of the Academic year, and his last in the chair. He thanked Elaine Hobson, Vice Chair, for whom it was the last meeting before retiring at the end of her two terms of office, and thanked her for her commitment and contribution. He also wished the Committee and its new Chair success in the future.

The Vice Chair thanked the Chair for his stewardship of the Committee over the past two years.

Apologies were received.

Dave Batho, Manager IT, declared an interest in item 8.1, Information Security Annual Update.
2. **Minutes**
  - 2.1 The minutes of the meeting held on 8<sup>th</sup> March 2017, as circulated, were agreed and signed by the Chair.

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2.2 The confidential minutes of the meeting held on 8<sup>th</sup> March 2017, as circulated, were agreed and signed by the Chair.

3.1 Board Decisions

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

An update on the College's response to a recent cyber-attack in global institutions, including the NHS, was taken at item 8.1. All other matters had been completed or were covered elsewhere on the agenda.

4. **Risk Management**

4.1 Risk Register

The revised Risk Register was received. The Principal confirmed that the register had been reviewed by the Senior Leadership Team on 22<sup>nd</sup> May 2017 and updated the Committee on the new and amended risks which the Committee scrutinised.

The Committee agreed to

**Note the Risk Register and recommend to the Board at its meeting on 5<sup>th</sup> July 2017** BHS

4.2 Sector risk heat map

The report was received. At its last meeting, the Committee had received a sector heat map from PwC, showing the key risks identified across the sector. During a break out group at the Board Residential a number of Governors had considered the College's risks and mapped them onto the sector heat map. To ensure that all Governors were updated, the Board recommended that this be considered by the Audit Committee and at the next Board meeting.

The heat map indicated that there were a number of risks where the College's risks aligned closely with those of the sector.

**The Committee noted the report.**

*The Agenda was reordered as follows.*

7. **Value for Money Annual Report**

The annual report was received and provided data on the College's metrics, measuring quality performance and value for money against the national average. One impact of the Area Reviews had been the sharing of data by local colleges which indicated the College's relatively strong financial position.

The Principal confirmed that the data showed that the College was

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providing Value for Money. However there was pressure on staff costs and, with almost full employment in the area, recruitment and retention remained a challenge. Staff costs as a percentage of income would remain above the mean because the College paid at the upper end of the scale to attract and retain quality candidates.

The Committee agreed to:

### **Note the Report**

- 5.2 Summary of Year to date Internal Audit Service  
The report was received and Emily confirmed that the report showed the current status of the Internal Audit Programme.

### **The Committee noted the report**

## **6. Internal Audit Action Plan**

### **6.1 Progress Update**

The report was received and considered. Kate Barczok, College Accountant, confirmed that recommended actions from the Business Continuity review were almost complete with one outstanding; to develop an exercise plan to test key areas. The outstanding action relating to the Subcontractor Returns would be completed when the Return was made. The remaining actions were from the reviews received at this meeting.

The Committee agreed to

#### **a) Note the report.**

#### **b) Remove completed actions from future reports**

## **8. Special Items**

### **8.1 Information Security Annual Update**

The report was received and the Principal recommended that, given the absence of the Vice Principal Finance and Business Operations and the Head of Information Learning Services, the Information Security Annual Update should be deferred to the next meeting of the Committee on 20<sup>th</sup> September 2017. The Committee was agreeable to this.

However, he updated the Committee on the College's response to the recent Ransomware cyber-attack on many global organisations but predominantly the NHS. On Friday 12<sup>th</sup> May 2017, when intelligence had suggested that an attack was imminent, additional monitoring was put in place. This involved using some of the software tools purchased since the PWC audit to aid scanning the network for vulnerabilities, ensuring virus signatures were up to date and responding to the additional patch releases issued over the weekend globally. The ICT team worked

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throughout the weekend to monitor the situation and ensure the college was best placed for the following working week.

The primary risk was an individual user opening an email already sent over the weekend. Therefore, the decision was taken by the Business Continuity Group (joined by the Principal) to shut down the system on the Monday morning as a precautionary measure while vulnerability was monitored and upgrades provided where appropriate. All users were alerted via a message posted on the College intranet.

The ICT team again worked intensively during the morning to ensure our systems could be brought back successfully at lunchtime on Monday. No further issues were identified during this work so the Business Continuity Group agreed at a lunchtime meeting that the event could be closed with users able to access emails again.

Given the nature and frequency of such events was increasing, the IT security risk has been increased to "high" on the College risk register to reflect the increased probability.

The Committee commended the work of the ICT team. The successful mitigation of the risk had demonstrated properly managed systems and the essential work identified during the Penetration Testing review had meant that the College had controls in place.

In the light of other recent well publicised commercial IT issues, the Committee was assured that there was adequate backup in the event of IT failure. With over 10,000 users including staff and students, the assumption was that controls must be in place to protect systems up front.

The Committee was assured that the College was working to ensure compliance with the imminent new Data Protection GDPR Regulations and the Head of Information Learning Services was involved at a national level. The College was working on big data to ensure GDPR security.

### **The Committee noted the report.**

#### **5. Internal Audit Project Reports**

The report incorporating the following project reports was received.

*Rachel Iles, Head of Advice and Recruitment, Jennie Hamilton, Head of Student Experience and Chris Petheram, Head of Foundation Studies joined the meeting for the relevant part of item 5.1 only.*

##### **5.1 Admissions and enrolment**

The report, giving low overall risk, was received and considered. The review was undertaken for the first time in the current internal audit plan and focused on the controls on walk-in admissions procedures, specifically

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at the receptions on the Hele Road Campus, the Centre for the Creative Industries and Victoria House. Overall the walk-in admissions and enrolment process was generally well designed and testing confirmed that the controls were generally operating effectively.

Areas of good practice included reviews performed by the staff on the reception desks to ensure the enrolment form was complete prior to entry into the system. There was a good level of information about the courses on offer and a good level of guidance on the completion of the enrolment form and what needed to be done prior to enrolment. Tuition fees were collected, instalment plans agreed or evidence of eligibility for fee waivers reviewed and documented at the point of enrolment. Enrolment income collected through the tills on the reception desks was reconciled daily and recorded in the ledger on a weekly basis.

There was one medium recommendation to improve the invoicing process for employer paid courses following an example where an invoice was raised for an employer to pay the fees, but was not raised until after the course had been delivered. This had also been recorded during a review of a different department and was therefore rated as a medium risk to reflect the potential risk of lost income. Whilst the timing of invoicing over the Christmas holidays had contributed to the failure of the control, the agreed action was for invoices to be raised as soon as the College obtained a signed employer student fees payment form stating that the employer would fund the course. Where an instalment plan had been agreed, this would be recorded on the invoice to enable the Finance team to consider this agreement when chasing the debt. The full course fee should be invoiced in advance of the course start date. A crosscheck would be performed by the department administrator between the finance portal and the invoices raised before the start of the course to confirm all fees had been collected for students enrolled on the course.

The Committee agreed to

**Note the report.**

Student transport bursary

The report, giving low overall risk, was received and considered. The review was undertaken for the first time in the current internal audit plan and focused on the controls over the four bursary funds offered by the College and how applications were reviewed and checked for eligibility prior to approving access to the funds.

Overall controls for managing the bursary funds were generally well designed and testing confirmed that the controls were generally operating effectively. Areas of good practice included the use of the online payment system Wisepay to record both the student's and the College's contribution for all items of expenditure included in the scope of the

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bursary funds, including transport. The use of the Workflow system, an online portal, enabled the Welfare team to record individual student's approved bursaries and track the payments on a termly basis. In particular, the system enabled the team to compare the termly spend with the profile of spend for the individual for the prior year and so provide visibility of individual requirements in advance. The recent introduction of batch numbers in the Wisepay system enabled the finance team to reconcile income to specific ledger entries in the accounting system. This provided greater visibility of student payments, how bursary funds were being used by each faculty and what the funds were being used to pay for.

There were one medium, two low and one advisory recommendations. The medium recommendation was for all supporting documentation for applicants' income to be checked to confirm it is relevant to the student before approval. This followed one exception in the sample testing where the letter from HMRC was not available to support the evidence that the tax credit calculation for the individual submitting the application for support.

The two low priority recommendations were for the application form to be updated to evidence who had performed eligibility checks at the point of approval and that the total income recorded in Wisepay should be reconciled to the total income per the finance system. The advisory recommendation was to support timely management information at a Fund level to enable the team to make better and more timely decisions about how the fund is allocated to support students.

The Committee noted that in the current economic climate, the demand for support through bursaries was rising, with the biggest increase for those at the lower income threshold.

The Committee agreed to

### **Note the report.**

Departmental review –Foundation Studies

The report, giving medium overall risk, was received and considered. The review was undertaken for the first time in the current internal audit plan and focused on controls over cash handling, invoicing for self- financing courses, purchase ordering procedures, part-time lecturer payments, security of attractive assets and management information.

There were several areas of good practice. The introduction of Wisepay during the prior year provided students with a facility to pay online, resulting in a reduction in the volume of cash handled by tutors and improved controls over the collection of monies from students. However the nature of the Faculty's learners was that there was a greater

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proportion who did not have bank accounts and therefore still used cash. An automated purchase ordering workflow ensured the appropriate approval was provided and supplier payments were processed only for goods and services received and approved. The use of an on-line dashboard by budget-holders enabled them to drill-down into individual budget lines or cost centres to monitor transactions on a real-time basis.

Overall controls were well-designed but sample testing highlighted some instances where controls were not operating effectively. There were three medium risk recommendations for improving invoicing self-financing courses, receipting and recording income received by the tutors and securing and controlling the attractive assets held by the department. In a couple of examples tested, invoices for courses were raised after the course had completed. Cash received for resources for courses could be up to £150 per course. Therefore, controls over cash handling needed to be improved to ensure that cash was completely accounted for.

It was also recommended that attractive asset records should be fully maintained to record assets completely and accurately. However the Committee agreed that there should be a degree of pragmatism on the College's smaller sites, with an agreed acceptance of risk. There was also one low priority recommendation to ensure that part time lecturers' reimbursement forms were fit for purpose.

Whilst assurance of best practice was important, the Committee agreed that actions must be pragmatic, given the nature of the learners, and that in some cases systems might need to be adjusted.

### **The Committee noted the report.**

#### 8.2 Post 16 Audit Code of Practice

The report was received and the Chair updated the Committee on the newly published Post 16 Audit Code of Practice 2016-17. It replaced the Joint Audit Code of Practice and reflected the changes to the Machinery of Government.

The Code stated that as a minimum, the Audit Committee should maintain its independence in appointing Members. Proposed changes to ratification of Committee membership ensured compliance with this requirement.

### **The Committee**

#### **a) Noted the update**

#### **b) Noted that the Search and Governance Committee recommended adoption of the Post 16 Audit Code of Practice to the Board on 5<sup>th</sup> July 2017**

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### 8.3 Membership of Audit Committee 2017-18

The report was received and considered. Given that the Audit Committee must remain independent in appointing its members in accordance with the Post 16 Audit Code of Practice, the Search and Governance, which had considered the membership of the Audit Committee at its meeting on 8<sup>th</sup> May 2017, unanimously recommended approval by the Committee of the circulated membership.

The Committee considered the enhanced use of co-opted Governors. An additional co-optee on the Audit Committee would mitigate the risk of meetings not being quorate. There was further discussion on the breadth of skills on the Committee. If required, Managers and Governors with specialist skills relating to an item under discussion could be invited to attend.

It was also noted that, subject to approval by the Board on 5<sup>th</sup> July 2017, the name of the Committee would change from 1<sup>st</sup> August 2017 to the Audit and Risk Assurance Committee.

The Committee agreed to

#### **Approve the Audit Committee membership.**

*Vote: Unanimous*

### 8.4 Fraud Digest

The report was received. TIAA, the College's approved internal Auditors from 1 August 2017, had published the circulated fraud digest to alert Committees and Boards to current trends and risks.

#### **The Committee noted the report.**

### 9. **Committee Self Evaluation**

The report was received. The Board had agreed a new process for Committee Self-Assessment, comprising feedback from Governors' individual self-evaluation forms, and a review of the Committee's year at the last meeting of the academic year. A copy of the previous year's SAR was circulated as a resource and strengths and areas for improvement for the current year were identified. The discussion would form the basis of a narrative, to be produced by the Clerk and considered at the autumn meeting of the Committee.

#### **The Committee noted the report.**

### 10. **Future Meetings**

#### 10.1 Items to take to Board

The Committee reviewed the cycle of business for the September meeting BHS



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and agreed that, in addition, there should be the deferred IT Annual Security Update.

10.2 Items to take to Board

The Committee agreed on the items to be reported to the Board at its next meeting on 5<sup>th</sup> July 2017.

11. **Dates of meetings for 2017/18**

Wednesday	20 <sup>th</sup>	September	2017
Wednesday	22 <sup>nd</sup>	November	2017
Wednesday	7 <sup>th</sup>	March	2018
Wednesday	13 <sup>th</sup>	June	2018