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EXETER COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held on Wednesday 15th June 2016 in the Board Room, Hele Road, Exeter College

Present

Chris Hoar	Chair
Elaine Hobson	Vice Chair
David Batho	
Dave Underwood	

In Attendance

	John Laramy	Principal
	Steve Campion	Vice Principal, Finance and Business Operations
	Derek Fargher	Interim Finance Controller
	Heather Ancient	(PwC)
<i>Item 6.1 only</i>	Richard Brine	Head of Information and Learner Services
	Emily Steed	(PwC)
<i>Item 6.1 only</i>	Toby Coombes	Head of Finance Funding and MIS
	Barbara Sweeney	Clerk to the Corporation

Apologies

John Coombs	
Mike Blakeley	Head of Business Solutions

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

The Chair welcomed colleagues to the last meeting of the Academic year. He thanked Governors, the Senior Leadership Team and the Internal Auditors for their contribution over the year. The composition of the Committee would be unchanged in the 2016-17 academic year.

He particularly welcomed Heather Ancient from PricewaterhouseCoopers, and also Emily Steed (PwC) who was attending her first meeting as Internal Audit Team Leader.

Apologies were received.

Dave Batho, Manager IT, declared an interest in item 6.1, Information Governance.
2. **Minutes**
 - 2.1 The minutes of the meeting held on 9th March 2016, as circulated, were agreed and signed by the Chair.
 - 2.2 The confidential minutes of the meeting held on 9th March 2016, as circulated, were agreed and signed by the Chair.

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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 Assurance

The Chair confirmed that the Chair of the Board had sought assurance that mitigations were in place to control the risk of fraud, citing an example where the spouse of the Principal in another college had allegedly received substantial remuneration for contract work undertaken for the college. The Anti-Bribery Policy was received and Steve confirmed that in addition there were robust controls in place including the procurement procedures (for which a clean internal audit report was circulated under item 5.1), a robust tendering process using third party mediators, and that there was a clear framework for consultation. A PwC assurance review of subcontracting provision was also included on the agenda and there effective controls were in place, including due diligence. Schemes of delegation for invoices, procurement and tenders were also well established and included in the Financial Regulations. The Remuneration Committee approved Senior Post Holders' salaries and followed robust governance.

PwC reminded the Committee that the "tone" of a college was key, and often override of controls was cultural. Integrity and strong leadership behaviour, starting with the Board, was critical. The Principal confirmed that managers were given strict guidance, with "legal, affordable and defensible in the event of an FOI request" used as the foundation.

The Committee noted the update.

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 and the Chair reminded the Committee that its last review was in April 2016, following the appointment of the new Principal. It was therefore prudent to consider changes to the register. Steve Campion, Vice Principal Finance and Business Operations, confirmed the new and amended risks which the Committee scrutinised, and no changes were recommended to the risk ratings.

The Committee considered the impact of Brexit. Unlike HR institutions or colleges with significant European funding there was unlikely to be significant direct impact. However a fragile economy as a result of Brexit could impact on public sector funding and corresponding income to the College.

The Committee agreed to

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Recommend the Risk Register and Heat Map to the Board at its meeting on 6th July 2016

BHS

Vote: Unanimous

5.1 Internal Audit Project Reports

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

5.1 Subcontractors

The report was received and Heather Ancient, Engagement Leader PwC, confirmed that given historic risk of subcontracting, the Skills Funding Letter issued in February 2015 had required further scrutiny of the risks that subcontracting presented and how they could be mitigated. Accordingly, the SFA's funding agreements for 2015/2016 contained a new clause requiring that the College provide a framework of controls to meet the funding agreement. Like many in the sector, the College had missed the deadline for submission and therefore an independent controls assurance report was required.

PwC had used a number of contingency days from the IAS plan to undertake an assurance review to test compliance and confirmed that nothing was found and that the College was compliant. Because the College had significantly reduced its subcontractor provision over the past few years and introduced effective controls, risk was low. However, missing the deadline was not compatible with the College's culture of best practice and controls had been introduced to avoid the risk of missing future funding requirements and deadlines. Confirmation of funding was awaited. However local SFA contacts had confirmed that the required documentation satisfied requirements. With the framework now set up, PwC recommended that an assurance review be completed in 2016-17.

The Committee also received a copy of the certificate confirming independent assurance, signed by the Principal and PwC Engagement Leader. Heather confirmed that there was no requirement for Board approval or the Chair's signature but recommended that the assurance report be received and noted by the Board.

The Committee agreed to

a) Note the report

b) Recommend the Assurance Report to the Board for noting at its meeting on 6th July 2016

BHS

Procurement

The report, giving low overall risk, was received and considered. The review was undertaken for the first time in the current internal audit plan

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and found that processes and controls were appropriately designed and operating effectively. There were two recommendations which were low risk and advisory. These related to ensuring that supplier payments were made in respect for goods where a purchase order had been authorised in advance. This would be addressed by continuing to reinforce the procedures in place. The advisory recommendation was to ensure there was a regular review of the approved supplier list so that it met the needs of the College and reduced the risk of fraud or error. To this end the list would be reviewed annually to ensure it was fit for purpose and to remove suppliers who were no longer used.

A number of examples of good practice were identified including: Management continuing to refine and improve the automated controls for procurement monitoring; Faculty Heads sourcing goods and services from suppliers who offered the best value, quality and service for the College whether through one of the consortia or direct from suppliers; securing tenders and quotations in accordance with the College's financial regulations and procedures and regular review of variances against budget with appropriate challenge.

The Committee noted that previous reviews of procurement had not been so positive and that there had been significant focus on improving controls. Procurement was devolved to departments, IT and Estates in particular and the use of consortia was effective.

The Committee commended the process and all those involved and agreed to

Note the report.

- 5.2 Summary of Year to date Internal Audit Service
The reports was received and Heather confirmed that the Internal Audit Programme was on track.

The Committee noted the report

- 6. **Internal Audit Action Plan**
- 6.1 Information Security

Richard Brine, Head of Information and Learner Services and Toby Coombes, Head of Finance Funding and MIS joined the meeting for item 6.1 only.

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

- 6.2 Progress Update
The report was received and considered. Derek Fargher, Interim Finance

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Controller, confirmed that there were four outstanding actions from 2015/16, two from the review on human resources and payroll and two from the recent procurement review for which the proposed actions were considered under item 5.1. To address the HR and payroll issues, the financial Regulations and Procedures/Travel and Expenses Policy were being updated and new procedures, including caps for subsistence and hotel rates, were currently being drafted for implementation in Year 2016/17.

The Committee agreed to

a) Note the report.

b) Remove completed actions from future reports

DF

7. **Value for Money Annual Report**

The annual report was received and provided data on College's metrics measuring quality performance and value for money against the national average. The report had been moved from an earlier meeting in the annual cycle to ensure that benchmarking used the most recent data.

Student numbers and success rates were strong, particularly in apprenticeship provision. Resource data was benchmarked against similar sized providers in the sector. Finance metrics were also strong and Steve highlighted key variances. Staff costs as a percentage of income were above the mean because the College paid at the upper end of the scale to attract and retain quality candidates. Capital investments had impacted on the ratio.

With good financial health, the College was in an unusually positive position for the sector and a small surplus was proposed for the 2016-17 budget. There had been two years of efficiencies and the Committee noted a proposed budgeted cost of living pay rise in the next academic year.

The College participate in several benchmarking groups, including one of Grade 1 colleges. In summary, the position was healthy. Steve confirmed that the College was in good financial health and offered value for money.

The Committee agreed to:

Note the Report

8. **Future Meetings**

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 6th July 2016.

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8.2 Items for next meeting

The Committee reviewed the cycle of business for the September meeting and agreed that, in addition, there should be an update on the Security Policy. (Post meeting note: the Risk Management Policy was due for review and would also be included in the agenda for the next meeting) BHS