

Approved

## EXETER COLLEGE FURTHER EDUCATION CORPORATION

### AUDIT COMMITTEE

#### Minutes of the meeting held on Wednesday 17<sup>th</sup> June 2015 in the Board Room, Hele Road, Exeter College

<b>Present</b>	David Allen	Chair
	Matt Roach	Vice Chair
<i>To Item 6 (part)</i>	David Batho	
	Elaine Hobson	
<i>From Item 4.1</i>	Dave Underwood	

#### In Attendance

	John Laramy	Vice Principal
	Steve Campion	Executive Director Finance and Enterprise (PwC)
<i>Item 4.1 only</i>	Heather Ancient	
	Bill Foote	Head of Construction and the Built Environment
<i>Item 4.2 only</i>	Toby Coombes	Head of MIS
<i>Item 4.2 only</i>	Tracey Lawes	
	Juliet Tremeer	Head of Finance
	Barbara Sweeney	Clerk to the Corporation

#### Apologies

Richard Atkins  
Richard Brine  
Nathan Coughlan (PwC)  
Jon Whyte (PwC)

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

The Chair welcomed colleagues to the last meeting of the Academic year. He particularly welcomed Heather Ancient from PricewaterhouseCoopers. At this his last meeting as Chair, subject to ratification by the Board at its meeting on 8<sup>th</sup> July 2015, he thanked Matt Roach, who would also be stepping down, for his contribution to the Committee over the past four years. The Chair updated Members on the proposed officers for 2015/16 and confirmed that a member of the Board who was a qualified accountant would be appointed to the Committee, subject to ratification. The Vice Chair thanked the Chair for his contribution during his time on the Committee.

Apologies were received.

Dave Batho, Manager IT, declared an interest in item 4.3, Specialist Penetration Testing Follow Up.

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2. **Minutes**

2.1 The minutes of the meeting held on 11<sup>th</sup> March 2015, as circulated, were agreed and signed by the Chair.

2.2 The confidential minutes of the meeting held on 11<sup>th</sup> March 2015, 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.

Value for Money (VfM)– benchmarking update

At the last meeting of the Committee it had been agreed that Value for Money was an issue for the whole Board. Steve Campion, Executive Director Finance and Enterprise confirmed that the Board had received the latest benchmarking data at its meeting on 1<sup>st</sup> May 2015 and that the data was still available on Boardpacks.

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.

*Bill Foote, Head of Construction and the Built Environment, joined the meeting for item 4.1 only.*

4.1 Departmental review - Construction

The report, giving low overall risk, was received and considered. The review was undertaken as part of the 2014/15 internal audit plan approved by the Audit Committee, and the department had not been subject to a review since 2008. There were several areas of good practice including processes for recycling and reducing waste of materials and well managed stock control.

Overall the departmental controls over course costing, purchasing, staff variable pay and stock controls were well designed and operating effectively. The review identified one medium recommendation for improvement relating to the workshop fee, collected from students and used to cover the cost of materials. A list of students was collected at the start of the year and used to track those who had paid, those exempt and fees which were outstanding. The list was not provided to the Finance Office when cash was deposited meaning that the Finance Department was unable to reconcile the amount received against the list of students. In future, the department would provide the Finance Department with a list alongside cash deposited to ensure that a full record was maintained.

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

**The Committee noted the report.**

*Toby Coombes, Head of MIS, and Tracey Lawes, Head of Aplus training joined the meeting for item 4.2 only.*

4.2 Aplus Student Records

The report, giving low overall risk, was received and considered. The review was undertaken as part of the 2014/15 internal audit plan approved by the Audit Committee, and focussed on testing the accuracy and completeness of student records for Aplus Training. The funding allocation was now part of the total College funding allocation, with data held alongside all College student data. The review was to ensure that processes were as robust as for other College student data.

There were several areas of good practice including well established and robust processes for checking the completeness and accuracy of data held within the student records system throughout the year, effective review of data before the Individualised Learner Report (ILR) was finalised, integration with registers, a good understanding of EFA and SFA funding guidance and well organised and readily accessible records.

Generally the controls over Aplus student records were operating effectively and further refinement was ongoing. The Committee asked whether any of the required refinements posed significant risk and was assured that they related to the two low risk findings identified in the review. These were the production of registers and recording of course completion dates.

Registers were compiled manually based on students expected to attend that day's class. Trends in student attendance were also monitored, relying on the vigilance of the tutor. Whilst the flexibility of paper based systems was acknowledged, Aplus would move to the College's timetabling and attendance systems in 2015/16 which would remove the risk of inaccurate entry. Integration was iterative as the resource to effect changes needed to be balanced with delivery of services.

There were also discrepancies between completion dates recorded in MIS and apprentice finishing dates declared on the leaver forms. MIS and Business Solutions would work closely to ensure any changes to dates were agreed and paperwork amended accordingly.

In addition there was one advisory recommendation on the retention of multiple hard copies of student records. This was inefficient and increased the burden of compliance.

The Committee commended the distance travelled since incorporation and

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agreed to

**Note the report.**

4.3 Specialist Penetration Testing Follow Up  
This item was dealt with as a confidential item in accordance with the College's confidentiality policy and recorded in the confidential minutes.

4.4 Risk Management and Corporate Governance  
The report, giving low overall risk, was received and considered. The full controls review, including an assessment of control design and operating effectiveness, was undertaken as part of the 2014/15 internal audit plan approved by the Audit Committee. Risk Management and Corporate Governance controls continued to operate effectively and the review identified no significant changes to controls since the previous review in 2012/13.

There were several areas of good practice including a well-defined risk management policy and procedures which were available to all staff. Department and Faculty Heads were actively engaged in the process, ensuring a well embedded culture of risk management. Annual appraisals of governors were conducted, including updating governance documentation, and a skills matrix and record of training was effectively maintained. There was also access to governor profiles and meeting information on the College website.

There was one low risk recommendation relating to governor attendance. One Governor failed to achieve the College target of 80% attendance. In addition to continued monitoring, attendance would be discussed at individual appraisal meetings, particularly where there was non-compliance with the target. All appraisals had been completed by the target date.

Feedback on the review indicated that it provided assurance of compliance rather than adding value. It was suggested that future reviews include interviews with Governors and that where reviewers were inexperienced, they shadow more experienced colleagues.

The Joint Audit Code of Practice had increased flexibility of the internal audit service to enable more targeted reviews to be included in the audit plan, rather than mandatory reviews with little benefit.

**The Committee noted the report.**

4.5 Follow up  
The report was received and Heather Ancient, PricewaterhouseCoopers, confirmed that there were two medium priority recommendations made during the 2012/13 internal audit cycle and four medium priority recommendations made during the 2013/14 internal audit cycle.

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As at the time of the follow-up review, all six recommendations had been actioned at Exeter College and Aplus Training. All six of the agreed actions had been fully implemented and were operating effectively.

The nature of reviews meant that benchmarking was difficult. However the College's timely implementation of recommendations demonstrated effective risk management and a culture of accepting and acting on recommendations.

**The Committee noted the report and commended management on effective implementation of recommendations.**

#### 4.6 Audit Monitoring Update

Heather 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. All reviews and reports had been completed bar the Specialist Penetration Testing Follow Up, which had been drafted. The final version would be received by the Committee in September 2015.

Heather updated the Committee on the two circulated reports, received for information.

- More than just numbers – FRS 102 Soundbite

The report was received and Heather confirmed that the report provided guidance on how the FRS102 new accounting standards would affect the FE sector. From 2015/16 statutory accounts would be reported under the new standard and the previous year would have to be restated. She highlighted the key differences. These included changes in recording Government grants, contracts, employee benefits including pensions and holiday entitlement including that carried forward, complex financial instruments and how they were accounted for, and terminology changes in income and expenditure. There would be an impact when restating the previous year's accounts. However, it also provided an opportunity to review whether the right standards were in place and FRS 102 would be consistent with European counterparts.

The Committee asked what Governor development might be required to enable Boards to understand and challenge appropriately. The Finance Department was undergoing training and there would be a project plan to progress the changes. Because accounts were to be restated it was important to phase in the changes to achieve an opening position with which the Board was comfortable. The College was consulting with both internal and external auditors and a project group would be set up to progress internal understanding within the College. In some sectors management accounts were reflecting the changes so that there was not a marked change when the statutory accounts were published.

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A report on rolling out FRS102 changes would be taken to the Business Services Committee. SC

- Education Sector Risk Profile – 2015

The report was received and Heather confirmed that it provided a guide to the key risks identified in this and similar sectors, including Russell Group Universities. Plotted on a heat map, it illustrated significant risks onto which the College could map its own risk register.

The Committee noted that there was congruence between the College's identified risks and those of the sector. The Risk Profile was a useful benchmark and the Committee requested that it be mapped onto the College Heat Map. SC/BHS

**The Committee noted the Reports.**

5. **Internal Audit Action Plan**

5.1 Progress Update

The report was received and considered. Juliet Tremeer, Head of Finance, confirmed that there was one outstanding action identified in 2013/14, which related to the ability of the Agresso finance system to record workflow of purchase orders. Since the current system was no longer fit for purpose, the College was replacing the finance system, scheduled for 1<sup>st</sup> August 2015.

There were two outstanding actions from 2014/15 relating to the Departmental review (construction) and the Aplus student record system. Both would be completed by September 2015, with changes to systems from the start of the new academic year.

The Committee agreed to

**Note the report.**

6. **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. He highlighted the changes from the previous version, and provided justification for raising or lowering risk ratings.

Steve proposed that the impact and probability rating should be the other way round, with an impact of 4 and probability of 5 and not vice versa. The committee approved the update and recommended that that this be

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corrected prior to going to the Board on 8<sup>th</sup> July 2015. It was also recommended that an additional mitigation be added to R1, to indicate that the mix of provision provided some safeguard against the impact of funding cuts.

SC/BHS

The Committee agreed to:

**a) Note the report.**

**b) Recommend the revised Risk register and Heat Map to the Board on the 8<sup>th</sup> July 2015.**

7. **Date of meetings for 2015/16**

Wednesday	30 <sup>th</sup>	September	2015
Monday	30 <sup>th</sup>	November	2015
Wednesday	9 <sup>th</sup>	March	2016
Wednesday	15 <sup>th</sup>	June	2016