

Minutes Part I

Audit Committee
Part I minutes

Meeting Time and Date	0830 on 18 November 2019
Meeting Location	Room H2, Enfield
Members	Robert Howard (Chair) Guy Jones-Owen (Vice Chair) Tony Young (Independent)
Auditors	Katherine Patel (Buzzacott) Paul Goddard (Scrutton Bland)
Observers	Christine Bianchin (Academic) Susanne Datta (HR) Damien Fallon (Finance) Steven Girling (Estates) Malcolm Goodwin (Principal)
Minute Taker	Joanne Coffey (Clerk)
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	Action
<p>1. Apologies</p> <p>1.1. None.</p>	
<p>2. Declaration of Interests</p> <p>2.1. None.</p>	
<p>3. Minutes (Decision)</p> <p>3.1. The minutes were corrected for minor typos.</p> <p>3.2. The finance record is in preparation and the Finance Manager will complete a review and report her findings to the Principal. The outcome will be reported to the Committee by email ahead of the Governing Body on 11 December 2019.</p> <p>Resolved to</p> <p>3.3. Approve the minutes of the Audit Committee meeting held on 24 June 2019 as a correct record and authorise the Chair to sign them.</p>	Finance

<p>4. Matters Arising</p> <p>4.1. The status of Governors' online training on GDPR and Equality and Diversity is monitored by the Clerk to ensure that all Governors have completed all modules.</p>	
<p>5. Review of Terms of Reference (Decision)</p> <p>Resolved to</p> <p>5.1. Accept their standing Terms of Reference and recommend them to the Governing Body for adoption.</p>	<p>Governing Body (Appendix I)</p>
<p>6. Regularity Audit Self-Assessment Questionnaire 2018-19 (Decision)</p> <p>6.1. Buzzacott, the Colleges' external auditors, confirmed that the College was compliant in all areas.</p> <p>6.2. The value of the insurance claims under the Safeguarding Assets section was amended, due to a typo, to read £5,488.</p> <p>Resolved to</p> <p>6.3. Approve the Regularity Audit Self-Assessment Questionnaire for 2018-19 and recommend it to the Governing Body for approval and its submission to the Education and Skills Funding Agency by 31 December 2019.</p>	<p>Governing Body (Appendix II)</p>
<p>7. Review of Areas Susceptible to Fraud (Decision)</p> <p>7.1. The Committee acknowledged the importance of fraud prevention in the current climate.</p> <p>7.2. Theft incurred in 2018-19 total £6,599 and relates to the actual value of the losses, which is slightly higher than the amount that could be claimed through the insurance policy.</p> <p>Paul Goddard joined the meeting.</p> <p>7.3. At the summer 2019 Audit Committee meeting it was decided to adopt the Gov.uk generic checklist for education providers. The checklist will be incorporated into a single document from 2019-20 to demonstrate the College's compliance with best practice.</p> <p>7.4. The Committee discussed current known active fraudulent activity in the UK, which includes:</p> <p>a) Reliance on bank account details not being checked by an independent source</p>	<p>Finance</p>

<p>b) Impersonation of members of staff who request changes to payment details</p> <p>c) Non-official paperwork being passed off as official.</p> <p>7.5. The Finance Director confirmed that the College conducts additional checks when account details are being changed which mitigates against such opportunistic attempts of fraud.</p> <p>7.6. The Independent Member of the Audit Committee appraised the fraud review as thorough and prudent.</p> <p>Resolved to</p> <p>7.7. Agree the Fraud Review Schedule for 2018-19 and recommend it to the Governing Body for adoption.</p>	<p>Governing Body (Appendix III)</p>
<p>8. Post Audit Management Reports 2018-19 (Decision)</p> <p>8.1. Buzzacott thanked the Finance Department for their assistance and co-operation in completing their post audit work.</p> <p>8.2. Buzzacott’s opinion was that the financial statements gave a true and fair view of the College’s deficit; that the regularity assurances were all confirmed; and that no adjustments were required.</p> <p>8.3. The only outstanding items were those which cannot be completed until after the Audit Committee meeting date. They are expected to be completed ahead of the Governing Body meeting.</p> <p>8.4. One recommendation was made for the fixed asset register to ungroup individual assets so that sufficient detail allows for proper tracking and accountability. This has been accepted and actioned by the College.</p> <p>8.5. EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) at 2.7%, compared to the previous year at 7.8%, is due to a restructure for a platform of growth which included significant staff and IT expenditure.</p> <p>8.6. In addition, a corrective plan to increase students’ tuition fees was not realised as most of the additional students were on fee waivers which does not increase income.</p> <p>8.7. Buzzacott confirmed that the College’s financial health score (a measure of the College’s solvency) is Good, which is higher than for most colleges, and that the College’s actual score tends to shift between the top of the Good range to the bottom of the Outstanding range.</p>	

Pensions

- 8.8. The College's increase in local government pension liability of 57.05% (£1,798k), which is higher than the sector average of 33.34%, is set by market valuations that the College has no control over. It has been impacted by the McCloud/Sargent judgement which is a high court ruling on changes to local government pension schemes that have been deemed to be age discrimination. The ruling has been applied to all public sector pension schemes, such that the entire eligible workforce receives the same benefits as the few who were closer to retirement age in 2014.
- 8.9. The actuarial valuation is being checked for accuracy but the Committee agreed not to have it independently revalued as retaining and reporting the worst case scenario was prudent.
- 8.10. Buzzacott confirmed the Teachers' Pension Scheme assurance following corrections to four employee contributions, and an update to software which had miscalculated London Weighting.

Update on the year

- 8.11. The Principal updated the Committee on the College's performance to date:
- a) 16-18 recruitment is below target at 860 but ahead of the previous year by approximately 30 students.
 - b) Adult recruitment is higher than expected but is being impacted by an increase to the family income level at which funding is provided.
 - c) Higher Education zoology degrees are at full capacity.
 - d) Apprenticeships recruitment is below the in-year targets and the College is continuing to increase recruitment.
 - e) Overall achievement rates for 2018-19 are at 86.8%, 1.1% higher than in 2017-18. Apprenticeship and English and Maths results were below expectation and are addressed in the improvement plans.
 - f) Investment in staff and IT systems is proving cost effective.
 - g) Fees relating to capital programmes have increased due to additional planning costs for the Enfield and Crystal Palace sites.
 - h) The Mottingham acquisition remains at the due diligence stage with the College aiming to complete

<p>before Christmas, and before the other colleges in early 2020.</p> <p>i) The Committee were also updated on confidential projects and lease negotiations in the pipeline.</p> <p>8.12. The Committee congratulated Buzzacott and the Finance Director and their teams for the comprehensive report.</p> <p>Resolved to</p> <p>8.13. Approve the Post-Audit Management Reports issued in respect of the College, Capel Manor Limited and FHCVL for the year ended 31 July 2019 and recommend them to the Governing Body for approval.</p>	<p>Governing Body (Appendix IV)</p>
<p>9. External Auditors' Letter of Representations 31 July 2019 (Decision)</p> <p>Resolved to</p> <p>9.1. Approve sections 4 and 15 of the attached letter of representations for the year ended 31 July 2019.</p> <p>9.2. Recommend to the Governing Body that the Chairman of Governors and the Principal be authorised to sign the Letter of Representations in respect of sections 4 and 15 for the year ended 31 July 2019 on behalf of the Corporation.</p>	<p>Governing Body (Appendix V)</p>
<p>10. Report and Financial Statements 31 July 2019 (Decision)</p> <p>10.1. The Audit Committee are responsible for the oversight of the regulatory areas of the Report and Financial Statements.</p> <p>10.2. Buzzacott confirmed their approval of the regulatory content.</p> <p>Resolved to</p> <p>10.3. Recommend that the Governing Body approve the Statement of Corporate Governance and Internal Control, the Governing Body's Statement on Regularity, Propriety and Compliance and the Statement of Responsibilities of the Members of the Corporation included in the College Report and Financial Statements 31 July 2019.</p> <p>10.4. Recommend that the Governing Body approve the audit opinions as expressed by the auditor in respect of the financial statements for the year ended 31 July 2019 for Capel Manor College, Capel Manor Limited and Forty Hall Community Vineyard Limited.</p>	<p>Governing Body (Appendix VI)</p>

<p>11. Internal Audit Annual Report 2018-19 (Decision)</p> <p>11.1. Scrutton Bland, the College’s internal auditors, gave Green (Strong or Significant) opinions across all audited areas which they confirmed as higher than current industry benchmarks.</p> <p>11.2. The internal auditors discussed industry trends and they assessed Capel’s due diligence as being ahead of other clients’ audits as the reason for the high assurances.</p> <p>Resolved to</p> <p>11.3. Approve the Internal Audit Annual Report for the year ended 31 July 2019.</p>	
<p>12. Report of the Executive Director of Finance (Information)</p> <p>12.1. Buzzacott continue to provide good challenge and technical support in guiding the College in its interpretation of accounting standards and direction with which it must comply.</p> <p>12.2. The College continues to receive a quality service from Scrutton Bland who have responded well to changes to the timetable and order of audit work,</p>	
<p>13. Internal Audit Service (Decision)</p> <p>13.1. The College assessed that it has received very good value for money from Scrutton Bland in 2018-19 which has been consistent year on year, with expectation being exceeded.</p> <p>13.2. Scrutton Bland provided an update that the new audit manager for the College has given notice to terminate her employment. It was confirmed that this would not have any impact on continuity for the planned schedule of audits until a new manager is assigned.</p> <p>13.3. The Committee confirmed that learner records should remain on the audit schedule for 2019-20.</p> <p>Resolved to</p> <p>13.4. Confirm the evaluation of the performance of the internal audit service for 2018-19 to be good (the highest grade).</p> <p>13.5. Recommend to the Governing Body they confirm the appointment of Scrutton Bland to provide an internal audit service to the College for the 2019-20 year at a negotiated cost of £18,200, exclusive of VAT.</p>	<p>Governing Body (Appendix VII)</p>

<p>14. Annual Checklist of the Audit Committee 2018-19 (Decision)</p> <p>14.1. The Committee discussed the criteria for assessing value for money.</p> <p>14.2. The College confirmed that tenders are used for all high cost services, for example with the reprographics equipment, which involves detailed assessments on standards of delivery, performance and price.</p> <p>14.3. Budget holders have devolved responsibilities for the overall budget which ensures that all areas are tightly controlled through a strong cost culture. This is demonstrated as all costs, apart from salaries, are within budget.</p> <p>14.4. Scrutton Bland advised that value for money in Higher Education is taken from a fees perspective through strategy and performance. Paul Goddard agreed to share the HE approach with the Committee to assist with future value for money assessments.</p> <p>Resolved to</p> <p>14.5. Note that all criteria have been achieved.</p> <p>14.6. Add their assessment of Value for Money as Yes.</p> <p>14.7. Report the outcomes to the Governing Body by attaching the Schedule to the minutes of this meeting.</p>	<p>Scrutton Bland</p> <p>Governing Body (Appendix VIII)</p>
<p>15. Annual Report of the Audit Committee 31 July 2019 (Decision)</p> <p>15.1. As it is the main driver of regularity work, it was agreed to recirculate the Post-16 Audit Code of Practice (ACOP) to the Audit Committee's Governors for new and existing members to have for reference purposes.</p> <p>15.2. The Annual Report had been reformatted to clarify quoted text from auditor reports, which the Committee found helpful.</p> <p>Resolved to</p> <p>15.3. Approve the Audit Committee Annual Report 31 July 2019 and recommend it to the Governing Body for adoption.</p>	<p>Clerk (Completed)</p> <p>Governing Body (Appendix IX)</p>

<p>16. Review of Risk and Risk Management (Decision)</p> <p>16.1. The College proposed a change to risk management from a Governor’s perspective, based on feedback that the comprehensive risk register was too broad and complex for appropriate focus during sub-committee meetings.</p> <p>16.2. The internal auditors had also referred to the presentation of such a high number of devolved risks not being industry standard.</p> <p>16.3. A shorter set of principal risks was proposed to the Committee.</p> <p>16.4. This will also enable all committees to view their risks in clearer context against other committees’ risks.</p> <p>16.5. The Committee discussed other potential options that may improve the balance of information which included:</p> <ul style="list-style-type: none"> a) A single reduced Risk Register of approximately 50 risks in order of severity, with the top 10 high level risks assessed by Governors b) A single Risk Register presented with columns hidden but available to view c) The Principal Risks table presented along with extracts from the Risk Register for the top 10 higher risks d) A visual heat map of risks e) Use of third party risk management tools. <p>16.6. The Committee requested a modified paper on risk, strengthening the notion that principal risks will complement rather than replace the existing Risk Register, more thought to be given to how controls are communicated for principal risks, and making clear the Risk Register will remain available for Governors as required.</p> <p>16.7. The revised ‘Addendum to Audit Committee’ paper to be circulated to Committee members to facilitate the December 2019 Governing Body in deciding to receive:</p> <ul style="list-style-type: none"> a) the full Risk Register as it stands b) Principal Risks with access to the full Risk Register (via Decision Time). <p>Resolved to</p>	<p>Principal</p>
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<p>16.8. Accept the standing risks on the Risk Register for Audit Committee recommendations</p> <p>16.9. Circulate a revised report paper to the Audit Committee Governors for agreement/external discussion prior to its circulation to the Governing Body for 11 December 2019</p> <p>16.10. Recommend that the Governing Body, on reviewing the 'Addendum to Audit Committee' paper, agree either a new approach to risk management for adoption in spring 2020 or retain the existing system.</p>	<p>Clerk (Completed)</p> <p>Governing Body (Appendix X)</p>
<p>17. Academic Quality Cycle (Information)</p> <p>17.1. Progress on actions for the academic quality cycle in 2018-19 were on track and the full academic quality cycle will complete in December 2019.</p> <p>17.2. The Vice Principal is awaiting final external validation from both Coventry College and Stroud College and this will be reported to the autumn 2019 Governing Body.</p>	<p>Academic</p>
<p>18. AOB</p> <p>18.1. None.</p>	
<p>19. Date of next meeting</p> <p>19.1. The next Audit Committee meeting will take place on 17 March 2019.</p>	