











Minutes

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Audit Committee
Minutes

Meeting Time and Date	0830 on 17 June 2021
Meeting Location	Remote via Zoom
Members	Robert Howard (Chair)  Guy Jones-Owen (Vice Chair)  Antony Young (Independent) 
Auditors	Katherine Patel (Buzzacott)  Paul Goddard (Scrutton Bland) 
Observers	Christine Bianchin (Academic) James Bryan (HR) Damien Fallon (Finance)  Malcolm Goodwin (Principal)  David Scott (Estates)
Minute Taker	Joanne Coffey (Clerk) 
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	Action
<p>1. Welcome and Apologies</p> <p>1.1. No apologies were received.</p> <p>1.2. James Bryan was welcomed to the Committee.</p>	
<p>2. Declaration of Interests</p> <p>2.1. None.</p>	
<p>3. Minutes (Decision)</p> <p>Resolved to</p> <p>3.1. Approve the minutes of the Audit Committee meeting held on 4 March 2021 as a correct record and authorise the Chair to approve them.</p>	
<p>4. Matters Arising</p> <p>4.1. No matters arising were discussed.</p>	
<p>5. Review of Terms of Reference (Decision)</p> <p>5.1. The Terms of Reference were restructured to provide a clearer layout, an overview showing the key areas of activity and the following Audit Committee purpose:</p> <p>‘To do all within our powers to ensure that we have high quality, fully effective controls covering all of our activities’.</p>	

<p>6.5. As 2020-21 internal audits were impacted by Covid restrictions, the number of days proposed for 2021-22 had risen from 34 to 39 days in total. This was in recognition of the current operating environment and to compensate for the reduced range of audits completed in 2019-20.</p> <p>6.6. The Committee considered the proposed set of audits in terms of priority of risk, timing against the particular cycle and the onsite availability of staff.</p> <p>6.7. The audits were presented as mapped against areas of highest priority, as identified from the College’s Risk Register:</p> <ul style="list-style-type: none"> a) The wellbeing of staff and students b) To maintain appropriate estates and facilities c) To provide a student experience of sufficiently high quality and range. <p>6.8. The Committee sought confirmation by management that the programme of audits was deliverable, in terms of commitment and capability. The programme was manageable with some areas ready to audit and others needing to pragmatically align with departmental cycles, to ensure the smooth delivery of the audits and maximise their value.</p> <p>6.9. As the Business Continuity audit was not due until 2023-24, and given its critical nature in providing Governance reassurance, it was agreed to report this at the same time as the IT Infrastructure/Cyber risk audit in 2021-22.</p> <p>6.10. It was noted that the Lecture Deployment audit could be rescheduled to a later year if the audit timetable required this.</p> <p>6.11. A further review of the audit plan will be carried out at the next Audit Committee meeting in November 2021.</p> <p>Resolved to</p> <p>6.12. Approve the revised Internal Audit Assurance Strategy and Annual Plan for 2021-22 year and the proposed fees therein.</p> <p><u>RSM audit of the College’s Adult education budget grant funded by the GLA</u></p> <p>6.13. The College was selected at random by the GLA for this audit which was delivered by RSM Risk Assurance Services LLP.</p> <p>6.14. Management had reviewed the outcome of Satisfactory which is agreeable; this is given where the error rate is below 5% (this being the best possible rating) and Capel’s error rate is less than 1%.</p>	<p>Finance</p>
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6.15. Whilst their report relates purely to adult students that are resident in London, it reassures on the accuracy of high standards reported on the learner records by Scrutton Bland.

6.16. The Committee congratulated the team who contributed to this audit for a healthy outcome.

Resolved to

6.17. **Adopt the GLA Adult Education Budget Funding Assurance Review for the 2020-21 year.**

Financial Statements Auditors' Performance

6.18. On the completion of the audit for 2019-20 the external auditors, Buzzacott, advised that their cost ledger was nearly £14k over budget and requested the College to consider paying £4,900 plus VAT to part fund this outcome. Management agreed to pay this, but the Committee subsequently advised that they would not have approved this cost.

6.19. The Committee requested the Executive Director of Finance and IT to make known their dissatisfaction to Buzzacott and obtain an explanation for why their costs proved so high overall and why the College should bear a charge of £4,900.

6.20. Following discussions between Buzzacott, the Chair of Audit and SLT, a written response to the Audit Committee Governors and Independent Member was circulated on 16 June 2021. This included stating their commitment to strengthening their relationship with Capel and outlined suggestions around planning and process that would ensure against any future issues.

6.21. The Committee also requested that the grading system, used to determine the performance of the external auditors, was reassessed and that the new criteria be used to re-assess Buzzacott's performance for the 2020-21 year.

6.22. The proposed grading system aligned expectation to a high performing service, which reduced the outcome to Inadequate (below College expectation) for 2020-21.

6.23. At the meeting, Buzzacott reaffirmed their commitment and keenness to work with Capel which will include open, clear and prompt communication with management and Committee members, and a progress report on fees at the autumn meetings.

Financial Statements Auditors' Planning Arrangements

6.24. Buzzacott provided their External Audit Strategy for 2020-21 along with a revised letter of representation for the College group

6.25. The letter of representation incorporates changes in reporting with which Buzzacott needs to comply from 2020-21, with respect to the Audit code and Accounting reporting standards.

<p>Resolved to</p> <p>6.26. Agree the Letter of Representation with Buzzacott and instruct the Principal to sign on behalf of the Governing Body.</p> <p>6.27. Buzzacott, updated the Committee on the current year's planning arrangements which are expected to take place onsite.</p> <p><u>Additional work</u></p> <p>6.28. Changes in accounting standards mean Buzzacott have to provide more detailed audit reports for work they have completed on detecting and reporting fraud, confirming the group companies to be going concerns and the principals used in valuing accounting estimates.</p> <p>6.29. Buzzacott expect to pay particular attention to the principals used for determining if an expenditure is of a repair (revenue) or a capital (asset) nature following the significant expenditures incurred in the year on the ESFA capital transformation fund (£581k), the planning applications for the Enfield gateway (£124k) and the Crystal Palace / Mottingham developments (£483k).</p> <p>6.30. Buzzacott requested a small increase in fees for their additional work, provided estimated costs and paid heed to the sentiment of the Committee regarding unexpected fees.</p> <p><u>ESFA reconciliation</u></p> <p>6.31. Changes to the Audit code has resulted in the ESFA reconciliation no longer being adequate evidence of contracted income arising from the individual learner records. This was notified in April 2020 with no prior warning.</p> <p>6.32. Buzzacott will be relying on evidence available to them (and the internal processes used by the College) in making the monthly and annual data returns to the ESFA. Funding and data was deemed robust but more auditing will be carried out around controls and processes.</p> <p>6.33. As many colleges' income streams will be under target, any clawback by the ESFA should be included in its college accounts as mis-stated income.</p> <p><u>Accounting estimates</u></p> <p>6.34. As accounting estimates for risks, such as Covid and going concern, are judgement based opinions, more scrutiny is required.</p> <p><u>Capital projects</u></p> <p>6.35. As the Mottingham and Crystal Palace Park developments are moving ahead, costs and planning permission will be reassessed to determine if the costs are revenue or capital in nature. This will be reported back at the autumn 2021 meeting.</p>	<p>B: Governing Body (Appendix II)</p>
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<p>Resolved to</p> <p>6.36. Agree the External Audit Plan proposed by Buzzacott for the 2020-21 year and their proposed fees therein.</p>	
<p>7. Internal Audit Reports 2020-21 (Decision)</p> <p><u>Progress with audit work: Good Progress</u></p> <p>7.1. Scrutton Bland, the College’s internal auditors, had updated their 2020-21 Internal Audit Plan to reflect the discussions and agreement reached at the March 2021 meeting.</p> <p>7.2. The agreed audits were: Follow-up 2019-20; Marketing; Key Financial Controls (Fixed Assets); Payroll; Anti-fraud framework and; a final Follow-up 2020-21. The amended programme of work had reduced the internal audit days from 34 to 22.</p> <p>7.3. The Progress Report showed assessments of Strong and Significant assurance for the areas audited, with Good Progress on the Follow-up reviews.</p> <p>7.4. The Committee confirm its satisfaction to the volume of internal audit work completed for the 2020-21 year.</p> <p><u>Payroll: Strong Assurance</u></p> <p>7.5. Scrutton Bland issued a Strong assurance opinion (their highest) for this key area of payroll.</p> <p>7.6. Overall, the existing controls and processes in place were found to be robust and well embedded.</p> <p>7.7. Where anomalies and variances occurred within the monthly payroll reports, these were being effectively challenged, with supporting evidence and clear audit trails being in place.</p> <p>7.8. <u>Added Value Point: iTrent self-service module</u></p> <p>1) Scrutton Bland suggested an investment in the iTrent self-service module that enables staff to change their own bank details.</p> <p>For cost / benefit reasons, management had decided not to invest in this additional module. Governors requested that such a service would make the system more watertight and cost/benefits will be reported back to the Committee for further assessment.</p> <p><u>Anti-Fraud Framework: Significant Assurance</u></p> <p>7.9. Scrutton Bland issued a Significant assurance opinion (their next to highest) for the anti-fraud framework audit.</p> <p>7.10. It was found that a clear and coherent anti-fraud framework was in place at the College, with staff demonstrating a clear and appropriate understanding of the processes and controls that continued to evolve to respond to potential fraud risk exposures.</p>	<p style="text-align: center;">Finance</p>

<p>7.11. <u>Low risk recommendations: Agreed and in place</u></p> <ol style="list-style-type: none"> 1) To review and share the latest version of the Financial Regulations, the integrated Fraud Response Plan and the Anti-Bribery Policy with members of the Audit Committee (this is the role of the Finance and Resources committee who will consider this at their June 2021 meeting) and to ensure that the Financial Regulations are accessible to staff through the College’s Intranet, Moodle. 2) To review and update the Staff Code of Conduct as necessary, and to share this with the Finance and Resources Committee. <p>The need to ensure the Financial Regulations and Staff Code of Conduct present a common message is presently being assessed by management.</p>	<p>Finance</p>
<p>7.12. <u>Added Value Points</u></p> <ol style="list-style-type: none"> 1) Although the gifts and hospitality threshold of £100 was higher than most policies seen elsewhere, it was agreed to note this information but to retain the £100 level. 2) To update the Protect contact details in the Whistleblowing Policy. 3) To include reporting on fraud risk as a sub-item of the Clerk’s Data Protection report. 4) To enhance the ‘assets’ and ‘cybercrime’ Principal Risks to demonstrate that insufficient controls, or a breakdown in established controls, could result in a successful internal or external fraud against the College. 5) To group the related fraud documentation together on the staff intranet. 6) To incorporate additional elements included within the Scrutton Bland Fraud Checklist that are not already included in the College’s checklist for the annually reporting on fraud. 7) To incorporate the Government’s guidance on Anti-Fraud in the College’s Anti-Fraud policy. 8) To not include the College’s anti-fraud framework within the suite of essential training topics to which all staff are monitored for having completed the training. 	<p>Clerk (Completed)</p> <p>Clerk (See 5.2)</p> <p>Principal</p> <p>Finance</p> <p>Finance</p> <p>Finance</p>
<p><u>Follow-up 2020-21</u></p>	
<p>7.13. There were three remaining recommended, and accepted, actions that were being progressed. These are expected to be resolved by the autumn 2021 meeting.</p>	
<p>Resolved to</p>	
<p>7.14. Confirm satisfaction to the volume of work completed within the Internal Audit Plan 2020-21 and accept the Risk and Assurance Reports on Payroll, Anti-fraud framework and</p>	

<p>Follow-up 2020-21 issued by Scrutton Bland as part of the College's Internal Audit Plan 2020-21.</p>	
<p>8. Review of overall Risk Management (Decision)</p> <p>8.1. The Committee confirmed that they were satisfied with the College's risk environment.</p> <p>8.2. To address the added value point by Scrutton Bland (minute 7.12 4), the description of fraud will be enhanced in the Principal Risks.</p> <p>Resolved to</p> <p>8.3. Confirm that the principal risks represent the main internal and external risks and the current approach to risk management remains fit for purpose.</p>	
<p>9. 8 Month Report on Data Protection 2020-21 (Information)</p> <p><u>Personal Data Breach</u></p> <p>9.1. Since the previous report, there had been no reported breaches of personal data.</p> <p>9.2. The average of 0.5 Personal Data Breaches was currently 83% lower compared to the previous year. As the previous data breaches had been caused by sharing (mainly email) information in error, this suggested that staff had become more vigilant when sending group emails.</p> <p><u>Freedom of Information (FOI) and Data Subject Access Requests (DSAR)</u></p> <p>9.3. Since the previous report, there have been 5 requests made under the Freedom of Information Act 2000. These requests were mainly from service provider companies using the College's data for market research purposes.</p> <p>9.4. The Data Protection Officer declined to provide the information requested in two cases due to:</p> <p>a) a risk in divulging the College's safety measures</p> <p>b) the estimated time taken and costs associated in providing the information exceeded the set "appropriate limit" as stipulated by the Ministry of Justice.</p> <p>9.5. Since the previous report, the College received and complied with 1 Data Subject Access Request.</p> <p>9.6. As at 30 April 2021, the Clerk confirmed that the College was 100% compliant in all areas of Data Protection.</p>	
<p>10. AOB</p> <p>10.1. None.</p>	

<p>11. Internal Auditors' sector update</p> <p>11.1. Scrutton Bland gave a sector update and noted that some colleges had been victims of cybercrime attacks using ransomware.</p> <p>11.2. As the Post-16 Audit Code of Practice had been revised in April 2021, the ESFA will be providing a guidance document to assist colleges and external auditors in incorporating change and this is expected to be published at the end of June 2021.</p>	
<p>12. Date of next meeting</p> <p>12.1. The next Audit Committee meeting will take place on 15 November 2021.</p>	

APPROVED MINUTES			
CHAIR:	Robert Howard	DATE:	15 November 2021
APPROVAL:	<p>Remote confirmation: CONFIRMED</p> <p>Or signed:</p>		