Capel Manor College

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Audit Committee
Minutes

Meeting Time and Date	**0900 on 2 March 2023**
Meeting Location	**Zoom Online**
Members	Guy Jones-Owen (Chair) 💻 Alex Lane (Vice Chair) Stephen Way 💻 Antony Young (Independent) 💻
Auditors	Paul Goddard (Scrutton Bland) 💻 Ryan Pearce (Scrutton Bland) 💻 Leisyen Cox (Scrutton Bland – Training only) 💻
Observers	Roger McClure (Item 8 only) 💻 Christine Bianchin (Principal) 💻 James Bryan (HR) 💻 Paul Smith / Denise Cheng-Carter (Finance) 💻 David Scott (Estates) 💻 Denise Lloyd (Academic) 💻
Minute Taker	Joanne Coffey (Clerk) 💻

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	Action
1. Welcome and Apologies	
1.1. Apologies were received for Alex Lane.	
1.2. It was noted that Roger McClure, Chair of Governors, would be joining the meeting for Item 8, to discuss the Governance audit.	
2. Declaration of Interests	
2.1. Paul Smith introduced himself to the Committee and declared that he is Chair of the Working Men's College who are a client of Scrutton Bland.	
2.2. This will also be added to the full Register of Interests.	**Clerk (Completed)**
3. Minutes (Decision)	
3.1. As the internal auditors assurance opinion ratings had been reduced from 5 to 4 levels, minute 12.9 was revised to state that the Apprenticeships Funding assurance of 'Reasonable' was the third highest level, rather than the fourth.	
Resolved to	
3.2. **Approve the minutes of the Audit Committee meeting held on 11 November 2022 as a correct record and authorise the Chair to confirm them.**	
4. Matters Arising	
4.1. No matters arising from the minutes were discussed.	

5. Review of Outstanding Audit Recommendations (Information)	
5.1. As at the end of January 2023, there were 36 audit recommendations in total, 16 completed, 18 partially completed and 2 Not Yet Due.	
5.2. It was explained to the Committee that two years of Individual Learner Records (ILR) audits had resulted in more recommendations than usual. This was due to the nature of these audits, where even minor incompletions must be logged by the Auditors to follow up.	
5.3. It was confirmed that all of the items that had been moved to March 2023 would be completed by then. It was confirmed that all completed tasks are stored separately within the spreadsheet on a different tab once they are reported, to assist with audits etc.	
5.4. The College had now introduced a twice yearly data verification process to support the ILR returns due to their complexity. The next verification is due to take place in May 2023 for all College data, including apprenticeships.	
5.5. Governors noted the importance of following up the recommendations if they are extended to ensure against further delays. Any revised or extended completion dates would be clearly shown on the document.	
5.6. Learner Recruitment was now being managed, on a fixed term 12 month contract, by the Acting Director of Marketing, Recruitment and Admissions. It was agreed to add the start date to the register.	**Deputy Principal / Vice Principal**
5.7. The date to be revised for the learner journey process mapping exercise will be considered, which currently stands as 7 November 2022.	
6. Review of Risk Management (Decision)	
6.1. The overall risk rating remained the same since the previous meeting.	
6.2. Academic quality challenges remained high risk although strategies were now in place for some areas.	
6.3. Insufficient student recruitment and grant funding remained high risk. The adult targets are coming close to being met, although slightly behind the curriculum plan of 97%.	
6.4. Employee relation cases were being progressed but continued to impact the risk to the workforce and organisational structure.	
6.5. Income risk remains elevated, particularly with the higher cost pressures, but is being closely monitored through the budgets.	
6.6. The risk of not meeting all legal and regularity requirements was not raised as the External Auditors provided assurance that all had been complied with.	
6.7. Governors requested that the internal Equality, Diversity and Inclusion (EDI) Committee presents at the next meeting. It was agreed that this would replace Scrutton Bland's sector update in June 2023.	**Clerk**

6.8.	It was confirmed that the EDI Link Governor, once assigned, would be invited to attend the internal EDI Committee meetings.	**Principal**
Resolved to		
6.9.	**Confirm that the principal risks reasonably represent the main internal and external risks and the specific risk relating to legal and regulatory as relevant to this Committee is being effectively managed.**	

7. Report of the Finance Director (Decision)

Financial Statements and Regularity Audit Service: evaluation of performance 2021-22 and annual re-appointment 2022-23

7.1. The quality of the financial statements and regularity audit service received by the College is reviewed each year to assess the adequacy of this service. The evaluation of their performance for the 2021-22 year, in respect of the College and its subsidiary companies, was confirmed as 'Good' – Exceeds College expectations was determined in each case.

7.2. The final audit fee for last financial year was £29,975 excluding VAT as proposed.

7.3. Buzzacott continued to provide robust challenges on the Colleges' accounting treatment of transactions and providing technical support in the interpretation of the regulations, accounting standards and accounts direction with which the College must comply.

7.4. Buzzacott also continued to provide a high standard of service and College management recommend their re-appointment for 2022-23.

Resolved to

7.5. **Confirm the evaluation of the performance of the financial statements and regularity audit service for 2021-22 as 'Good'.**

7.6. **Recommend to the Governing Body the re-appointment of Buzzacott as Financial statement auditor for the current financial year 2022-23.** **A: Governing Body**

Office for National Statistics (ONS) Classification

7.7. With effect from 29 November 2022, Colleges are classified in the public sector. The Office for National Statistics has published its decision on the classification of colleges in the UK National Accounts and its verdict is that all 228 college corporations and designated institutions in England, as well as their subsidiaries, should be reclassified to the public sector side of the UK national accounts. ONS explained their decision in a short statement which says that this decision is based on the existence of legal powers that have existed since 1992. Because of this, the public sector classification decision is retrospective to April 1993.

7.8. The key decisions are:

a) Ministers have accepted the reclassification for now and are making a number of changes to the controls that apply

	to colleges. Appendix V: ESFA Chief Executive letter to Colleges.	
b)	There are no planned changes to the law. Colleges continue to be self-governing corporations with charitable status and with responsibility for their educational character, their own courses, contracts, and relationships with staff and students.	
c)	The new controls from DfE involve 16 issues where they will require colleges to get approval before going ahead. These controls apply immediately. For most colleges, the most important changes relate to borrowing. There are no changes to existing loans but a clear DfE objective is to replace borrowing from banks in the future with grants or borrowing from government. DfE will be distributing £150 million in spring 2023 in formula-based capital grants to FE and sixth form colleges and will be bringing forward £300 million in revenue payments from summer 2023 to March 2023 to reduce the need for borrowing.	
d)	Colleges retain their reserves, any surpluses they make or assets they sell and also have the ability to manage their own capital spending and can take out leases.	
e)	Most of the controls closely mirror those that apply to academies but, significantly, colleges will not need to get prior approval for capital transactions and normal commercial activity.	
7.9.	The DfE and ESFA signal rapid movement towards consolidating college accounts for the 2024-5 financial year. They are likely to ask for new information as of 31 March 2023 so that they can produce prior year comparative data and account for activity in the financial year, although this would not align with the College's year end of 31 July.	
7.10.	They plan to work on a new College Finance Handbook over the next 12 months and gave assurance they will work closely with the Association of Colleges (AoC) and with college leaders to develop it.	
7.11.	The College was not currently seeking any loans but would remain vigilant on how the new approvals process by the ESFA and DfE progresses.	

Accountability Agreement

7.12.	In the Skills for Jobs White Paper, the Government set out its vision to transform Further Education. This was followed by two funding and accountability consultations which described how the system will be reformed. The accountability agreement is a new product emerging from these reforms, for which governing bodies need to take a strategic lead on. It is a 2-part document setting the overall expectations of Colleges in return for the Department's funding investment.	
7.13.	The agreement forms part of the wider set of reforms underway to transform the skills system, so it better supports young people and adults to develop the skills they need to get a good job and ensuring a clearer focus on the delivery of outcomes. The	

	agreement allows colleges to focus in on what and how they intend to deliver to support local, regional, and national needs.	
7.14.	Although Accountability Agreements should be submitted by 31 May 2023, the College will be utilising the option to submit a first draft by that date, with the final agreement following on 31 July.	
7.15.	As the agreement aligns with the Local Skills Improvement Plans (LSIPs), this will be reviewed at the same time by the senior leadership team.	
Funding Assurance Review		
7.16.	As part of the funding assurance review, compliance issues had been identified for which action plans were in place. This will be reviewed by the Internal Auditors in order to provide assurance to Buzzacott in preparing the Financial Statements.	
7.17.	It was noted that the College match funding for the European Social Fund (ESF) was due to end as the UK are no longer part of the EU.	
8.	**Internal Audit Reports (Decision)**	
	Risk Management: Significant assurance	
8.1.	Scrutton Bland issued a Significant assurance opinion (their second highest) on Risk Management.	
8.2.	Principal Risks, which focused on high level risk, were now part of the College's risk management process.	
8.3.	The following recommendations were accepted:	
	Low risk recommendations	
	1) To replace the sub-risk register with an Operational Risk Register by department.	
	2) To review the level at which risk management was being embedded across the College.	
	3) To RAG rate each risk in the Principal Risk Register to make the higher risk items more visible.	
8.4.	To provide further assurance, it was agreed to add an 'Assurance' column to both the Principal and Operational Risk Register to demonstrate how the Board oversees each risk.	**Principal (June 2023)**
8.5.	Board assurance training could also be embedded into staff training days, as appropriate, or at Audit Committee meetings to share best practice.	
8.6.	The structure currently in place for the Academic Board to report to the Board's Academic Committee was deemed a useful framework for other departments to consider.	
8.7.	As RAG rating was already in place, it was agreed that colour coding on the documents would be added for clarity.	**Principal (June 2023)**
	Business Continuity: Reasonable assurance	
8.8.	Scrutton Bland has issued a Reasonable assurance opinion for Business Continuity.	
8.9.	The following recommendations were accepted:	

Medium risk recommendations		
1) A thorough review of site-specific Business Continuity Plans.		
2) Scenario testing on the Business Continuity Plans.		
8.10. Although business continuity had been thoroughly tested during the pandemic, as this primarily related to Covid-19 and the new technology put in place post-pandemic now required its own continuity testing, it was clear that further testing was required.		
8.11. It was noted that the College had also recently dealt with a real-life scenario where the Crystal Palace stadium classrooms had not been accessible due to a safety issue causing a temporary closure of the stadium. It was managed well by using online teaching options which created minimum disruption to the students affected.	**Deputy Principal (Dec 2023)**	
8.12. Further testing could involve live scenarios or desk-based discussions to mitigate against further, unexpected, disruptions. It was agreed that these would take place by the end of 2023.		
8.13. The first review of the Business Continuity Plans was in process and would involve a full update to align with post-pandemic practices. The plans will also be future proofed by replacing individual names with roles and having consistent contact numbers where possible. This first draft would be presented at the next Committee meeting.	**Deputy Principal (June 2023)**	
8.14. Following this update, an internal annual review would provide best practice, with any substantial updates being reviewed by the appropriate Committee.		
8.15. Governors queried why the Business Continuity paperwork had not been updated in time for the audit. This had been due to stretched resources at the time but this will be prioritised going forwards.		
Apprenticeships: Significant assurance		
8.16. Scrutton Bland has issued a Significant assurance opinion for Apprenticeships.		
8.17. A robust approach was being taken with advertising and marketing activities. Targets and KPIs were already achieved or on-track to be completed by the year end.		
8.18. The following recommendation was accepted:		
Medium risk recommendation		
1) To implement an alternative, in-house developed, system to track employer engagement and facilitate expanded management information.		
8.19. It was agreed that a tracked timeline from start to finish would ensure that all barriers are dealt with. This would also help to track employer feedback.		
8.20. As the current CRM system already had the technical ability to provide such a tracking system, this would be further developed, rather than invest in additional software systems.		

8.21.	Although this audit focused on apprenticeships, Governors felt that College systems should be developed to track all students from their first contact onwards.	
8.22.	To provide enough time for the new Apprenticeship manager to become familiar with the current systems, it was agreed that Scrutton Bland would provide best practice advice on which systems, and or, strategies work for other colleges.	**Vice Principal / Scrutton Bland**
8.23.	It was agreed to extend the completion date to July 2023 to allow for this further analysis.	

Roger McClure joined the meeting.

<u>Governance: Reasonable assurance</u>

8.24.	Scrutton Bland has issued a Reasonable assurance opinion for Governance.
8.25.	The audit was focused around compliance with the Association of College's (AOC) Code of Good English Governance. Of the 53 areas, good evidence was found to support each one.
8.26.	The auditor's also spoke to a Governor for triangulation purposes to ensure that the framework was providing impact. It was deemed by that Governor that an urgent review of several areas, including frequency of meetings, Board interaction and management reporting, was required.
8.27.	This triangulation has led to the following recommendation being considered:

<u>High risk recommendation</u>

1) An in-depth review of the effectiveness of the Governance framework as part of the external review.

8.28.	Although some of the areas deemed urgent for review had either, already been reconsidered by the Board, or were in the pipeline, management accepted the recommendation by including a further review of these areas by the independent reviewer.
8.29.	Governors, however, felt that both the assurance rating and the high risk categorisation of the recommendation required further investigation.
8.30.	One issue was that some of the items that were being flagged for urgent review were on the basis that they *may* provide an improvement. There was no evidence to suggest that critical decisions or opportunities had been missed by not having them in place.
8.31.	Some of the urgent review points had also, already, been recently considered with recommendations having been agreed or not agreed by the Board.
8.32.	Some of these points had been included in the recent Governor Survey (which the auditors had been provided with) for which 12 Governors took part. Their responses did not correlate with the findings that consideration should urgently be made.
8.33.	Governors questioned why a high risk recommendation should be made on the basis of only one Governor's views. It was explained that the auditors had originally contacted two Governors but only

	one was available. They felt that the high risk status felt right at the time, based on the importance of Governance, but were open to reviewing this based on the feedback of the Committee and further consideration	
8.34.	Although Governors recognised that triangulation was key, this should have been with more than one Governor or set in context with the broader Governor survey.	
8.35.	It was also explained that Scrutton Bland had a limited time of just one day to perform this audit and that this had further impacted how much triangulation could be included.	
8.36.	As Board meetings had now been increased to 4-5 per year, it was agreed to amend the review of frequency of meetings to relate only to the Committee meetings. Scrutton Bland were asked for their advice on how additional meetings could fit into the annual cycle. They suggested an additional Audit Committee meeting could take place in early September, for example.	
8.37.	Another item that had been flagged was that too much time was potentially spent on the Committee minutes' recommendations. As the traditional Committee model requires the Committees to make recommendations to the Board, it was deemed inappropriate to not provide context on these important decisions. However, it was also noted that the Board meetings already now spent the first part of the meeting dealing with the current College issues before the Committee Chairs presented their Committee business.	
8.38.	Governors were fully in support of including all of the points raised in the recommendation, via the external independent review, as they agreed that there was always room for improvement, but continued to have concerns over it being a high risk designation. A Governor who is a National Leader of Governance, noted that this, and the low assurance rating, would normally point to there being substantial failings or significant issues being uncovered during the audit, but there were not.	
8.39.	The auditors noted that they had not wanted to ignore the strong reflections on the impact, even though it was based only on one Governor's viewpoint. This was understood but further discussions should have then followed to ensure that this was the full picture.	
8.40.	It was agreed by the auditors that, although they had tried to match the risk appetite of the College by using the high risk label, that they will re-consider taking into account all documentation, sector best practice and following these discussions. .	
8.41.	Management suggested bringing the external independent review forward to provide assurance. The timing of the external review was moved from summer 2023 to autumn 2023, due to the new Principal not being in place until the beginning of the summer 2023 term and the new Chair not due to begin until later in the term. This timing will be further reviewed with SLT.	**Clerk**
8.42.	It was agreed that the auditors would review their Governance audit, and will share their findings with the Chair of Audit, who will	**Clerk**

further sense check this with the Board at the next appropriate meeting.	
8.43. The Chair of Governors was thanked for joining the meeting discussion. He reiterated that Governors want best practice but did not feel that this report contained sound evidence to reflect the current situation accurately.	
Roger McClure left the meeting.	
Resolved to	
8.44. **Receive and agree the above Internal Audit reports, apart from the Governance audit, which will be reviewed and revised accordingly and confirmed at the next meeting.**	
9. Risk and Assurance Progress Report (Decision)	
9.1. The Key Financial Controls – Purchasing and Payment audit planned was replaced by 'Student Progress'.	
9.2. The scope of this audit is to confirm there are effective processes in place to provide timely, accurate information on student progress to enable well informed decision making and higher rates of retention. This audit is planned to take place in April 2023.	
Resolved to	
9.3. **Receive, and note the progress against the audit plan for 2022-23.**	
10. 4 Month Report on Compliance and Regulation 2022-23 (Decision)	
GDPR Policies	
10.1. The GDPR policies required an update to the updated College format. a) Data Protection Policy b) Data Breach Policy c) Subject Access Request Policy d) Freedom of Information Request Policy e) Document Retention Policy f) Information Security Policy	
Resolved to	
10.2. **To accept and recommend the standing GDPR policies to the Governing Body for adoption.**	**B: Governing Body (Appendices Ia, b, c, d, e, f)**
Personal Data Breach	
10.3. Since the previous report, there had not been any Personal Data Breaches.	
Freedom of Information (FOI) and Data Subject Access Requests (DSAR)	
10.4. Since the previous report, there had been 4 Freedom of Information Requests. These requests are mainly from service companies researching using the College's data for market research purposes.	

10.5. Since the previous report, the College received and complied with 1 Data Subject Access Request. 10.6. As at 30 November 2022, the Clerk confirmed that the College was 100% compliant in all areas of Data Protection.	
11. AOB 11.1. None.	
12. Date of next meeting 12.1. The next Audit Committee meeting will take place on Thursday 15 June 2023 at 0830.	
13. Funding Training 13.1. An insightful presentation was made by Scrutton Bland on funding.	

APPROVED MINUTES			
CHAIR:	**Guy Jones-Owen**	**DATE:**	15 June 2023
APPROVAL:	**Remote confirmation:** Approved. **Or signed:**		