



**MINUTES OF THE AUDIT COMMITTEE
MONDAY 6 MARCH, 2017 AT 8.30am**

Members: Robert Howard (Chair)
Paul Campbell
Dr Beryl De Souza
Guy Jones Owen - Independent Member

In attendance: Stephen Dowbiggin OBE, Principal
Malcolm Goodwin, Deputy Principal
Joanne Coffey, Clerk to the Governing Body
Damien Fallon, Director of Finance
Paul Goddard, Scrutton Bland
Simon O'Hear, Director of Human Resources
Richard Prowse, Assistant Principal Facilities, Health and Safety
Mark Smith, Scrutton Bland

1. APOLOGIES FOR ABSENCE

Apologies were received from Paul Campbell and Beryl de Souza.

2. DECLARATION OF INTERESTS

There were no declarations of interests in relation to this meeting.

3. REPORT OF THE CLERK

RECEIVED: Paper 3 - Report of the Clerk, for decision.

NOTED:

- i. The election of the Vice Chair was postponed pending any re-organisation of the audit committee
- ii. The College's compliance with principal 9 of the AoC's 'Code of Good Governance for English Colleges' was confirmed in 2015/16 by the internal auditors, Scrutton Bland
- iii. Principal 9, 'Effective Governance Structures' (including policies, strategies, equality and diversity) is reviewed annually by the Senior Management Team prior to presentation to the Governing Body
- iv. This document is broader and more relevant than the equivalent, previously issued by the Learning and Skills Council, as it provides:
 - a. guidance from a governor perspective
 - b. strategic and budget planning
 - c. more support towards colleges rather than funding bodies
- v. All aspects inform the internal audit review of Governance
- vi. Some aspects are very specific but for others the use of the word 'normally' gives the

College some flexibility.

RECOMMENDED TO THE GOVERNING BODY that:

- i. they postpone the election of a Vice Chair until the Chair designate (of Governors) and Madam Chairman of Search and Governance have had the opportunity to explore with Governors future membership of the sub-committees.**

4. MINUTES OF THE MEETING HELD ON 22 NOVEMBER 2016

RECEIVED: Paper 4 - Minutes of the meeting held on 22 November 2016, for decision.

NOTED:

- i. The paragraph regarding audit benchmarking (which reflects well on the College), was amended to clarify that the comparison was with those Further Education sector clients served by Scrutton Bland (as opposed to the whole sector - Page 4, 9.v.)
- ii. Due to the re-ordering of when the papers were presented, it was made clear in the minutes that Paul Goddard had been present for Papers 8 and 9.

RESOLVED to:

- i. approve the amended minutes of the meeting of the Committee held on 22 November 2016 as a correct record and authorise the Chair to sign them.**

5. MATTERS ARISING FROM THE MINUTES OF THE MEETING HELD ON THE 22 NOVEMBER 2016

RECEIVED: Paper 5 - Matters arising that are not referred to elsewhere on the agenda, for information.

NOTED:

- i. The internal audit tender process was due to be completed after the meeting
- ii. Apprenticeship paperwork had been subject to review as part of the 2016-17 internal audit. The internal auditors could not give full assurance over the completion of actions until they were subject to a follow up review in May 2017.

6. REPORT OF THE DIRECTOR OF FINANCE

RECEIVED: Paper 6 - Report of the Director of Finance, for decision.

NOTED:

- i. The internal audit is progressing well and thanks were given to Senior Management and Staff for their ongoing assistance
- ii. The Teachers' Pension Scheme audit is required to begin in April 2017 in order for it to be completed by September 2017
- iii. Senior Management is recommending the reappointment of Buzzacott to audit the Teachers' Pension as they are considered both capable and cost effective
- iv. The audit fee in the recommendation to the Governing Body was corrected from

£1,050 to £1,075 (Page 2.ii.).

RESOLVED to:

- i. delegate authority to the interview panel charged with selecting an internal auditor for the College, to recommend an appointment on behalf of the Audit Committee**
- ii. delegate authority to the Chair of Audit to recommend an appointment (on behalf of the interview panel and the Audit Committee) to the next meeting of the Governing Body.**

RECOMMENDATION TO THE GOVERNING BODY that:

- i. Buzzacott be re-appointed as auditor of the Teachers' Pension Scheme for the 2016/17 tax year**
- ii. the audit fee for this audit be agreed at up to £1,075 exclusive of VAT.**

7. VISITS ONE AND TWO 2016/17 INTERNAL AUDIT REPORTS

RECEIVED: Paper 7 - Report of the Director of Finance, for decision.

NOTED:

- i. All four schedules are in good standing at the current time with two significant and two strong opinions.

7.1 Learner Records / Funding Assurance - Significant

NOTED:

- i. This report gives an opinion on the reliability of the systems which the College relies on to provide an accurate Individualised Learner Record (ILR) return
- ii. This is a funding requirement from the EFA, for 16-18, and the SFA, for 19+ students, and reflects on the importance of identifying the need for students to be matched with the right courses and involves a considerable amount of work
- iii. The timing of the audit allowed Senior Management and MIS to complete the majority of this work, which was reflected in there being only one recommendation (versus the 4.7 average of all colleges audited by Scrutton Bland), was a very good reflection of the College
- iv. This recommendation was of low category, regarding ILR end date recording of students who have withdrawn from courses (which fell within the crossover of the funding threshold period and was resolved by the end of the audit)
- v. The College accepted the findings but is of the opinion that these are effectively timing issues as they are all corrected before a submission is made to the funding body
- vi. Governors and staff should be reassured that a Strong was almost achieved but the November audit is particularly challenging due to:
 - a. it clashing with the final resolution of timetables and registers
 - b. course fluidity during the first term (where a 6 week flex option ensures

- students can change programmes to ensure they are matched to the most suitable courses)
- vii. The Chair of Audit recognised the volume of work that had been conducted and was confident in Senior Management's view, due to their particularly high standards
 - viii. The more accurate data from late November 2016 will be picked up in the May 2017 review
 - ix. Although it was suggested next year's audit was moved to a later month (where there is less volatility), the early work was seen as fortuitous by the auditors as it allowed them to be able to assess the quality of work in progress prior to completion.

7.2 Key Financial Controls (Income and Debtors) - Significant

NOTED:

- i. This report focused on how debt is identified and collected, and the effectiveness of how the process is carried out
- ii. Senior Management have been very open to early disclosure, this has provided the auditors with more time to assess whether more rigorous approaches were needed in time for a truer assessment of debt in February 2017
- iii. The College has:
 - a. received approval from F&GP to appoint a debt collection agency (STA International)
 - b. begun recruitment for a permanent credit controller to re-standardise the debt process
 - c. explored new software options for future reporting
- iv. A report on the levels of recovery will be considered by F&GP
- v. The new systems will focus on:
 - a. early pursuit of debt to ensure settlement before course completion
 - b. clarity between current and deferred debt for sharper analysis
 - c. a key document monitoring all debt and actions required which provides improved visibility and structure
- vi. The managers' responses to the recommendations made
- vii. Internal audit will monitor progress in the follow up audit.

7.3 Payroll - Strong

NOTED:

- i. This report focused on any risk surrounding payroll
- ii. A Strong assurance was given due to:
 - a. the thoroughness of records kept
 - b. the robustness of the system given the high numbers of staff and movement
 - c. a good segregation of payroll staff duties
- iii. No recommendations were made due to the higher level of control demonstrated at Capel Manor, despite covering a vast amount of areas
- iv. Congratulations were given to the Director of HR and his team.

7.4 Lecturer Deployment – Strong

NOTED:

- i. This report focuses on the utilisation of academic staff
- ii. Good practices in place (such as the introduction of performance measures versus cost) supports the Strong judgement
- iii. Benchmarking is very strong compared to other colleges
- iv. The development of a standard format for reporting utilisation will be of great benefit to the College going forwards
- v. The managers' response to the report
- vi. The Chair highlighted the impressive progress from Reasonable in 2010 to Strong in 2016.

RESOLVED to:

- i. accept the Risk and Assurance Reports on the Learner Records - Funding Assurance, Key Financial Controls (Income and Debtors), Payroll and Lecturer Deployment audits issued by Scrutton Bland as part of the College's 2016/17 Internal Audit Plan.**

8. TERMLY REVIEW – RISK SCHEDULE

RECEIVED: Paper 8 - Report of the Principal, for information.

NOTED:

- i. A summary of risk items discussed by Senior Management is reported to the Audit Committee termly following their request for assurance that the College is reviewing risk management regularly
- ii. A discussion of various matters reviewed by SMT included:
 - a. leases
 - b. data protection
- iii. Governors were content that SMT were regularly reviewing risk and seeking to mitigate this where possible.

9. RISK AND ASSURANCE PROGRESS REPORT FOR 2016/2017

RECEIVED: Paper 9 - Report of the Scrutton Bland, for decision.

NOTED:

- i. The cyclical report reflects on future audit planning to ascertain that the plan is in line with the College's current needs
- ii. Credit Control will be subject to a further report in 2017/2018.

RESOLVED to:

- i. confirm the agreed audit plan for 2016/17 remains appropriate to the current needs of the College.**

10. EVALUATION OF PERFORMANCE OF FINANCIAL STATEMENTS AUDITOR FOR 2015/2016

RECEIVED: Paper 10 - Report of the Director of Finance, for decision.

NOTED:

- i. This report reflected on the financial statements external auditor, Buzzacott, which now also incorporates Capel Manor Limited
- ii. The appendices demonstrate improvements with both the College and Forty Hall Community Vineyard Limited compared to last year
- iii. Buzzacott continue to perform well, particularly in their advisory capacity and with their timely approach.

RECOMMENDED TO THE GOVERNING BODY that:

- i. the evaluation of the performance of External Audit Service for the year ended 31 July 2016 in their audits of the College, FHCVL and Capel Manor Limited are accepted.**

11. ANNUAL APPOINTMENT OF THE FINANCIAL STATEMENTS AUDITOR (AND REGULARITY AUDIT SERVICE) FOR 2016/17

RECEIVED: Paper 11 - Report of the Director of Finance, for decision.

NOTED:

- i. Due to Buzzacott's good performance and strong client list, they are recommended for reappointment
- ii. The estimated fee for Capel Manor Limited has increased from £1.7k to £2k, due to a higher turnover as more business is projected to go through the trading company this year
- iii. The AoC Finance Directors' Network is now producing benchmarks against similar college sizes and turnover. This will be included in the July 2017 paper to ensure Buzzacott are within +/-10% of the range of average auditors' daily rates, (to assure Governors that they are receiving value for money).

RECOMMENDED TO THE GOVERNING BODY that:

- i. Buzzacott is re-appointed as the financial statement and regularity auditor to the College for the 2016/17 financial year;**
- ii. Buzzacott be re-appointed as financial statement auditor to Forty Hall Community Vineyard Limited for the 2016/17 financial year;**
- iii. Buzzacott be re-appointed as auditors to Capel Manor Limited for the 2016/17 financial year;**
- iv. the audit fees for the above be agreed at the next meeting of the Committee when the scope of these audits is known.**

12. ANY OTHER URGENT BUSINESS

NOTED:

- i. No other urgent business was required to be discussed.

DATE OF NEXT MEETING – Monday 26 June, 2017 at 8.30am