

CAPEL MANOR COLLEGE

AUDIT COMMITTEE

**MINUTES OF THE MEETING HELD ON
TUESDAY 22 NOVEMBER 2016**

Governors: Robert Howard (Chair)
Paul Campbell
Dr Beryl De Souza

Independent: Guy Jones Owen

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)
Avnish Savjani (Buzzacott)

1. APOLOGIES FOR ABSENCE

There were apologies for absence from Paul Campbell, Guy Jones Owen and Simon O'Hear. Paul Goddard joined the meeting late for Items 8, 9, 13-17.

2. DECLARATIONS OF INTEREST

There were no declarations of interest relating to this meeting.

3. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 11 JULY 2016

RECEIVED: Paper 3 - Minutes of the Audit Committee meeting held on 11 July 2016, for decision.

RESOLVED to:

- i. approve the minutes of the meeting of the Committee held on 11 July 2016 as a correct record and authorise the Chair to sign them.**

4. MATTERS ARISING FROM THE MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 11 JULY 2016

RECEIVED: Paper 4 – Matters arising from the minutes of the meeting of 11 July 2016.

NOTED:

- i. The process re tender for the College's internal audit service remains on schedule and expressions of interest will be sought by the Clerk
- ii. The review of the administration of apprenticeships is ongoing and the following have been provided:
 - a. an Apprenticeship Manual supplied to staff for guidance;
 - b. a compliance checklist for staff to ensure standards are met;
 - c. a detailed mapping of the journey for students to ensure each stage is properly recorded
- iii. The follow up audit for 2016/17 will review progress achieved.

5. REVIEW OF AUDIT COMMITTEE TERMS OF REFERENCEAGREE

RECEIVED: Paper 5 – Report of the Clerk, for decision.

NOTED:

- i. That the Terms of Reference had previously been amended to three members, plus the right to co-opt other Governors as the Committee sees fit
- ii. The Clerk proposed no other amendments.

RECOMMENDED TO THE GOVERNING BODY that:

- i. the Audit Committee Terms of Reference be adopted.**

6. REPORT OF THE DIRECTOR OF FINANCE

RECEIVED: Paper 6 – Report of the Director of Finance, for information.

NOTED:

- i. Both the internal audits from Scrutton Bland and the external audits from Buzzacott have been delivered at a high standard, reflecting the quality service from these providers.
- ii. Management gave reassurance that debt collectors will be appointed at the earliest opportunity
- iii. The Finance and General Purposes Committee have received a report on the current debt position, actions taken and actions taken to the College's debt going forward
- iv. Previous experience working in a college environment would be a factor for selecting an appropriate debt collecting agency.

7. REVIEW OF AREAS SUSCEPTIBLE TO FRAUD

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

NOTED:

- i. The framework remains consistent with the previous year. A discussion ensued about the value of the anti-plagiarism system, Turn It In (which the College utilises via the RAU licence for its HE students):
 - a. Management Information System and Academic Areas (Appendix I, page 5)
 - b. The log of current and historical fraudulent activity experienced at the College. For 2015/16 no fraudulent activity was reported but for transparency one matter involving an ex-employee being over paid due to an administrative error is noted and these funds are being pursued (Appendix II).

RECOMMENDED TO THE GOVERNING BODY that:

- i. the Fraud Review Schedule for 2015/16 be adopted.**

PAPERS 10, 11 AND 12 WERE CONSIDERED PRIOR TO PAPERS 8 AND 9 SO THAT BUZZACOTT COULD COMPLETE THEIR REPORTING.

8. REVIEW OF QUALITY CYCLE

RECEIVED: Paper 8 – Report of the Deputy Principal, for decision.

NOTED:

- i. As the Provider Gateway is no longer in existence, the 2015-16 SAR and 2016-17 QIP will no longer be required to be published to this system. The College's practices are being reviewed to reflect this change
- ii. Target setting at the Academic Committee was delayed (and the target date not met) as the College would ask the SFA to respond to a funding enquiry, which may impact on funding levels.

RECOMMENDED TO THE GOVERNING BODY that:

- i. the Quality Cycle for 2015-16 has been completed in a timely manner;**
- ii. the 2015-16 SAR and 2016-17 QIP are publicly available once adopted by the Governing Body.**

9. INTERNAL AUDIT ANNUAL REPORT 2015/16

RECEIVED: Paper 9 – Report of the Internal Audit, introduced by the Director of Finance, for decision.

NOTED:

- i. This report demonstrates the opinion of the internal auditors (Scrutton Bland) on the adequacy and effectiveness of the College's processes for:
 - a. risk management;
 - b. governance;
 - c. internal control; and
 - d. efficiency, effectiveness and economy.
- ii. These opinions were based on audit work completed by Scrutton Bland and discussions with Senior Management and the Audit Committee
- iii. Scrutton Bland assessed all areas as green assurances (illustrated on Page 4), which is commendable
- iv. Key observations detailed a strong governance framework and a strong level of assurance in risk management (Page 5)
- v. Audit benchmarking reflected well on the College with over double the amount of Strong assurances compared with the average percentage of those in Further Education sector who share the same internal auditors
- vi. The College's Senior Management Team were congratulated on their successful work over the past year and Paul Goddard also thanked them for their effective management style and approach.

RESOLVED:

- i. to report to the Governing Body that in the opinion of the Internal Audit Service:**
- ii. the College has adequate and effective risk management, governance, internal control and efficiency, effectiveness and economy processes to enable the College to achieve its objectives; and**
- iii. that there are no significant matters to draw to the attention of the Governing Body.**

RECOMMENDED TO THE GOVERNING BODY that:

- i. they approve the Risk and Assurance Service - Annual Report for 2015/16.**

10. REGULARITY AUDIT SELF-ASSESSMENT QUESTIONNAIRE 2015/16

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

NOTED:

- i. The self-assessment questionnaire was completed by management ahead of Buzzacott's regulatory work and has been approved by the Principal and Chair of Governors
- ii. There are 47 prescriptive areas which Buzzacott review and then comment on whether income has been expended for approved purposes

- iii. The questionnaire is useful in identifying for Governors insufficient areas. The College did not demonstrate any deficiencies
- iv. The Skills Funding Agency may use these self-assessments to assess the College.

RESOLVED:

- i. to adopt the Regularity Audit Self-Assessment Questionnaire for 2015/16;**

RECOMMENDED TO THE GOVERNING BODY that:

- ii. they adopt the Regularity Audit Self-Assessment Questionnaire for 2015/16 and approve its submission to the Skills Funding Agency.**

11.LETTER OF REPRESENTATION FOR 2015-16 - COLLEGE

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

NOTED:

- i. The letter of representation for Capel Manor College has previously been agreed by the Finance and General Purposes Committee
- ii. The representations in Section 4 (Fraud) and Section 17 (Regulatory audit) are the responsibility of the Audit Committee to approve.

RESOLVED:

- i. to approve sections 4 and 17 of the draft letter of representation for the year ended 31 July 2016.**

RECOMMENDED TO THE GOVERNING BODY that:

- ii. the Chairman of Governors and the Principal be empowered to sign the Letter of Representation in respect of sections 4 and 17 for the year ended 31 July 2016 on behalf of the Corporation.**

12.POST AUDIT MANAGEMENT REPORTS FROM THE FINANCIAL STATEMENTS AUDITOR FOR THE YEAR 2015/16

RECEIVED: Paper 12 – Report of the Director of Finance, for decision.

NOTED:

- i. The reports were unqualified (i.e. there are no concerns that need to be reported to the Governing Body). The accounts incorporate the impact of the new FRS 102 accounting standard and the LGPS Pension fund deficit increase of £2m.
- ii. Buzzacott produced four reports for:
 - a. Capel Manor College's financial statements;
 - b. Capel Manor College's regularity audit;

- c. Capel Manor Limited;
- d. Forty Hall Community Vineyard Limited
- iii. The comparative 2014/15 figures have been adjusted to demonstrate the impact of FRS 102 (Page 3)
- iv. Audit recommendations show no concerns for the College (Page 5)
- v. Key areas of focus, and Buzzacott's response for each area, confirm that all areas explored have been covered to their satisfaction (Pages 7-10)
- vi. The key ratios, which the Skills Funding Agency assess to determine financial health, are Outstanding (Appendix 1, Page 12).

PAUL GODDARD (SCRUTTON BLAND) JOINED THE MEETING AND WAS ALSO PRESENT FOR PAPERS 8 AND 9 DUE TO THE RE-ORDERING

- vii. Adjustments and unadjusted misstatements included £157k to income. The College has been able to apply Bursary funds to pay for the minibus fleet that transports students to and from the College (Item 8, Page 17)
- viii. The MIS system has proved effective and the College is confident to release these funds into this year rather than next year. It will be reconciled by the SFA in due course
- ix. The unadjusted misstatement recognises advertising placed in 2015/16 generates income in 2016/17 (the Matching Principle). The Chair of the Finance and General Purposes Committee is of the opinion this should now be standard College practice (Page 18)
- x. The LGPS Pension Scheme liability has been benchmarked against 30 colleges. Capel Manor's pension liability increased by 70% and the total deficit as a percentage of income is 41%, which is less than average (Appendix 4, Page 20)

RESOLVED:

- i. to accept the Post Audit Management Reports for the College, Capel Manor Limited and FHCVL for the year ended 31 July 2016 issued by Buzzacott LLP.**

RECOMMENDATION TO THE GOVERNING BODY that:

- i. they adopt the Post Audit Management Reports for the College, Capel Manor Limited and FHCVL for the year ended 31 July 2016 issued by Buzzacott LLP.**

13. REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

RECEIVED: Paper 13 – Report of the Director of Finance, for decision.

NOTED:

- i. The Audit Committee were only required to consider Pages 1-24 of the Report and Financial Statements, as the Finance and General Purposes Committee have considered the later pages
- ii. For compliance, the headings and order reflect guidelines in the College Accounts Direction Handbook for 2015/16 as issued by the Skills Funding Agency

- iii. It was noted that Governors have not yet considered the March 2015 Code of Good Governance for English Colleges (which is not mandatory), therefore:
 - a. the document will be amended to remove reference to the outdated English College's Foundation Code of Governance; and
 - b. the 2015 Code of Good Governance for English Colleges will be considered by the Search and Governance Committee meeting, for possible recommendation to the Governing Body.

RECOMMENDED TO GOVERNING BODY that they adopt:

- i. the Statement of Corporate Governance and Internal Control;**
- ii. the Governing Body's statement on the College's regularity, propriety and compliance with funding body terms and conditions of funding;**
- iii. the Statement of Responsibilities of the Members of the Corporation included in the College Report and Financial Statements for the year ended 31 July 2016;**
- iv. the audit reports on the regularity audit and the financial statements audit for the College, Capel Manor Limited and the Vineyard for the year ended 31 July 2016.**

AVNISH SAVJANI (BUZZACOTT) LEFT THE MEETING AND WAS NOT IN ATTENDANCE FOR ITEMS 8 AND 9

14.THE ANNUAL RISK MANAGEMENT REPORT FOR THE YEAR 2015/16

RECEIVED: Paper 14 – Report of the Principal, for decision.

NOTED:

- i. As part of the risk management policy, audit are required to give an assessment as to whether management adhered to the Risk Management Policy during 2015/16
- ii. The system identified the Outdoor Adventure course as a poor performer and the College attempted to manage this to resolve and mitigate any reputational risk, however, a decision to discontinue the course was made. Apart from one resolved student complaint, students were still able to complete the parts they chose and had a positive experience
- iii. Retention issues with the 16-18 apprenticeships led to a review being undertaken which has led to the development of the Apprenticeship Manual and the College is now in a stronger position having carried out this assessment
- iv. Further investigations are being made in light of the Apprenticeship Levy which comes into force on 1 May 2017 to report:
 - a. the impact to the curriculum;
 - b. the optimisation of the scheme to fulfil the needs of the College;
 - c. the risk management report was updated in July 2016 and has since been reviewed twice since by Senior Management, due to the fluidity of the

landscape being worked in. This major review revealed that the Risk Management Action Plan was relevant in a wide range of areas

- i. a discussion of how the risk management process had dealt with specific risks:
 - poor performance of one course;
 - retention issue for 16-18 apprentices;
 - Apprenticeship Levy impact (adults 2016-17)
- ii. that in 2015-16 all cases had been dealt with.

RECOMMENDED TO THE GOVERNING BODY that:

- i. **the following paragraphs are added to the Annual Report of the Audit Committee to the Corporation and the Accounting Officer for the year ended 31 July 2016:**

The Governing Body received a detailed report on the College's Risk Management Policy on the 20 July 2016 and as a result of their review of the policy, made amendments to the Risk Schedule and Risk Management Action Plan for 2016/17;

The Audit Committee received a report on the College's compliance to its Policy and its effectiveness in assisting the College to manage its risks on 22 November 2016 and concluded that the College had complied with the Policy in 2015-16 and that the Policy had been effective in assisting the College to manage its risks during 2015/16.

15. EVALUATION OF PERFORMANCE OF THE INTERNAL AUDITOR 2015/16

RECEIVED: Paper 15 – Report of the Director of Finance, for decision.

NOTED:

- i. The performance of the internal audit service (Scrutton Bland) continues to be graded as Good, despite a change in key personnel
- ii. 'Execution of the audit to the agreed schedule (time and costs)' has risen from Adequate (2) to Good (1) due to no increase in the daily rate and numerous telephone conversations where advice was given for which no charge was made. (Appendix I, Page 2).

RECOMMENDATION TO THE GOVERNING BODY that:

- i. **they accept and note the evaluation of the performance of the internal audit service for the year ended 31 July 2016 as good (the highest grade).**

16.ANNUAL REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 31 JULY 2016

RECEIVED: Paper 16 – Report of the Clerk, for decision.

NOTED:

- i. Damien Fallon was thanked for this contribution to helping the Clerk prepare the Annual Report of the Audit Committee
- ii. The auditor's opinion sections need to be made clearer in the document with a heading and italics to represent the quote
- iii. The annual report is to be appended to the minutes for the Governing Body
- iv. The Audit Committee's opinion is to amended to read (Page 13):

Based on the work reviewed and carried out by the Audit Committee during the 2015/16 year the Committee concludes that, in its opinion, the College has an adequate and effective system of internal control, risk management and governance that can be relied upon (including controls for efficiency, effectiveness and economy).

RECOMMENDED TO THE GOVERNING BODY that:

- i. the overall assessment of the performance of the Internal Audit Service and the Financial Statements Auditor be added to the Annual Report of the Audit Committee for the year ended 31 July 2016;**
- ii. the paragraphs on Risk Management included in the Annual Report of the Audit Committee for the year ended 31 July 2016 be confirmed;**
- iii. they adopt the Annual Report of the Audit Committee to the Corporation and Accounting Officer for the year ended 31 July 2016.**

17.ANNUAL REAPPOINTMENT OF THE INTERNAL AUDIT SERVICE FOR 2016/17

RECEIVED: Paper 17 – Report of the Director of Finance, for decision.

NOTED:

- i. The College is seeking to reappoint Scrutton Bland as the internal audit service provider for 2016/17 as their service has consistently been assessed as Good
- ii. Scrutton Bland have quoted a small fee increase of 1%
- iii. The contract is due to expire in June 2017 and the service will be put out to tender (with the exercise commencing in December 2016).

RECOMMENDATION TO GOVERNING BODY that:

- i. Scrutton Bland is reappointed as the internal audit service provider for 2016/17;**

- ii. **the internal audit fee for the 2016/17 year identified in Scrutton Bland's Assurance Strategy and Annual Plan 2016/17 (as approved by the Audit Committee on 11 July 2016) be agreed at £21,657 per annum inclusive of VAT. This fee is based on 34.0 days of service at £530.80 per day.**

18.DATE OF NEXT MEETING: Monday 6 March 2017 at 8.30am.