

Minutes Part I

Audit Committee	
Meeting Time and Date	0830 on 21 November 2017
Meeting Location	Room H2, Enfield
Present	Robert Howard (Chair) Paul Campbell Beryl de Souza Guy Jones-Owen (Independent) Avnish Savjani (Buzzacott) Mark Smith (Scrutton Bland) Damien Fallon (Finance) Malcolm Goodwin (Principal) Lynn Hart (Academic) Richard Prowse (Facilities) Joanne Coffey (Clerk)
Apologies	Paul Goddard (Scrutton Bland) Alison Pyle (Buzzacott)
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1. Apologies
1.1. Apologies were given for Paul Goddard and Alison Pyle.
2. Declaration of Interests
2.1. None.
3. Minutes (Decision)
3.1. Minute 4.iii amended to: Scrutton Bland offered to share good practice from other colleges and also to suggest a possible partner college (that has been observed as Strong in this area).
Resolved to
3.2. Approve the minutes of the Audit Committee meeting held on 27 June 2017 as a correct record and authorise the Chair to sign them.
4. Matters Arising
4.1. The <i>Legionella</i> bacteria risk assessment is now complete.
4.2. Internal auditors have completed the Assurance Strategy and Annual plan.

<p>4.3. A full internal review of apprenticeship paperwork and responsibilities is now complete. A follow-up review due in May 2018 to include the impact of the new apprenticeship levy.</p>
<p>5. Review of Terms of Reference (Decision)</p> <p>5.1. Membership to stipulate that both the Chair of Governors and the Principal cannot be members of the Committee.</p> <p>5.2. The Quorum to be two members of the Committee.</p> <p>5.3. Responsibilities to include assurance and effective use of resources, solvency of the College and the safeguarding of assets.</p> <p>5.4. An additional term added for the Committee to receive guests, or co-opted members, who can offer professional expertise.</p> <p>Resolved to</p> <p>5.5. Adopt the Audit Committee Terms of Reference (Appendix I) and recommend them to the Governing Body for approval, subject to agreement by email of the final draft.</p>
<p>6. Regularity Audit Self-Assessment Questionnaire 2016-17 (Decision)</p> <p>6.1. The self-assessment of the regularity and propriety of the College's income and expenditure is complete and ready to submit to the Education and Skills Funding Agency (ESFA).</p> <p>6.2. Compliance is demonstrated in all areas, supported by the external audit of the College's financial statements in August 2017.</p> <p>6.3. Page 8 of the self-assessment relating to travel allowance to be corrected to 'in their contracts of employment'.</p> <p>Resolved to</p> <p>6.4. Accept and recommend to the Governing Body that the Regularity Audit Self-Assessment Questionnaire for 2016-17 be approved and submitted to the Skills Funding Agency.</p>
<p>7. Review of Areas Susceptible to Fraud 2016-17 (Decision)</p> <p>7.1. Brooks Farm is being more regularly reviewed due to two instances of theft of cash and best practice is now in place across all sites.</p> <p>7.2. The Fraud Review Schedules reflect the importance of detailed incidents being captured to not only recover losses but to also identify any trends that require risk management.</p> <p>7.3. In addition to the current use of Student Identity cards as payment devices and Eventbrite for large external events, incentives to encourage further use of</p>

<p>electronic and online payments to be explored to improve efficiency and manage risk.</p> <p>7.4. 'Staff induction training in procurement services' to be added to the Schedule's relevant areas.</p> <p>Resolved to</p> <p>7.5. Accept and recommend to the Governing Body that the Fraud Review Schedule for 2016-17 be approved.</p>
<p>8. External Auditors' Letter of Representation 31 July 2017 (Decision)</p> <p>8.1. The Committee approved Section 4, relating to Fraud, and Section 15, relating to Regularity Assurance.</p> <p>Resolved to</p> <p>8.2. Approve and recommend to the Governing Body that the Chairman of Governors and the Principal be authorised to sign the Letter of Representation in respect of sections 4 and 15 for the year ended 31 July 2017 on behalf of the Corporation.</p>
<p>9. Post Audit Management Reports 2016-17 (Decision)</p> <p>9.1. Outstanding items relate to funding confirmation from the ESFA which is due at the end of November 2017.</p> <p>9.2. Operating results demonstrate a good final outturn with a surplus of £489k.</p> <p>9.3. Key audit findings were that no material adjustments were necessary due to the accuracy of the Financial Statements prepared by the Finance Director.</p> <p>9.4. Buzzacott stated that previous audit observations had been resolved by the College. Buzzacott will reissue this section of their report as it omitted reference to their recommendations in Appendix 2 of that report.</p> <p>9.5. Key audit risks had been followed through and resolved. Buzzacott to revise wording in relation to Bank Loan Covenants to 'The College may have breached'. (Page 9)</p> <p>9.6. The comparison of financial ratios demonstrates that the College has Outstanding financial health, and compares well against the benchmarked date of the previous year of the sector.</p> <p>Resolved to</p> <p>9.7. Accept and recommend to the Governing Body that the Post-Audit Management Reports issued in respect of the College, Capel Manor Limited and FHCVL for the year ended 31 July 2017 be approved.</p>
<p>10. Report and Financial Statements 31 July 2017 (Decision)</p>

- 10.1. Buzzacott assessed the Report and Financial Statements as being a true representation of the College, Capel Manor Limited and Forty Hall Community Vineyard Limited's financial standing.

Resolved to

- 10.2. **Accept and recommend to the Governing Body that 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 for the year ended 31 July 2017, be approved.**
- 10.3. **Accept and recommend to the Governing Body that the audit report on the regularity audit of the College and the financial statements audit reports for the College, Capel Manor Limited and Forty Hall Community Vineyard Limited for the year ended 31 July 2017, be approved.**

Avnish Savjani (Buzzacott) left the meeting.

11. Internal Audit Annual Report 2016-17 (Decision)

- 11.1. Scrutton Bland's gave Green assurances, their highest opinion, to the College's Risk Management, Governance, Control and Efficiency and Effectiveness processes.
- 11.2. The summary of findings records 3 strong and 4 significant levels of overall assurance, with Payroll featuring as particularly robust.
- 11.3. Key financial controls (debt management) showing clear improvements with more expected following the December 2017 visit.
- 11.4. The Post-16 Audit Code of Practice (ACOP) requires two new opinions:
- a. Scrutton Bland gave a Reasonable Assurance opinion which is their highest evaluation.
 - b. The Audit Committee have produced an annual report for the Corporation to consider, before the Statement of Corporate Governance and Internal Control is signed.
- 11.5. Scrutton Bland's next external assessment took place earlier than planned, in November 2017. No issues arose.
- 11.6. Scrutton Bland's performance Indicators were all fully achieved.
- 11.7. Benchmarked against Scrutton Bland's Further Education (FE) sector clients, the College is:
- a. Ahead with Strong assurances in >40% of areas, compared to <20% of other FE clients.

- b. In-line with >70% low recommendations and >20% medium recommendations.

11.8. The Committee discussed the ability to perform a comparison of internal audit over the land based sector, however, this was deemed to be an inefficient use of time, due to the lack of easily accessible public data and an inconsistency in different auditors' scoring parameters.

Resolved to

11.9. **Approve the Internal Audit Annual Report for the year ended 31 July 2017.**

12. Internal Audit Service - Evaluation and Reappointment (Decision)

12.1. Scrutton Bland have continued to perform to an excellent standard and were scored to be Good (the highest grade), which is reflected in their effective challenge and high level reporting.

Resolved to

12.2. **Confirm the evaluation of the performance of the internal audit service for 2016-17 as good (the highest grade).**

12.3. **Recommend to the Governing Body that they confirm the appointment of Scrutton Bland to provide the internal audit service to the College for the 2017-18 year at a negotiated cost of £16,430 for the year, exclusive of VAT.**

13. Report of The Director of Finance (Decision)

13.1. The Risk and Assurance Report on Debtors, produced by Scrutton Bland, demonstrates a marked improvement in debt management with aspirations for further progress.

13.2. Due to the student loan company performing at a poor level across the FE sector, the College is managing risk internally by looking closely at students' loan arrangements and payment of fees by loans to assess the likelihood of being able to recover outstanding fees prior to the end of the first term. Scrutton Bland will provide a follow-up in their December 2017 report.

13.3. An added value point on debt management was to breakdown debtor types to provide additional context. The Finance Director will liaise with the Chair of Finance and General Purposes to assess this prospect.

13.4. Governors discussed the merits of a bursary fund of charitable donations, to support students seeking financial assistance. As the College is currently dealing with capital obligations, this is something the College would like to assess in the future.

13.5. The Scrutton Bland partnership has now converted to a Limited Liability Partnership (LLP) and a new letter of engagement and Internal Audit Charter has been issued to reflect this change.

- 13.6. The Charter requires Politically Exposed Persons to be identified to the internal auditors, for their information, as part of the Money Laundering Regulations 2007. To ensure compliance, Search and Governance will be requested to agree to this information being sought in Governor's declarations of interests.

Resolved to

- 13.7. **Accept and recommend to the Governing Body that the Risk and Assessment Progress Report on Debtors issued by Scrutton Bland as part of the College's 2016-17 Internal Audit Plan, be approved.**
- 13.8. **Accept and recommend to the Governing Body that the letter of engagement and supporting Internal Audit Charter issued by Scrutton Bland to the College, be approved.**

14. Annual Report on Risk Management 2016-17 (Decision)

- 14.1. Although the risk management system remains effective, substantial improvements are being sought to provide a clear and user friendly system going forwards.
- 14.2. A newly defined risk strategy and a review of risk appetite will be used to re-format and review the risk register and risk management action plan to improve both risk awareness throughout the College, how risk is communicated and the engagement with risk mitigation.

Resolved to

- 14.3. **Recommend to the Governing Body, in the Annual Report of the Audit Committee to the Corporation and the Accounting Officer for the year ended 31 July 2017, that the College complied with the Risk Management Policy and risks were effectively managed during 2016-17.**
- 14.4. **Approve that the College creates a new Risk Policy that updates risk strategy and risk appetite, and updates the risk environment, types of risk and risk cycle.**
- 14.5. **Approve that the College undertakes a fundamental review of the risk management system seeking an up to date, accessible, effective process of risk identification, control, assurance and monitoring.**

15. Audit Committee Annual Report 31 July 2017 (Decision)

- 15.1. The Annual Report of the Audit Committee had been prepared by the Clerk on behalf of the Committee. The report was considered and approved by the Committee and will be appended to the minutes of the Governing Body to consider.

Resolved to

15.2. Accept and recommend to the Governing Body that the Audit Committee Annual Report 31 July 2017 (Appendix II), be approved.
16. Review of Academic Quality Cycle 2016-17 16.1. Staff's Continual Professional Development (CPD) of three training days per year to be added to the Academic Quality Cycle.
17. AOB 17.1. An insightful presentation followed by Mark Smith, Head of Internal Audit at Scrutton Bland on the General Data Protection Regulations which provided much information to continue developing the College's preparation for this regulation change in May 2018.
18. Date of next meeting 18.1. The next Audit Committee meeting will take place on Monday 5 March, 2018.