

CAPEL MANOR COLLEGE

MINUTES OF THE AUDIT COMMITTEE 26 JUNE 2017 AT 8.30am

Members: Robert Howard (Chair)
Paul Campbell
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
Simon O'Hear, Director of Human Resources
Richard Prowse, Assistant Principal Facilities, Health and Safety
Paul Goddard, Scrutton Bland
Mark Smith, Scrutton Bland
Alison Pyle, Buzzacott
Avnish Savjani, Buzzacott

1. APOLOGIES FOR ABSENCE

There were apologies from Beryl de Souza, Mark Smith and Alison Pyle.

2. DECLARATION OF INTERESTS

None.

3. MINUTES OF THE MEETING HELD ON 6 MARCH 2017

RECEIVED: Paper 3 - Minutes of the meeting held on 6 March 2017, for decision.

NOTED:

- i. The appointment of a permanent credit controller is imminent
- ii. The debt collection agency is producing good results (alongside the College's own debt retrieval), resulting in an approximate 75% reclamation of funds together to date.

RESOLVED to:

- i. **approve the minutes of the Audit Committee meeting held on 6 March 2017 as a correct record and authorise the Chair to sign them.**

4. MATTERS ARISING FROM THE MINUTES OF THE MEETING HELD ON THE 6 MARCH 2017

RECEIVED: Paper 4 - Matters arising that are not referred to elsewhere on the agenda, for information.

NOTED:

- i. The Chair of Governors, Madam Chair of Search & Governance and the Principal are reviewing current Governor positions and responsibilities using the Skills Audit (June 2017)
- ii. Action plans for the improved administration of Apprenticeships are being finalised by management who will provide a detailed report. Internal auditors to report back to the Committee in November 2017 on the adequacy of progress
- iii. 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).

5. REPORT OF THE DIRECTOR OF FINANCE

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

5.1 Internal Audit Service (IAS)

NOTED:

- i. Following a robust internal audit tender, Scrutton Bland were reappointed until 2020
- ii. All internal audit work has been completed for 2016/17 and is in good order.

5.2 Letter from the Education & Skills Funding Agency (ESFA)

NOTED:

- i. Receipt of a letter from the ESFA advising Governors on what they should expect in terms of effective governance and management (distributed to all colleges).
- ii. Management gave assurance that the College is following the procedures and protocols outlined in the letter
- iii. Governors chose to review/address the following and sought details assumptions from the College in how they complied:

a. Is the College governed effectively

This matter is evaluated in a number of ways, but mainly by

- i. reviewing the College's performance against the AoC Code of Good Governance for English Colleges
- ii. effective independent audit
- iii. clear reporting on financial matters and risks to appropriate committees.

b. Accounting of the ILR return

This is regularly reviewed by the Internal Auditors. The College uses the data self-assessment toolkit and other online validating resources to check its returns and has a good historical record in this area.

c. Budgeting

This is dealt with and monitored by F&GP but internal audit occasionally review the processes.

No concerns have been raised.

However, concerns have been historically identified in respect to long term and short term debt management and this is an area the College and F&GP are scrutinising closely at present.

d. Need for strong Governance to hold the College leadership team and Principal to account

Governors recognised that this was an area where they needed to form a view.

- i. Several measures are in place to ensure effective and strong governance including:
 - a. the annual review by Governors of the decision making process via the committee structure and Skills Audits
 - b. internal audit's:
 - focus on one aspect of Governance per year to provide assurance and recommendations (currently Strong)
 - budgetary and financial controls and accuracy of projections
 - management of risk review (currently Strong)
 - the consistent accuracy of College self-assessments as reviewed by the ESFA
 - c. external auditor's exploration to ensure Governance controls are in place
 - d. the Ofsted report
 - e. the area review process
 - f. the work of the Strategy Committee
- ii. Governors were reassured that the regular appraisal of Senior Postholders had taken place and that challenging targets were set and officers held to account on achievement of them
- iii. Governors felt the use of KPI's, risk management and the annual review of decision making all constitute good Governance
- iv. Officers were of the view that they felt there was appropriate discussion and challenge to their view and that the process was positive, leading to improved outcomes
- v. At a core level it was important that, alongside the higher level matters discussed above, that the Clerk can demonstrate absolute compliance with Standing Orders.

e. Provide Clarity of Direction

The College has recently set up a Strategy Committee and this is reviewing strategic direction.

f. Use high quality Self-Assessment and appropriate challenge

The College's self-assessment and quality review processes were recently praised by the OFSTED report and they provide a robust system.

g. College Accounts direction and Post-16 Audit Code of Practice

The College complies with these (available on request).

RESOLVED that:

- i. **the Committee feels confident it can provide assurance to the Governing Body that the processes and procedures presently operated by the College comply with the guidance and structures referred to in the letter issued to the College by the Chief Executive of the Education & Skills Funding Agency on 13 April 2017.**

5.3 External Audit Service (EAS)

NOTED:

- i. Buzzacott issued an updated engagement letter following publication of the Post-16 Audit Code of Practice 2016-17.

RECOMMENDED TO THE GOVERNING BODY that:

- i. **they approve the revised engagement letter issued by Buzzacott to Capel Manor College (Appendix I).**

6. 2016/17 FINANCIAL STATEMENTS: AUDITORS' PLANNING ARRANGEMENTS

RECEIVED: Paper 9 - Reports of the Director of Finance and Buzzacott, for decision.

NOTED:

- i. The scope of work and deadlines is consistent with the previous year with full reporting in November 2017 (when financial statements will be ready for approval)
- ii. Income recognition focuses on consideration of any potential claw back provision being required based on the ESFA's funding reconciliation in December 2017
- iii. Exceptional items include a surplus from the sale of land and additional provision for legal fees relating to 17 acres in 2015/16
- iv. Estimated auditor fees are subject to an inflationary 1.5% rise
- v. The College found Buzzacott to have provided excellent value over the past year.

RECOMMENDED TO THE GOVERNING BODY that:

- i. **The proposed total fees from the external auditor, Buzzacott, for 2016/17 of £25,900 are approved.**

Avnish Savjani left the meeting

7. VISITS THREE, FOUR AND FIVE 2016/17 INTERNAL AUDIT REPORTS

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

NOTED:

- i. The internal auditors, Scrutton Bland, have progressed well with the internal audits and found all areas to be either Strong or Significant
- ii. Scrutton Bland have not made any significant changes to their scoring methodology as they were already in-line with Ofsted's tighter grading system.

7.1 Repairs and Maintenance (Significant)

NOTED:

- i. Buildings and infrastructure are well maintained and compliant
- ii. There were three low-risk recommendations:
 - a. **Timely risk assessment of legionella bacteria**
In process and will also be reported back to the Health & Safety Committee (and F&GP if there are any financial implications)
 - b. **Retention of documents confirming statutory testing and inspection**
Structured records are being kept and any missing certification is being sought from the contractors
 - c. **Prioritisation opportunities when logging Helpdesk requests**
This was not deemed to be of added value as:
 - i. the Assistant Principal, Facilities, Health and Safety and the Caretakers are better placed to make informed decisions on the prioritisation of jobs
 - ii. all responses are now timely as the source of minor issues are being targeted so as to reduce the number of overall requests.

6.2 Governance (Strong)

NOTED:

- i. Standing Orders were focused on for the annual Governance audit
- ii. There was one low-risk recommendation in two-parts:
 - a. Consistency in wording relating to Staff Appointments (now revised)
 - b. Re-introduction of a confidential items review (now reintroduced)
- iii. All recommendations and added value points were incorporated into the Standing Orders which will be recommended for adoption by Search & Governance at the next meeting to the Governing Body (July 2017).

6.3 Course Management (Significant)

NOTED:

- i. The audit of Course Management resulted in a Significant opinion with the following low-risk recommendation:
 - a. electronic storing of course management documentation to allow Heads of School to monitor compliance
 - b. electronic hyperlinks in the Guide for Course Managers to College policy documents for immediate support
- ii. Apart from documentation that cannot be stored electronically, these recommendations will be completed by September 2017
- iii. The Academic Committee had requested this review to ensure quality and consistency across all courses (and, therefore, Students/Learners) as part of their risk review.

6.4 Follow Up Review on previous recommendations

NOTED:

- i. The fire evacuation and lighting tests are scheduled to commence by the end of July 2017 at Enfield
- ii. Orders must be raised prior to the service or goods being received
- iii. Any retrospective orders were deemed to be of low risk and were made due to urgency and practicality issues involved
- iv. The new REMS system for Student Records means the audit is still in process. It is of low risk and will be concluded and reported back to the Audit Committee in November 2017.

RECOMMENDED TO THE GOVERNING BODY to:

- i. **accept the Risk and Assurance Reports issued by Scrutton Bland as part of the College's 2016/17 Internal Audit Plan**
 - **Repairs and Maintenance**
 - **Governance**
 - **Course Management**
 - **The Follow Up Review on previous recommendations.**

8. TERMLY REVIEW – RISK SCHEDULE

RECEIVED: Paper 7 - Report of the Principal, for information.

NOTED:

- i. The termly review does not include any additional high risk items at present but the following were expressed:
 - a. Debt collectors and any potential resulting reputational risk – this is being reported to F&GP and is now well managed for the long-term. Short-term risk around Student Loan company payments was expected to be resolved shortly
 - b. Appointment of the new Vice Principal (Academic) transition – a firm transition date is in place and staff have been reassured
 - c. Risk of not recruiting the student number target in 2017/18 – this is being managed by additional marketing, actual recruitment will be reviewed by SMT in October 2017 and staffing will be realigned to match resources to demand. The ESFA are considering the reintroduction of the +/-3% tolerance before making changes to future contracts
- ii. A revised Risk Schedule for all sub-committees will be circulated to the Governing Body in July 2017 and it was felt that the Risk Management Strategy process for the College would be reviewed in 2017-18.

9. INTERNAL AUDIT: ASSURANCE STRATEGY AND ANNUAL PLAN 2017-18

RECEIVED: Paper 8 - Reports of the Director of Finance and Scrutton Bland, for decision.

NOTED:

- i. There has been no change in the Terms of Reference for the Audit Committee but the new Post-16 Audit Code of Practice continues to focus on:
 - a. risk management

- b. governance
- c. internal control and value for money (with a new requirement for a separate opinion on assurance)
- d. safeguarding of all assets (which includes Staff)
- e. solvency
- ii. Assurances include historical information (in order to provide perspective and avoid duplication)
- iii. Governors requested a matrix format to give clearer indication of the current situation in the context of past work
- iv. The only area identified as a priority not being addressed in 2017-18 is data security which is being monitored closely for a year to indicate what is needed and will be reviewed in 2018-19
- v. A caveat could be made under Safeguarding to ensure that the safety of the Students' IT environment provides adequate safeguarding to protect learners
- vi. High needs learners should also be focused on in Safeguarding, recognising the impact on the College of special needs students.

RECOMMENDED TO THE GOVERNING BODY that:

- i. they adopt the attached Internal Audit: Assurance Strategy and Annual Plan 2016/17 (Appendix II)**
- ii. they note the cost of £16,430.00 excluding VAT for 31 days (this is a volume decrease of 8.8% per day on last year).**

10. ANNUAL CHECKLIST OF THE AUDIT COMMITTEE 2016/17

RECEIVED: Paper 10 - Report of the Principal on behalf of SMT, for decision.

NOTED:

- i. The Annual Checklist acts as an aide memoire for the Committee's consideration with recommendation from Management that all had been completed
- ii. Once agreed, it will form part of the Annual Report of the Audit Committee to be presented to Governors in November 2017
- iii. Value for Money is underpinned by the work of the auditors
- iv. Focus is now on efficiency and effectiveness, as economy has been moved to another area
- v. Other factors to consider are:
 - a. bigger picture
 - b. Ofsted Good
 - c. own success rates and internal measures
 - d. trends up or down
 - e. budgets for outturn achieving small surplus
 - f. ESFA assessed College finance as Outstanding
 - g. other sector benchmarking available from other colleges
- vi. Areas of focus are:
 - a. achievement of the full vocational qualification by Student now at 86.1% (a significant increase in key quality measures by the College)
 - b. refocused on what doing for students which was improving performance in vocational area

- c. surplus similar to last year, cash terms up significantly but not done by reducing quality
 - d. Improving performance in vocational area
- vii. In support of Value for Money, Management focuses on:
- a. The strategic planning process;
 - b. Key performance indicators;
 - c. Financial strategy and the budget setting/cost reduction process;
 - d. Costing and pricing policies;
 - e. National Student Surveys;
 - f. Risk management;
 - g. Course costing and reviews;
 - h. Business process reviews and systems development
 - i. Performance appraisal and career development
 - j. Purchasing activities.

RESOLVED to:

- i. Agree the College's systems provide value for money**
- ii. confirm compliance with the Annual Checklist (Appendix III) on the work of the Committee for 2016/17 to the Governing Body.**

11. TRAINING SESSION: RISK MANAGEMENT

To be provided by Scrutton Bland

NOTED:

- i. Paul Goddard of Scrutton Bland gave an informative and thought-provoking presentation on risk management
- ii. Potential Black Swan risks (extremely unlikely occurrences), were highlighted as a good test against current systems in place
- iii. A Black Swan Major Incident Plan, to look beyond physical catastrophe, could be an additional plan for future risk management
- iv. The Audit Committee's review of risk strategy is the umbrella under which Sub-Committees conduct and manage their own risk assessments
- v. Target risks should be reassessed over time due to:
 - a. new information
 - b. changes in the College's resources
 - c. changes in Governor's circumstantial risk appetite
- vi. The non-critical openness encouraged by the College and effective prioritisation ensures a good culture of risk management.

12. ANY OTHER URGENT BUSINESS

No other urgent business was discussed.

DATE OF NEXT MEETING: Tuesday 22 November, 2017 at 8.30am