



MINUTES

PRESENT: Mark Wilson (MW) – Chair
Tom Hesmondhalgh (TH)
Kim Meyler-Vincent (KM)

IN ATTENDANCE: **Internal:**
Caireen Mitchell (P&CEO)
Ann-Christine Harland (VPF&R)
Jo Bland (DHR)

Auditors
Mike Cheetham - MC (RSM)
Paul Jagger –PJ (BDO) arrived at 6.50pm

CLERK: Fiona George

APOLOGIES Gemma Archer (Co-opted member)

QUORUM The meeting was quorate

TIMING 6.00 pm – 7.40pm

1	<p>Apologies for Absence Apologies were received from Gemma Archer.</p>
2	<p>Declarations of Interest Members to declare additional interests relating to agenda item(s) There were no declarations of interest relating to items on the agenda.</p>
3.	<p>Minutes of the Meeting Held on 20 February 2018 and matters arising It was noted that TH was at the meeting but was missing from the list of those present. The minutes have been amended accordingly. The minutes of the meeting held on 20th February 2018 were approved as an accurate record. Matters arising LQC review of effectiveness to be followed up by the Clerk. The Risk Management Policy and FOI Policy are on the agenda for this meeting.</p>
4.	<p>Internal Audit <i>Supporting papers presented by RSM</i> <i>i. Internal audit reports</i></p>

Safeguarding and Risk Management reports

The VPF&R reported that as she had not seen minutes of the previous meeting at which the Safeguarding and Risk Management reports had been circulated, she hadn't realised that they had already been reviewed by the Committee.

The DHR reported online training had been completed and is being built into the system to improve performance significantly. TH reported he is visiting the College to monitor the single central register.

Follow up audit

The VPF&R commented there is currently no audit tracker showing progress made against actions raised by the internal audit. However, the College has started an audit tracker for all outstanding internal audit points, so that the Audit Committee can be confident that internal control weaknesses are being monitored and addressed on a timely basis.

The auditor advised their report is based on the annual visit and their review of prior years' outstanding recommendations. They looked at 6 different reports including last year's follow up. Overall reasonable progress has been made and is on the cusp of being good with 12 out of 18 areas completed and those outstanding are not causing any concern.

The VP&R updated the Committee on current progress with the outstanding points

- the H&S Risk Assessment scoring has been revised to match the general scoring of risk, as noted in the draft Health and Safety Policy reviewed by the Executive.
- the Fixed Asset Register checks are scheduled over the summer by the Finance Manager
- Item 3.1 (Key Financial Controls) will be completed by next summer, 2019.
- the estates strategy is being currently worked on and will be prepared in time for the merger transaction unit application for additional funds.
- the annual reviews and effectiveness that needs to be carried out for all committees is due by August, however an extension of this deadline to the end of December was agreed by the members. The Audit Committee has completed this exercise and the Clerk is to check whether the other committees have also completed their reviews.

The committee received the report.

Action: The Clerk to check whether the other Board committees have completed the annual effectiveness review.

HE Data Review

The auditor reported that, taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage the identified areas are suitably designed, consistently applied and operating effectively. There is significant improvement from last year. No substantial (High or Medium) issues have been identified which have warranted management actions being raised. However minor findings were identified and reported in Section 1.5 of the report.

The committee received the report.

Key Financial Controls

RSM reported that taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage the identified areas are consistently applied and operating effectively.

RSM have identified one 'Medium' and three 'Low' priority issues requiring management actions relating to the application of and compliance with the control framework. Details of the 'Low' management actions can be found in section 2 of the report. The 'Medium' priority action relates to the College not currently completing creditors reconciliations due to system limitations.

Learner Numbers

RSM have completed a Learner Numbers Draft Report which was received too recently for management response and finalisation, as a significant number of changes to the report are required and hence the report could not be presented or tabled. The current draft however provides Reasonable Assurance and will be presented to the next Audit Committee meeting.

GDPR

Following a recent visit the GDPR Report is still in progress with RSM. Training is scheduled for 9th and 10th July for all staff. RSM queried who the Data Protection Officer for the College is. The DHR responded that the MIS manager is currently carrying out this role. The auditor expressed concern that there is a conflict of interest here and the College may want to consider an external person for this role. The GDPR report will be presented to the next Audit Committee meeting. There are no significant funding implications.

ii. Internal audit plan 2018-19

RSM met with the P&CEO, VPF&R and outgoing COO regarding current issues in the sector and have evaluated the College's risk management processes. RSM consider they can place reliance on the risk registers to inform the internal audit strategy.

Based on their understanding of the organisation, the information provided and the regulatory requirements, they have developed an annual internal plan for the coming year and a high level strategic plan.

The auditor reminded the committee that internal audit is only one source of assurance and that they will not, and do not, seek to cover all risks and processes within the organisation.

RSM continue to work closely with other assurance providers, such as external audit to ensure that duplication is minimised and a suitable breadth of assurance obtained.

There was a brief discussion regarding the terms of the audit service:

In order to ensure adequate assurances for the Internal Audit Annual Opinion an allocation of 67 days has been recommended. With provision for the requirements following any merger. The auditor commented that there is

	<p>a large element of contingency of 8/9 days but this is expected to drop in 2019/20.</p> <p>A focus on ensuring efficiencies in the Budget setting and management of the College has led to a requirement to focus early on staff utilisation and curriculum planning, thus ensuring the connection between teaching activities and budgetary control.</p> <p>MW commented curriculum planning does not appear in the 3 year summary schedule, RSM agreed to update this accordingly. It was also noted that learner numbers are duplicated.</p> <p>The VPF&R commented the New City College contract is for a non-levy provider and their audit should cover the College data in their sub-contractor audit.</p> <p>There was a brief discussion around the risk register. The auditor reported they have evaluated the risk management processes and consider that the College can place reliance on the risk registers to inform the internal audit strategy.</p> <p>It is possible that the College would be subject to an ESFA Learner Numbers Audit either this summer, if selected randomly, or next summer, as its risk rating increases post-merger.</p> <p>The ESFA mandatory Subcontracting Arrangements Review for 2017/18 has also not yet taken place as the ESFA have not yet issued their requirements, however this was expected throughout the 3 year plan if the College continued to subcontract.</p> <p>Following merger, proposals for the use and timing of the proposed Internal Audit contingencies will be recommended to the Audit Committee in November 2018.</p> <p>RESOLVED: The committee agreed the annual internal audit plan. ACTION: The Learner numbers, GDPR and Subcontracting Arrangements Review Reports to be presented to the next Audit committee meeting.</p>
5.	<p>Terms of Business for Financial Statements and Regularity Auditor Updated terms and conditions of business were circulated with the papers. BDO reported these have been re-issued to ensure the terms of business are compliant with the new GDPR regulations. BDO commented there is nothing worthy of note or unusual.</p> <p>The updated terms and conditions were noted.</p>
6.	<p>Financial Statement and Regularity Audit Plans <i>Supporting paper by BDO</i></p> <p>PJ apologised for being late.</p> <p>The annual planning report had been circulated prior to the meeting and was taken as read. The report had been prepared following a meeting with the outgoing COO, VP F&R and Financial Controller and draws on their knowledge of what has</p>

	<p>happened during the year. BDO outlined the key areas of the report:</p> <p>BDO will be carrying out the statutory financial audit, the Teachers' Pension audit and reporting on regularity and propriety. VPF&R commented there is a standard regularity self assessment questionnaire issued by ESFA, which is completed and signed by the P&CEO and Chair of Corporation to inform the regularity report. The VPF&R will issue this at the November meeting for governors information.</p> <p>Key risks identified were around revenue recognition and management override. One is rebuttable under auditing standards but both are a significant risk and an indication of where financial significant risk lies. MW queried whether EFA funding reconciliation is challenging and if it is better or worse than in the past. BDO responded that the ESFA timing is important and following last year they have been in discussion with them to ask for the information sooner. VPF&R commented that the final return isn't due until the third week of October so it is unlikely it will be received before the end of November, which is after the draft financial statements are prepared and the audit visit has been completed. Therefore, the financial statements reviewed for audit is always based on estimates which would be adjusted for material under/over statement. Any immaterial under/over statement is disclosed in the annual report issued by BDO to support their work. The VPF&R reported the adult grant can achieve up to 97% and keep 100% with no claw-back.</p> <p>The external auditor reported the situation around management override has not changed and there is nothing new this year. Croydon is in a good position compared to other colleges as they have substantial cash in the bank.</p> <p>The auditor drew the committee's attention to the sentences in their document, pages 5 and 6 that their responsibility was to 'consider fraud in an audit of financial statements', but pointed out that 'the primary responsibility for the detection of fraud rests with Management'.</p> <p>Appendices to the report included timetable, materiality levels and fees, including Teachers' Pensions. The auditor did not yet know what the scope for the Teachers' Pensions audit is going to be but was not expecting any significant changes to last year.</p> <p>VPF&R reported that for accounting purposes, the value of the investment property, Selhurst, needs to be assessed annually. It was last valued three years ago, and so in discussion with the auditors, an external valuation for the investment as at 31 July 2018, has been commissioned for accounting purposes.</p> <p>RESOLVED: The committed noted and approved the audit fees for the year. ACTION: VPF&R to present the regularity self assessment questionnaire at the next meeting.</p>
7.	<p>Risk Management</p> <p>The Risk Management report was circulated by the P&CEO and taken as read.</p> <p>The P&CEO commented this document needs to be revisited and updated, although a few items have already been amended as highlighted. The P&CEO will be working on this over the summer to bring to next meeting.</p> <p>There was a discussion on the process that occurs if something happens and how this is reflected on. The P&CEO confirmed the main risks are discussed at every executive meeting. It was also confirmed that the Safeguarding committee meet</p>

	<p>monthly and the Health and Safety committee meet termly. The P&CEO is introducing a feedback process which may also pick up issues. The work with Coulsdon will help in identifying best practice and comparing systems. It was also reported that there are annual programme reviews and annual course reviews that identify risks which are passed on to relevant committees and escalated to the Executive committee if necessary.</p> <p>The committee felt this was a positive development to the risk register and looked forward to seeing the update at the next meeting.</p> <p>Action: P&CEO to bring updated risk management report to the next meeting.</p>
8.	<p>Policies The Risk Management Policy was circulated with the papers and taken as read.</p> <p>VPF&R reported that the College's recent Internal Audit Review on Risk Management had recommended that the College formulates a Risk Management Policy.</p> <p>Risk appetites are identified on page 4 of the report with different appetites for different risks. The committee queried whether the policy can be cross referenced to the risk register. The VPF&R confirmed she will look into this it as part of the overall review. The VPF&R commented she has suggested a two year review on this policy. MW agreed this is separate to the risk register and needs to be reviewed less frequently. It was suggested the appetite could be incorporated into the appendix of the risk register.</p> <p>It was thought changes may have to be made when the college is merged with Coulsdon.</p> <p>RESOLVED: the committee approved the Risk Management Policy</p> <p>The VPF&R reported the College is required, under the new General Data Protection Rules, to have an Information Policy and this draft had been reviewed as part of the recent internal audit visit.</p> <p>There was a discussion regarding potential conflicts that the current Data Protection Officer (DPO) may have, as her role also includes having responsibility for MIS data. The DHR commented that the DPO email inbox is shared and also goes to Paul Marsden and Jo Bland. It was agreed by the P&CEO to keep this under review.</p> <p>DHR reported there will be a Data Breach Policy and other procedures that will be issued to all staff and another for students; the updated College Privacy Notice is already on the website.</p> <p>Training is planned for all staff members.</p> <p>RESOLVED: The committee approved the Information Policy.</p>
9.	<p>Private discussion - auditors and the audit committee This item was taken before item 8 to allow the auditors to leave but is minuted in the order of the agenda.</p> <p>Auditors were asked if there are any risks or concerns associated with the recent</p>

	<p>changes in senior staff.</p> <p>The RSM auditor commented that it is an inherent risk to have 2 senior staff changing at the same time, however, he has known the new VPF&R for a number of years and the new P&CEO for a shorter time and doesn't feel this is going to be a problem. He has had useful conversations with them around the risk register.</p> <p>The RSM auditor commented the risk for external audit is around delivery but the new staff seem engaged at this point so it is just a case of them getting to grips on how the college works. He is seeing progress on the fixed asset register which is promising so no concerns at this point.</p> <p>There was a discussion around flow of information at management level and it was confirmed this is in the plan for 2018/19. It was suggested this could feed in to staff development, training, admissions, marketing etc so staff are more aware of what is being done strategically and would therefore be more engaged in how they can improve and deal with risks at all levels.</p> <p>The internal auditor asked whether, in terms of the merger, the work is being done in house. MW responded there is external support for due diligence and an external person coordinating the meetings. It was thought this was worth exploring but there needs to be a balance in bringing in too many external people.</p>
<p>10.</p>	<p>Private discussion - Executive and the audit committee</p> <p>Executive and committee members were asked if they had any concerns about the auditor.</p> <p>The VPF&R understood that the external audit went smoothly last year and has no concerns with the internal audit service.</p>
<p>11.</p>	<p>Review of Terms of Reference - paper</p> <p>The Terms of Reference were circulated with the papers in advance of the meeting. The Terms of Reference should be reviewed annually. It was queried if the Terms of Reference are consistent with the new guidance issued in 2016. The VPF&R offered to check with the internal auditors whether they looked at the Terms of Reference and respond to the Clerk.</p> <p>The P&CEO mentioned some colleges do not allow the Principal to attend the Audit committee and asked the VPF&R to also check this with the auditors.</p> <p>It was queried if the Audit committee assign risks to other committees to monitor and then monitor if they are reviewing them. The Chair responded risk assigning is carried out by the Board and the Audit committee monitor it. The VPF&R reported the Risk OP2 Income and Contribution Targets not being met had been reported to the LQC only and was proposing that this risk and mitigating actions are also to be reviewed by the F&R going forward.</p> <p>RESOLVED: The Terms of Reference were agreed subject to the auditor's comments.</p>
<p>12.</p>	<p>Dates of 2018-19 meetings</p> <p>Draft dates for next year's meetings were circulated with the papers. There was a</p>

	<p>discussion regarding changing the day to a Wednesday which was not suitable for everyone.</p> <p>It was agreed to hold next meeting on Wednesday but to change the time to 5pm as a trial.</p>
13.	<p>Any other business</p> <p>MW asked governors if they thought the papers should be password protected when they are circulated.</p> <p>Governors agreed to password protect all audit committee papers.</p>

Chair signature

Date

Item	Action	Owner	Status
4.i.	The Clerk to check that other committee annual review and effectiveness reports have been completed	Clerk	
4.11.	The Learner Numbers, GDPR and Subcontracting Arrangements Report to be presented to the next Audit committee meeting	RSM	
6.	VPF&R to present the completed standard ESFA regularity self assessment questionnaire at the next meeting.	VPF&R	
7.	P&CEO to bring updated risk management report to the next meeting	P&CEO	