

**MINUTES**

**PRESENT:** Mark Wilson  
Tom Hesmondhalgh  
Kim Meyler-Vincent

**IN ATTENDANCE:** Ann-Christine Harland (VPF&R)  
Caireen Mitchell (P&CEO)  
Sandra Small  
Lesley Fooks  
Tim Lo – RSM  
Andy Read BDO  
Kyla Bellingall – BDO

**CLERK:** Fiona George

**QUORUM:** The meeting was quorate

**TIMING:** 5pm to 9pm

<b>1</b>	<b>WELCOME AND APOLOGIES FOR ABSENCE</b> There were no apologies for absence.
<b>2</b>	<b>DECLARATION OF INTEREST</b> Members are invited to declare any interest in any item(s) in the agenda There were no declarations of interest.
<b>3</b>	<b>MINUTES OF THE MEETING HELD ON 6 JUNE 2018</b> The minutes of the meeting held on 6 <sup>th</sup> June were agreed and signed by the Chair as being a correct record.  It was requested that the LQC committee complete their self-assessment by 5 <sup>th</sup> December.  The Clerk confirmed the F&R self-assessment has been completed.
<b>4</b>	<b>Matters arising from the minutes not already on the agenda</b> There were no matters arising.  The agenda items were taken out of order but are minuted in the order shown on the agenda.
<b>AUDIT 2017/18</b>	
<b>5</b>	<b>FINANCIAL STATEMENTS and REGULARITY AUDIT</b> i. Draft 2017/18 Financial Statements The report was circulated with the papers and taken as read. The accounts were presented to the F&R committee for their recommendation to the Board for approval with a few adjustments for period 12.

The student performance data on page 11 was presented to the LQC committee. The VPF&R commented that next year will be a shorter version due to changes to the strategic drivers.

It was noted the Tuition Fee Policy is a risk but this is mitigated in a number of ways as stated in the report. Pension liabilities are a key issue. There is a risk that the merger destabilises the College's finances.

Governors requested a few minor amendments including:

- Page 19 which shows the membership of the Corporation, Trevor Morgan has now resigned and the date of resignation needs to be included.
- Governors asked that the LQC reference is more consistent throughout, i.e. LQC or Learning & Quality Committee.
- Under the Audit Committee section on page 22 there are 4 members of the committee, not 3.
- Governors commented the committee has not received reports from the main FE funding bodies
- Page 23 should say July 2017 not July 2018 and should be year ending not period ending.

**RESOLUTION: The committee recommended presenting the report to the Board for approval with the agreed amendments.**

- ii. Regularity Self-Assessment Questionnaire 2017/18  
The internal auditor was invited to stay for the external audit. The Regularity Self-Assessment Questionnaire 2017/18 was circulated with the papers and taken as read. The VPF&R reported there was some difficulty in completing the questionnaire as both the P&CEO and the VPF&R had not been in post but two previous members of the Executive who were in post, the DoHR and the VPQ&C had both reviewed it for accuracy. The Regularity Self-Assessment questionnaire will also go to the full board for approval on 5<sup>th</sup> December 2018.

The Regularity Self-Assessment Questionnaire was discussed in detail and the following points arose.

- In regard to corruption and anti-bribery on page 4 of the report, the VPF&R plans to do some training on corruption and anti-bribery to staff, including SLT.
- In regard to potential fraud and whistleblowing investigations on page 6 of the report, the VPF&R was not aware of any frauds, however, the P&CEO had received feedback from the previous Principal so will be able to confirm.
- In respect of managing property, a detailed estates report was carried out as part of the merger process and the plan is to have a detailed estates strategy in the new year, this will determine long term maintenance.
- The VPF&R reported the college will be looking at reducing the number of credit cards going forward.

- Governors queried whether the project appraisal item on page 11 includes the Barclay Road sale and the VPF&R confirmed it does.
- Procurement policies. The VPF&R reported under the financial regulations the F&R committee had asked how the college reports value for money. The VPF&R had confirmed the report on value for money is discussed at the audit committee. MW commented the Audit Committee normally considers processes and controls and any operational finance falls under the remit of the F&R committee, therefore, they should receive the value for money report.

**RESOLVED: The Committee recommend the Regularity Report is presented to the Board.**

- iii. 2017/18 Financial statements and Regularity Audit Completion Report, including the Letter of Representation.

Paul Jagger from BDO had presented the audit planning report to the Audit Committee in May 2018. The auditor's opinion covers a true and fair opinion on financial statements and regularity. BDO anticipate issuing an unmodified audit opinion on the College's financial statements for the year ending 31<sup>st</sup> July 2018. BDO also anticipate issuing an unmodified opinion in relation to regularity. Outstanding matters were listed on page 27 of the report.

Andy Read outlined the key discussion points. In regards to significant audit risk areas, there are three key areas:

- *Revenue recognition.* Nothing has been highlighted but before signing off final ESFA funding confirmation was required.
- *Management override.* Accounting estimates report highlights one reporting issue around the Enhanced Pension provision. AoC have not updated their assumption since 2016, however, BDO carried out further work to assess whether the continued use of the assumptions could have a material impact on the value of the College's provision and found the inflation rate change would increase provision by around £100k. The Audit Committee need to be satisfied the accounts are not adjusted for this provision. Governors queried how the College compares to other colleges. BDO confirmed essentially all colleges use the AoC rates and therefore Croydon College was in line with other colleges. The VPF&R had looked at why LGPS rates were set and circulated a briefing note from Hymen Roberts which shows anything under 17 years used 2.7%. BDO did not consider this amount material. The VPF&R commented the impact of the £100k difference will be material for next year when the college is budgeted to break even.
- *Going concern.* The key uncertainty is around the merger, BDO looked at the stand alone cash flow forecast which indicated the stand alone college would have no material uncertainty for the next 12 months. The cash flow impact of the merger indicated that the £6.7m financial support applied for will be necessary to support the merged college to December 2019. BDO commented

	<p>in terms of the accounts, the college would not need to make a statement in the accounts as the merger has not yet happened. The representation letter will be updated to reflect this.</p> <p>BDO outlined the audit differences on page 14 of the report. One unadjusted audit difference was recorded relating to redundancy provision made at year end that subsequently was not needed but had not been adjusted amounting to £40k which is not a material figure. The committee agreed there is no need to make an adjustment. This has been checked and it will not affect the College's health score. The VPF&amp;R reported the 2018-19 budget was self-assessed as satisfactory, however, the ESFA rescored it as good. The ESFA have, however, continued to put in financial intervention based on the 2016-17 financial position and the merger.</p> <p>iv. Audit Completion Report – Proposed Management Responses to Audit Finding Proposed management responses were circulated with the papers and taken as read. Progress has been made on the asset register but there is still more work to do. In regard to the outstanding debtors over 2 years old, the auditors have recommended writing these off. The VPF&amp;R would prefer to keep the debts on the account in case adult learners re-enrol. This is a decision for the F&amp;R committee as the amount is above £50,000.</p>
6	<p><b>AUDIT COMMITTEE ANNUAL REPORT 2017/18</b> Draft Statutory Annual Report from the Audit Committee to the Board and the Principal, as required by the Joint Audit Code of Practice.</p> <p>The draft report was circulated with the papers. It was noted that Caroline Allen was Chair of the Audit Committee until January 2018 and Mark Wilson was Chair from February 2018. Jeff Boothe needs to be added to the audit committee membership.</p> <p><b>RESOLUTION: It was agreed to present the report, with the agreed amendments, to the Board at their next meeting on 5<sup>th</sup> December 2018.</b></p>
7	<p><b>INTERNAL AUDIT</b> The VPF&amp;R had invited Lesley Fooks to the meeting as she has responsibility for GDPR, Learning Numbers and Subcontractors Reports.</p> <p>The VPF&amp;R explained the GDPR is a one off report, the Learner Numbers Report is an annual report and the Subcontractor Controls report has been produced in case the funding body carry out an audit, which is a possibility due to the merger. The ILR is signed off by the accounting officer on an annual basis.</p> <p>RSM outlined the Emerging Issues report which was circulated prior to the meeting and taken as read.</p> <p>i. Learner Numbers Report 2017/18 RSM reported the key findings in the Learner Number Systems report consisted of 3 low priority and 2 medium priority management actions. The two medium priority actions related to planned hours and start dates. Low priority actions are just housekeeping issues. Ideally this report would have been discussed at the last meeting; however, there had been some issues around timings. Governors queried how this can be done better next year to</p>

	<p>ensure the report is ready for the June meeting. Lesley Fooks outlined new procedures that have been put in place to help with this. Lesley explained the funding around planned hours.</p> <p>ii. RSM reported sub-contracting was introduced around 3 years ago and ESFA required any provision over £100k to be audited. In terms of this audit there were 2 subcontractors and 2 actions identified which have not been prioritised. RSM were happy to sign the certificate which was sent off in September.</p> <p>The VPF&amp;R reported for 2018-19 the college is not expecting to use any subcontractors as they have asked the teams to deliver more in year courses.</p> <p>iii. RSM reported on the GDPR governance. A review was undertaken in June following the new GDPR's implementation on 25<sup>th</sup> May 2018. In summary a lot of work had been undertaken around the new regulations, however, a number of policies and procedures were still in draft format awaiting ratification.</p> <p>iv. Internal Audit Annual Report 2017/18 RSM outlined the report which provides an annual internal audit opinion and is a positive opinion. Section 2 is a summary of the internal audit work undertaken and includes follow up from the 2016-17 audit report. Appendix A summarises different levels of opinions benchmarked with other colleges. Appendix B outlines work undertaken during the year. All the opinions are positive, there are no negative opinions.</p> <p>In regard to actions raised in 2017-18, RSM have planned to follow up these actions in January/February 2019 when they will validate and confirm the management response.</p> <p>v. The VPF&amp;R has provided an update on the report which is shown in red. Most of the areas should be completed before the next audit. There are seven new proposed deadlines which the committee were asked to consider.</p> <ul style="list-style-type: none"> <li>• Item 1.2 regarding the risk register requires changes to the risk register. The proposal to extend the implementation date to end of January 2019 was agreed.</li> <li>• Benchmarking of curriculum and financial efficiencies now to be reported in at the end of January 2019.</li> <li>• 2.2.1 Safeguarding and prevent training is around governors and staff undertaking training and making sure everything is up to date. This is an area requiring vigilance to ensure all staff complete this during their probation period; due to a change of HR Director this has been extended to the end of March 2019. TH reported attending a safeguarding catch up with the team when it was suggested, due to the long probationary period, this should be completed sooner. The DoHR mentioned it could be included as part of the induction process. The VPF&amp;R agreed to check on the current position.</li> </ul>
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	<ul style="list-style-type: none"> <li>• 2.2.2 Effectiveness of sub-committees. LQC and F&amp;R are in the process of completing the self-evaluation and these should be completed by 5<sup>th</sup> December. The Search and Governance committee have not met and the deadline has been extended to 31<sup>st</sup> March 2019.</li> <li>• 3.1 Fixed asset register. The deadline has moved to 1<sup>st</sup> August 2019 in anticipation of the merger.</li> <li>• GDPR. The Board will be asked to sign off a letter of representation. Lesley Fooks reported the information asset registers (IAR) is complete apart from the data held by HR which is still to be added. Due to the appointment of a new DoHR the deadline has been extended to 31<sup>st</sup> December 2018.</li> <li>• Data ownership. The only item not signed off is the data impact assessment process which will be ready to go to the Executive meeting next week for initial sign off. The deadline for item 3 has been extended to 31<sup>st</sup> March 2019 and item 4 to 31<sup>st</sup> December 2018. The role of the Data Protection Officer was discussed. Lesley Fooks has been leading on GDPR and a Data Governance group has been established so it is not only Lesley who makes the decisions, Paul Marsden and the DoHR are also involved. The committee agreed it was appropriate for Lesley to take on this role for the present time.</li> </ul>
8	<p><b>RISK MANAGEMENT</b></p> <p>The termly assurance report on risk management processes was circulated prior to the meeting and taken as read.</p> <p>The VPF&amp;R reported there are four key areas which had been discussed at the F&amp;R and LQC committee meetings:</p> <ul style="list-style-type: none"> <li>• The risk of not achieving Levy apprenticeship income budget for 2018/19</li> <li>• Student outcomes have been self-assessed as requires improvement for 2017/18</li> <li>• The financial outturn for 2017/18 was satisfactory, as forecast.</li> <li>• The new SEND provision at the Priory has been problematic and teaching was delayed until the risks were mitigated.</li> </ul> <p>The risk register will be updated by the end of January 2019 to incorporate the operational plan. The VPF&amp;R will report to the Audit Committee around the process of the risk register but not around specific items which go to the full Board.</p>
9	<p><b>REVIEW OF COMMITTEE PERFORMANCE AND TERMS OF REFERENCE</b></p> <p>MW reported the composition of the committee is 3 members and quoracy is 3 members, it would be useful to have 1 or 2 other Board members on the committee to ensure meetings are quorate. It was agreed following the merger membership will need to be reviewed.</p> <p>Governors were asked to send their completed self-assessment forms to the clerk.</p> <p>Updated Terms of Reference were circulated at the meeting. These have been updated in line with the Post 16 Code of Practice for 2017-18 which was also</p>

	<p>circulated at the meeting for information. There was a discussion around the new guidance that staff governors should not be members of the committee and it was agreed to leave the membership as it is and review again following the merger. There was a discussion around page 9 of the updated Code of Practice regarding solvency of the Institution. Solvency goes through the management accounts which are submitted to the F&amp;R committee. BDO commented that the annual accounts approval process is sufficient.</p> <p>The VPF&amp;R will be carrying out solvency training to the SMT and will consider extending this to the Board.</p> <p><b>RESOLUTION: It was agreed to submit the updated Terms of Reference to the Board for approval.</b></p>
<b>10</b>	<p><b>PRIVATE DISCUSSION - AUDITORS AND THE AUDIT COMMITTEE</b>  <i>Member of Executive Team withdrew for this item.</i>  BDO commented concerns had been raised at the last meeting around the appointment of new Executive staff, however, the accounts preparation and closedown process had gone smoothly with no significant issues. There were no areas of concern.</p> <p>RSM commented there had been a few issues around the planning perspective for the 2018-19 audit and communication of dates.</p> <p>Thanks were expressed to the Auditors for their reports.</p>
<b>11</b>	<p><b>REVIEW OF THE PERFORMANCE OF THE AUDITORS</b>  <i>Auditors withdrew from the meeting.</i>  The VPF&amp;R was disappointed in the timing of the Learning Numbers report however felt that RSM were one of the few recommended auditors for this process. The key financial controls audit was very competent. The BDO team were very thorough and the VPF&amp;R was happy with the results.</p> <p>MW fed back to the Executive team on the comments of the auditors.</p>
<b>12</b>	<p><b>DATES OF NEXT MEETING</b>  6 February 2019 and 5 June 2019</p>
<b>13</b>	<p><b>ANY OTHER BUSINESS</b>  <i>Urgent matters notified in advance of the meeting</i>  The VPF&amp;R reported the Audit of Coulsdon accounts for 6 months to the end of January 2019 will need to be completed and signed off by the P&amp;CEO. The VPF&amp;R attended the closure meeting with RSM in October 2018 and the 2016/17 accounts are not yet signed as a going concern basis. Coulsdon have a notice to improve on their financial health. The VPF&amp;R will be asking the TU to pay for any audit fees. RSM are the internal auditor but they can also be asked to carry out the external audit as it will be conducted by a different department. The VPF&amp;R will request quotes from BDO and RSM.</p> <p><b>ACTION: The VPF&amp;R to request quotes for the Coulsdon external audit.</b></p> <p>The Auditors can be appointed at the next meeting on 6<sup>th</sup> February 2019 but if necessary it can be done as a Chair's action if all 3 committee members agree.</p>

Signed:

Date

**ACTIONS**

<b>Item</b>	<b>Action</b>	<b>Owner</b>	<b>Status</b>
13.	The VPF&R to request quotes for the Coulsdon external audit.	VPF&R	