

**MEETING OF THE CROYDON COLLEGE AUDIT COMMITTEE**  
Thursday 28 November 2019 at 5.00pm

**PART ONE MINUTES**

**Present:** Rosaleen Liard (Chair)  
Tom Hesmondhalgh (items 1-10)  
Nigel Dias  
Rahel Haque  
Chris Wright

**In attendance:** Lorna Raynes, RSM  
Kyla Bellingham, BDO  
Ann-Christine Harland, Vice-Principal Finance and Resources  
Paul Marsden, Director of IT and Estates (Item 7vii)

**Clerk:** Clare Mitchell, Director of Governance

		Action
1.	<b>Apologies for Absence</b>  There were no apologies for absence but Chris Wright and Kyla Bellingham had both indicated that they would be delayed.	
2.	<b>Declarations of Interest</b>  There were no declarations of Interest relating to matters on the agenda.	
3.	<b>Minutes of the Meeting held on 5 June 2019</b>  The Part One minutes of the previous meeting were approved and signed as a correct record of the meeting.	
4.	<b>Matters Arising not on the Agenda</b>  There were no matters arising that were not on the agenda.	
5.	<b>Financial Statements and Regularity Audit – Croydon College</b>  <b>i) Regularity Self-Assessment Questionnaire 2018/19</b>  The VPF&R introduced the questionnaire and explained that the questions, which were set by the ESFA, had changed significantly from the previous year, with an increased emphasis on Board accountability. The questionnaire responses were used by the external auditors when designing their regularity audit, which tested whether funds provided by the ESFA were being used for their intended purposes.	



<p>It was agreed that the SCIF grant should be included within the grants listed. Although the income from the SCIF grant would be brought into the accounts in 2019/20, the report accompanying the financial statements included reference to the use of this funding.</p> <p>Kyla Bellingham confirmed that the external auditors had no comments on the completed questionnaire and that the responses were comprehensive compared to others that she had seen.</p> <p>The VPF&amp;R offered members of the Committee a tutorial session on FE/HE funding streams. This would be offered to all Governors.</p> <p><b>ii) 2018/19 Financial Statements</b></p> <p>The VPF&amp;R explained that the accounts included within the papers were not the final version. There were a number of areas that required finalisation. In particular, adjustments needed to be made following the revaluation of the land and buildings at the Coulsdon campus following the merger. The revaluation had resulted in an increase in the valuation of the land and a decrease in the valuation of the buildings.</p> <p>The external auditors had yet to comment on the financial statements.</p> <p>Kyla Bellingham explained that the external audit had been delayed because of the illness of a key member of staff. She indicated that there were some outstanding issues relating to fair value adjustments and on the presentation of the cash flow statement following the merger.</p> <p>The VPF&amp;R outlined the main points in the members' report. The narrative report included reference to the potential impact on the College of the Fairfield Homes planning proposal. This was identified as an event that had occurred after the end of the reporting period.</p> <p>The Audit Committee <b>recommended</b> the 2018/19 Financial Statements to the Board for approval subject to the satisfactory finalisation of the outstanding audit matters</p> <p><b>iii) Audit Completion Report, including the Letter of Representation</b></p> <p>The Committee <b>noted</b> that the version of the report, and the letter of representation, that were included in the papers had not yet been finalised as the external audit was still ongoing. Kyla Bellingham informed the Committee that she expected to issue an unqualified audit opinion based on the testing completed to date. BDO were still awaiting the final ESFA reconciliation statement for 2018/19, to ensure that no significant clawbacks were due to the ESFA. The testing of journal entries had been very thorough and there were no findings of concern to report. The main outstanding audit issues</p>	<p><b>VPF&amp;R/Clerk</b></p>
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	<p>related to the treatment of the merger with Coulsdon College in the accounts.</p> <p>The audit management letter did not identify any significant deficiencies in control in 2018/19. In terms of follow up of deficiencies previously raised with management, actions remained outstanding in relation to the fixed asset register. However, it was recognised that this was a much larger task following the merger and that progress was being made.</p> <p><b>iv) Proposed Management Responses to Audit Findings</b></p> <p>As indicated above, at the time of the meeting, no deficiencies had been identified in the audit management letter for 2018/19.</p> <p><b>v) Engagement Letter - End of Year Certificate (Teachers' Pension) Croydon College</b></p> <p>The Committee <b>noted</b> that this engagement letter should have been presented to the June 2019 meeting.</p> <p>The Committee <b>approved</b> the engagement letter from BDO for the TPS audit for Croydon College for 2018/19. This work was included within the agreed audit fee for Croydon College for 2018/19.</p>	
<p>6.</p>	<p><b>Closing Financial Statements – Coulsdon College</b></p> <p><b>i) Updated final audit findings report for Coulsdon College</b></p> <p>The VPF&amp;R informed the Committee that following approval and signature of the Financial Statements at the Board meeting on 10 July 2019, Croydon Council's actuaries had issued a statement to LGPS employers outlining additional work they would be commissioning for all schemes for the 2018/19 financial year end in relation to potential liabilities arising from the McCloud judgement.</p> <p>When RSM enquired before signing whether there had been any subsequent events between the date of signing and their enquiry, this potential liability, judged to be immaterial, was noted. RSM's response was they would not sign the accounts until the liability had been quantified.</p> <p>The maximum liability was assessed as c £20k. This was judged to be immaterial in relation to the Coulsdon final accounts and for Croydon's 2018/19 accounts and so no adjustment or disclosure has been considered necessary. However, RSM had issued a revised Final Audit Findings Report which noted this and the Board would be asked to approve a revised letter of representation at its meeting on 4th December 2019.</p> <p>Once signed, the Coulsdon College closing financial statements would be published on the website.</p>	



	<p>The Committee <b><u>recommended</u></b> the revised Final Audit Findings Report for Coulston College covering the period 1 August 2018 to 11 February 2019 and the revised letter of representation to the Board for approval on 4 December 2019</p> <p><b>ii) Engagement Letter for the Teachers’ Pension Scheme (TPS) audit of Coulston College for the period to 11th February 2019</b></p> <p>The VPF&amp;R reported that RSM UK Audit LLP had been engaged to undertake the closing financial statements audit for Coulston College, and, as records had been transferred to Croydon campus, it had been assumed that the TPS audit for Coulston campus staff would be undertaken as part of the Croydon College TPS audit, undertaken by BDO. However, this was not the case and an additional engagement letter and fee of £2,500 was requested for this work by BDO.</p> <p>The Committee <b><u>agreed to recommend</u></b> the engagement letter from BDO for the additional TPS audit for staff at Coulston College for the period 1 April 2019 to 11 February 2019 to the Board for approval.</p>	
<p><b>7.</b></p>	<p><b>Internal Audit Reports</b></p> <p><b>i) Internal Audit Annual Report 2018/19</b></p> <p>The Committee <b><u>noted</u></b> the annual internal audit opinion, which was one of reasonable assurance. This was the second of four possible audit opinions; the highest being substantial assurance. Lorna Raynes outlined the factors that had informed this opinion in terms of governance, risk management and internal control.</p> <p><b>ii) Internal Audit of Curriculum Planning Process Review</b></p> <p>Lorna Raynes introduced this report, which had been undertaken by a curriculum specialist at RSM. This was an advisory review so no formal audit opinion had been given. The report included one high and seven medium priority recommendations.</p> <p>The Committee noted that there had been a mismatch between the timing of the curriculum planning process and the business planning process because of the impact of the merger. The new V-Ps for Education and Quality, and Skills Training and Higher Education had taken the recommendations and incorporated them into the next round of curriculum planning. Accountability was being pushed down to Heads of Schools and Curriculum Leads. A detailed timeline was now in place for curriculum planning and the process should be completed by the end of February 2020.</p> <p><b>iii) Internal Audit of Sub-Contractor Appointments in excess of £100K</b></p> <p>The Committee noted that this audit was a requirement of the ESFA funding agreement. The Committee noted the findings in relation to the internal controls that had been tested by the auditors. Three</p>	



areas had been identified for further action. Overall the audit was satisfactory and the necessary certification would be provided to the ESFA.

**iv) Internal Audit on Key Financial Controls**

Lorna Raynes introduced this report. The internal audit opinion was one of reasonable assurance, with two medium and two low priority actions. The VPF&R stated that the previous year's internal audit opinion on the key financial controls had been one of substantial assurance, but the work relating to the merger had had an impact on performance in 2018/19. She expected the 2019/20 internal audit opinion to return to substantial assurance. Kyla Bellingham indicated that this was a good report given the merger during the year.

**v) Internal Audit on Governance**

Lorna Raynes noted that the scope of this audit had been limited as an external audit of the College's governance arrangements had already taken place and actions identified through this separate report had not been included here. The Clerk queried the recommendation that Board/Committee self-assessments should be signed by the relevant Chair. Lorna Raynes confirmed that a signature would not be necessary if the final Committee and Board self-assessments been formally presented to and approved by the Committee/Board.

**vi) Internal Audit on Learner Number Systems**

Lorna Raynes reported that the internal audit had included samples of data from both campuses. This was an advisory internal audit so no formal audit opinion was given.

In relation to the Coulsdon campus, there were a number of exceptions where the ESFA 16-19 funding regulations had not been complied with. The VPF&R explained that there had been no internal audit at Coulsdon College prior to the merger. To mitigate this, the MIS team had run enrolment training for Coulsdon staff and there had been a 100% data check prior to the ESFA 42 day return on 5 December 2019.

In terms of the 2018/19 data, the audit had found insufficient evidence that students who had already achieved a GCSE grade 4 or above in English and Maths at enrolment, had completed sufficient learner hours in terms of work experience/directed study to qualify for the full 16-18 grant. The VPF&R expressed concern that this could mean £700k less ESFA funding in 20/2021. Work experience was now being managed internally and planned earlier to address this.

A number of issues had been identified in relation to apprenticeship funding. This was a complex area and this level of findings was not unusual. However, some funding could be at risk as no documented initial skills check was in place for post May 2017 apprenticeships. The VPF&R confirmed that these checks were now documented.



	<p>There were a small number of issues discrepancies identified in relation to adult learners.</p> <p>In total 23 actions had been agreed; four were high priority, 10 low and nine medium priority. The Committee noted the responses to the actions in the tracker report and the amended implementation timescales identified in the report. All checks would be implemented prior to the next internal audit of this data.</p> <p><b>vii) Internal Audit on Cyber Security Arrangements</b></p> <p>Paul Marsden, Director of IT and Estates attended for this item. Lorna Raynes introduced the report. The audit had been undertaken by a cyber security specialist within RSM. The VPF&amp;R informed the Committee that the internal audit had been scheduled post merger because of concerns about the robustness of the IT security arrangements in place at the Coulsdon campus. The internal audit opinion was one of partial assurance with one high and nine medium priority recommendations.</p> <p>The Committee reviewed the progress against the recommendations set out in the audit tracking report.</p> <p>Paul Marsden assured the Committee that Coulsdon College was now compliant with the requirements of the Croydon College IT Security Policy, which was updated annually. Further work needed to be undertaken to automate IT security updates to reduce the amount of manual checking required</p> <p>The Committee <b>approved</b> the responses to the six internal audit reports outlined above.</p>	
<p><b>8.</b></p>	<p><b>Standing Items</b></p> <p><b>i) Tracking of previous audit recommendations</b></p> <p>The VP&amp;FR explained that the report did not include the recommendations from the curriculum planning internal audit as this had not been finalised when the report was drafted.</p> <p>Four medium and six low priority actions were in progress but had missed their original deadline and the completion deadlines had been extended. Tom Hesmondhalgh noted that two of these actions, relating to the format of the risk register and to physical checks of fixed assets, had been outstanding for a significant period of time and emphasised the need for them to be completed by the revised date with no further extension.</p> <p>Nigel Dias asked about the impact of the merger on teaching staff utilisation rates and whether vacancies had increased. The Chair stated that the F&amp;R Committee had spent some time discussing how to mitigate the impact of change on staff on both campuses during the planning of the merger in 2018/19. The VPF&amp;R indicated that the HR annual report, which would provide information on this, was due to be presented to the Board. The move from sessional to</p>	



	<p>permanent contracts for a significant number of teaching staff made the vacancy rate harder to track in 2018/19. The Chair, who was the Lead Governor for health and safety, reported that aggregate data on staff wellbeing was reported to the Health and Safety Working Group and the Executive had been challenged as to whether there were sufficient routes for support for staff.</p> <p>The Committee <b>noted</b> the progress made against the 2018/19 internal audit recommendations and <b>approved</b> the revised completion dates.</p> <p><b>ii) Croydon Site Data Breach Action Plan</b></p> <p>The VPF&amp;R reported that the data breach had taken place in July 2019 as a result of a phishing email. The breach and the resulting financial loss and had been reported immediately to the Chair of the Board, the Chair of the Audit Committee, the auditors and the College’s insurers. The financial loss was below the threshold for reporting to the ESFA.</p> <p>The action plan had been put in place to prevent a recurrence and to tighten cyber security and data controls. Cyber liability cover was being put in place and further, regular, training was being put in place for staff. All actions were rated as green or amber with the exception of a red rated action re further training for students, which would need to be taken forward with Student Services.</p> <p><b>iii) Reports on any additional work required by Auditors</b></p> <p>The VPF&amp;R reported that BDO had undertaken VAT consultancy work in relation to the restructuring facility grant, providing certification of the College’s VAT liability. BDO would be providing further certification for the restructuring facility grant, due by the end of January 2020 at a total cost in the region of £3.5K plus VAT.</p> <p>The subcontracting certificate and the training for Audit Committee members provided by RSM were outside the annual internal audit fee and would be billed separately.</p>	
<p>9.</p>	<p><b>Recommendations from the ESFA Investigation into Bournville College</b></p> <p>The Clerk introduced this report which provided assurance that Croydon College met the expectations of the ESFA as set out in the letter from the ESFA Chief Executive of 18 July 2019. The VPF&amp;R indicated that additional assurance could also be drawn from the due diligence work undertaken by Deloitte prior to the merger.</p> <p>The Committee reviewed the responses to the compliance checklist developed by the Associate of Colleges and <b>agreed</b> that a positive assurance of compliance could be provided to the Board.</p>	
<p>10.</p>	<p><b>Annual Risk Management Report 2018/19</b></p>	



	<p>The VPF&amp;R introduced the annual report, which included a risk movement map highlighting changes during the period November 2018 to November 2019. Risk ST2, relating to adverse impact of emerging and new partnerships, had moved from green to amber and Risk OP2, income and contribution targets not met leading to deterioration in financial health, had moved from amber to red. In particular, there were threats to Croydon College’s income from apprenticeships and higher education.</p> <p>This was the last meeting where the risk register would be presented in the old format. F&amp;R risks had already moved to a new reporting format agreed by the Executive Team and this would be an area of focus for the LQCs in early 2020. The new risk register would link to the new strategy to be approved by the Board on 4 December 2019.</p> <p>Accountability for managing risk on a day to day basis and identifying early warning signs and mitigations would be devolved further down the organisation e.g. to Heads of Schools. Monitoring risk was now a formal agenda item at cross campus meetings e.g. curriculum leaders’ team meetings.</p>	
11.	<p><b>Committee Self-Assessment</b></p> <p>The Clerk presented this item. The self-assessment had been completed by the previous Chair of the Audit Committee and two members. Tom Hesmondhalgh was the only current member of the Committee who had also served on the Audit Committee in 2018/19. Members noted that members of the Audit Committee were not permitted to serve on the F&amp;R Committee concurrently.</p> <p>A number of areas were identified for further work but overall members <b>confirmed</b> that the Committee had fully complied with its terms of reference in 2018/19.</p>	
12.	<p><b>Audit Committee Annual Report 2018/19</b></p> <p>The Committee reviewed the draft Audit Committee Annual Report. Subject to the report being finalised and based on the audit work undertaken during 2018/19, the Committee concluded that it was assurance that the College had adequate governance, risk management and control systems and <b>approved</b> the report.</p>	
13.	<p><b>Private Discussion – Auditors and the Audit Committee</b></p> <p>There was a brief discussion between the Committee and the Auditors without the VPF&amp;R present. No points of concern were raised.</p>	
14.	<p><b>Dates of future meetings</b></p> <p>Dates of future meetings were confirmed as:</p> <p>Thursday 13 February 2020 Thursday 18 June 2020</p>	





15.	<b>Any other business</b>  There was no other business.	
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*Signed Chair* .....

*Date:*