



PART ONE MINUTES

PRESENT: Mark Wilson (Chair)
Tom Hesmondhalgh
Jean Cook

IN ATTENDANCE: Ann-Christine Harland (VPF&R)
Tim Lo – RSM

CLERK: **Natalie Watt**
(For the meeting)

QUORUM: The meeting was quorate

TIMING: 4pm to 5.30pm

	Item	Actions
1	<p>WELCOME AND APOLOGIES FOR ABSENCE</p> <p>Apologies - Kyla Bellingall (BDO), Mike Cheetham (RSM).</p> <ul style="list-style-type: none"> The Chair of the Committee welcomed Jean Cook to the Committee and expressed his appreciation for her willingness to become a short term Member of the Committee. The Committee discussed the challenges of ensuring a quorum post merger. It was agreed that the membership of the Committee needed to be given urgent consideration at the next Search & Governance Committee. <p>ACTION: Search & Governance Committee to review membership of the Committee.</p>	Clerk
2	<p>DECLARATION OF INTEREST</p> <p>Members are invited to declare any interest in any item(s) in the agenda</p> <ul style="list-style-type: none"> There were no declarations of interest. 	
3	<p>MINUTES OF THE MEETING HELD ON 28 NOVEMBER 2018</p> <p>The minutes of the meeting held on 28 November 2018 were APPROVED and signed by the Chair.</p>	
4	<p>Matters arising from the minutes not already on the agenda</p> <p>Risk Management Revised Register and Plan</p> <ul style="list-style-type: none"> Members requested an update on the outstanding matter arising relating to risk management. The VP F&R informed the Committee that the risk register format had not been updated due to the pressure of merger and the need for the risks to be aligned to strategic objectives. Members were reminded that new strategic objectives were being considered in the up-coming meetings. Members expressed their concern at the risk register not being fit for purpose but accepted that the impact of merger was significant. Members also noted that in light of the insolvency regime that an up to date risk register would be seen as key to enabling the Committee and the Board to demonstrate oversight and monitoring. Following discussion it was agreed that a revised risk Management Register 	

	<p>and Plan would come to the June Audit Committee meeting for scrutiny and discussion.</p> <p>ACTION: Updated Risk Register to be submitted to the June Audit Committee for scrutiny by the VP F&R.</p> <p>Safeguarding</p> <ul style="list-style-type: none"> • Members queried whether the agreed changes to safeguarding training had been completed. • The VP F&R advised the Committee that she would raise the matter with the Director of HR and confirm the latest position to the Audit Committee post meeting. • The Committee requested a completion date for a whole organisation roll out of the training. The VP F&R advised the Committee that this matter would be discussed with the Director of HR and reported back to Committee with a completion date. • It was also noted that a safeguarding update would be provided to the L&QC Committee as part of its normal monitoring process. • Members discussed the importance of all actions being evidenced to Governors to provide a robust level of assurance and to enable them to triangulate information for delivery of management actions. <p>ACTION: VP F&R to seek confirmation from the Director of HR on the roll out of safeguarding training and to update the Audit Committee accordingly.</p>	<p>VP F&R</p> <p>VP F&R</p>
<p>5</p>	<p>EXTERNAL AUDIT 2018/19 COULSDON COLLEGE</p> <p>i. Appointment of External Auditors</p> <ul style="list-style-type: none"> • The VP F&R reminded the Committee that the Director of Finance for Coulsdon College had not continued in post following merger. • In light of this, considerable work had been undertaken to ensure that Coulsdon Colleges Financial statements and Regularity Audit could be completed in year. From the 1st August 2018 to the date of merger. • The VP F&R drew Members attention to the report presented to the Committee. Members noted the recommendation (agreed with the auditors) that acquisition accounting rather than merger accounting be followed in this instance. • Members noted the detailed reasons provided in the report at pages 1&2. The VP F&R drew Members attention to the proposal that RSM UK Audit LLP be appointed to undertake the final audit and closing of the Coulsdon College Accounts and associated Regularity Audit. • The Committee noted the reasons identified in detail in the report 1-4 Page 2. • The Committee discussed the proposed recommendation noting that the history and institutional knowledge built up by RSM would contribute greatly to the smooth running of the audit process. The VP F&R confirmed that the matter had been discussed with Croydon Colleges external Auditors who were happy with the proposed approach. • Members challenged the independence of the audit firm, given that RSM also undertook the internal audit function for Croydon College. • The VP F&R and the Internal Auditors both assured the Committee that there was no conflict of interest and that separate arms of the company would be undertaking the work to professional standards. <p>The Committee resolved to APPROVE the recommendation to the Corporation that RSM UK Audit LLP be appointed as external auditors for Coulsdon College for the financial year 2018/19.</p> <p>ii. Receive Letter of Engagement for Coulsdon College’s External Auditors.</p> <ul style="list-style-type: none"> • The VP F&R advised the Committee that the Chair of the Corporation and the 	

Principal & CEO would be required to sign off the Financial Statements when prepared, but that these could come through in due course. Noted.

- The Committee discussed the previous financial year for Coulsdon College Discussion followed on the concerns raised at the time around the ability of the College to claim it was a going concern. It was noted that only when merger was agreed were the accounts approved.
- The VP F&R reminded the Committee that the breaching of loan covenants by Coulsdon College had been clearly documented.
- The Committee were also advised that a valuation of FRS102 had also been commissioned as part of the process.
- The VP F&R confirmed to the Committee that the engagement letter was in the standard format and that there were no matters to draw to its attention. The Committee noted that the cost of the audit was £15,300 + VAT.

The Committee **RESOLVED** to recommend the letter of engagement to the Corporation for **APPROVAL** at the meeting immediately following the Committee.

VP F&R

iii. Draft Audit Planning Memorandum (RSM UK AUDIT LLP)

- Member's attention was drawn to the overview on page 25 and the timetable detailed on page 29.
- The VP F&R confirmed that fieldwork was underway and the outcomes would be reported to the June Audit Committee.
- It was noted that the Coulsdon accounts would be ready for signature at the July Corporation meeting.
- Discussion followed on the elements covered by the Transaction Units and the book valuations.
- The VP F&R advised that further clarifications on the valuations would be undertaken in the coming months.
- The Committee noted that it was not anticipated at this stage that there would be an issue, either with the going concern judgement or that the opinion would be qualified.
- The Committee were reminded that the bank loan for Coulsdon had been paid by the Transaction Unit as part of the merger process.
- The Committee considered the other risks identified on page 31 of the report.
- The VP F&R assured the Committee that the proposed timetable had been developed by mutual agreement and there were no concerns with achieving the dates identified.
- The Chair challenged the level of fees being charges, the VP F&R confirmed that they remained competitive and were within budget.

The Committee **RESOLVED** to recommend Annual Audit Plan to the Corporation for **APPROVAL**.

iv. Draft Regularity Statement Audit for Coulsdon College

- The VP F&R presented the draft regularity audit for Coulsdon College to the Committee. Members were advised that the answers had been completed in conjunction with the Executive Team at Coulsdon.
- Members reviewed the information and queried the comments on subcontracting. Detailed discussion followed on the sub contracting and apprenticeships in place at Coulsdon College.
- The VP F&R advised the Committee that Coulsdon were already committed to undertaking student activities with Fulham FC.
- Discussion followed on the need for a cost benefit ratio approach to all aspects of contracting.
- Further discussion followed on equality and diversity aspects of the undertaking with Fulham and it was noted that this would need to be further scrutinised at L&Q Committee.

	<ul style="list-style-type: none"> • Following discussion Members agreed that greater clarity on areas of responsibility and remit would be welcomed when the terms of reference for the Committees were reviewed post merger. • Member's attention was drawn to page 49 and it was noted that further clarification on any outstanding ET claims was needed. • Members also discussed the whistle-blowing policy and process. The VP F&R informed the Committee that she was not aware of any instances of whistle-blowing. • The Chair of the Audit Committee confirmed that he had no matters to report. • Following discussion it was agreed that this area also needed further clarification to ensure that both campuses had access to the details of the key personnel identified in the policies. • The VP F&R undertook to review the policy approval schedule and advise the Committee of any policies that were due to be reviewed in 2018/19 and update the Committee at the next meeting in June 2019. • The VP F&R informed the Committee that some aspects of the questionnaire required further work and discussion with the previous Clerk at Coulsdon College. • The VP F&R advised the Committee that a final version of the regularity audit would come to the Corporation in July. Any significant or material changes would be reported to the June Audit Committee prior to any recommendation for sign off by the Corporation. <p>The Committee resolved to RECEIVE the draft Regularity Audit for information and monitoring purposes.</p> <p>ACTION: Policy approvals to be reviewed by VP F&R</p>	VP F&R
6	<p>INTERNAL AUDIT REPORTS 2018/19 - RSM presented the following reports on completed internal audits.</p> <ul style="list-style-type: none"> • The Chair, on behalf of the Committee expressed his appreciation to the Auditors for their patience and co-operation with the change to the time of the Committee and submission of reports. <p>i. Teaching Staff Utilisation</p> <ul style="list-style-type: none"> • RSM presented the report to the Committee. Member's attention was drawn to the recommendations on page 66. The Committee noted that there were two medium and one low priority issues requiring management action. The Committee noted that overall RSM confirmed that there was sound application and design of the control framework. Members discussed the management actions and recommendations and queried how easy it was to move staffing resources given capacity levels. • Discussion followed on areas of specialism's and grouping of staff skills. The VP F&R confirmed that he Director of HR would be undertaking a staff skill review. • Detailed discussion followed on the high level of agency usage. The VP F&R confirmed that this was largely due to the late curriculum planning that had occurred in the previous year. • The Committee were assured that this year curriculum planning was on track which would reduce the organisations dependence on agency staff during the coming academic year. • The Committee were also advised that the Director of HR was currently negotiating agency agreements which would further improve the budget position. • Discussion followed on the HR systems in place which would enable more effective financial planning for staff usage. The VP F&R also reminded the Committee that during the previous year there had been a high level of senior interim staff. These positions were gradually being replaced with permanent 	

appointees, which it was anticipated, would further improve the staffing budget position.

- Discussion followed on the controls in place for agency staff spend and the areas where processes needed to be managed more robustly.

The Committee **RESOLVED** to **RECEIVE** the report.

ii. Budget Monitoring and Control

- Members attention as drawn to page 74 of the report.
- The Committee noted that the audit identified one Medium and two Low recommendations.
- It was further noted that the forecast deficit of £268k currently is largely attributed to the reduction in planned income budgeted for.
- Discussion followed on the tighter controls on budgets that were now being exercised.
- The VP F&R detailed for the Committee, the support and training currently provided for budget holders. The Committee endorsed the additional support and training introduced and the need for forecasting of income and expenditure to be a strong tool, actively used by Managers, especially Heads of School.
- The VP F&R discussed the culture change needed across the organisation for this approach to be effective.

The Committee **RESOLVED** to **RECEIVE** the report.

iii. Internal Audit Follow Up of 2017/18

- Members noted the executive summary and report from page 86 onwards. Discussion followed on section 1.3 Progress on Actions.
- The VP F&R confirmed that GDPR is still a work in progress. Members were informed that the role is still with the Data Protection Officer, but this would be reviewed later in the calendar year.
- The Committee emphasised the need for the Risk Management Register to be updated and the process overhauled as per previous discussions.
- Members expressed some concern at the format of reporting and the need for specific information on the level and completeness of the required actions. Agreed.
- The VP F&R informed the Committee that a consultant would be undertaking the review and updating of the fixed asset register as a one off project. Noted.

The Committee **RESOLVED** to **RECEIVE** the Internal Audit Follow Up Report.

ACTION: Review format of reports was requested.

iv. Progress Report March 2019

- The progress report was received. It was noted that work was underway to secure a permanent Clerk as soon as possible to ensure that the Board and Executive had support in place prior to the summer term set of meetings.
- Members noted the planned change of timetable to the sub contracting audit which had been moved back from November 2018.
- The VP F&R indicated that ongoing negotiations were likely to substantially affect the level of subcontracting and advised the Committee that more detailed information would be provided as appropriate when possible.
- Discussion followed on the devolution of the Adult Education Budget and the impact on the FE Sector.
- The Chair requested that future reports on progress also provide year on year comparison figures and details of when audits were last completed. Agreed.

**RSM LLP
& VP F&R**

	<p>The Committee RESOLVED to RECEIVE the Internal Audit Progress Report.</p> <p>v. FE Benchmarking Report 2017/18</p> <ul style="list-style-type: none"> • The Chair noted that Croydon College was mid table in terms of ranking based on the benchmarking information supplied. • Following discussion the Committee concurred that this provided some assurance to the Board, that the systems and processes in place were robust functioning well overall. • The VP F&R informed the Committee that the Finance Team were a strong team and had and continued to perform well. The Committee expressed their appreciation on behalf of the Board for all the hard work that had been undertaken during a challenging year. • Members noted that the Learner Numbers Audit was due to be held in April. • The VP F&R confirmed that the results would be reported to the June Audit Committee meeting. • Following discussion of the Apprenticeship Levy the VP F&R confirmed to Members that a report on this area would also come to the June Committee. <p>The Committee RESOLVED to RECEIVE the report.</p>	RSM LLP
7	<p>RISK MANAGEMENT</p> <ul style="list-style-type: none"> • The VP F&R provided the Committee with an oral update and confirmed that the risk register had not yet been updated. • The process was still due for review and it was anticipated that this would now be delivered to the June meeting of the Committee. Noted. • Discussion followed on how the process would be undertaken and the need for the newly appointed Executive Team members to be fully engaged with the process. <p>The Committee RECEIVED the update.</p>	
8	<p>Post 16 Audit Code of Practice 2018/19 The VP F&R advised the Committee that there were no significant changes from the previous year.</p> <ul style="list-style-type: none"> • The Committee's attention was drawn to page 119 and the requirements placed on the Corporations Audit Committee. • Discussion followed on the sector approach to having staff Governors serve on the Committee. • The Clerk for the meeting proposed that the Corporation review memberships across all Committees as a matter of some urgency. • The Chair of the Committee expressed a desire for the Staff Governor to sit on the Audit Committee, noting that this may at times need careful management of the quorum. • Following discussion the Clerk for the meeting proposed that when the Search & Governance Committee review memberships that it adopt a comply or explain approach. • RSM endorsed this approach and suggested that evidence of consideration of the requirements with an explanation should be sufficient, should the matter come under scrutiny. • Discussion followed on the self assessment and regularity audit questionnaire. It was noted that a more narrative approach was needed to complete the document. • The VP F&R confirmed that the Regularity Audit Questionnaire previously discussed at the Committee was in the new format. • Members noted that page 140 Annex D provided clear and robust guidance on 	

	<p>the reporting of all types of fraud. The VP F&R assured the Committee that she was aware of the questionnaire and would be reporting using the framework of the Annex D.</p> <ul style="list-style-type: none"> • Discussion followed on the whistle-blowing arrangements in place. The VP F&R confirmed that she will review the policy grid and provide an update to the next meeting on what policies are due for review. • Discussion followed on work plans for the Committees. It was agreed that the new Clerk would need to bring a proposed work schedule to each Committee in the Autumn Term for review. • The VP F&R advised the Committee that it was possible that the organisation would also be subject to an external EFSA Audit. It was noted that any audits internal and external would be reported to the appropriate meeting of the Audit Committee. <p>The Committee RESOLVED to RECEIVE the report.</p> <p>ACTION:</p> <ul style="list-style-type: none"> • Review of outstanding Policies (VP F&R) • Review and update of Committee annual work plans (Clerk) 	VP F&R Clerk
10	<p>PRIVATE DISCUSSION - AUDITORS AND THE AUDIT COMMITTEE <i>The VP F&R withdrew for this item.</i></p> <ul style="list-style-type: none"> • Subject to a separate confidential minute. <p>Thanks were expressed to the Auditors for their reports.</p>	
11	<p>Any Other Urgent Business None.</p>	
12	<p>DATES OF NEXT MEETING <i>5 June 2019</i></p>	

Signed:

Date:

ACTIONS

Item	Action	Owner	Status
1	Search & Governance Committee to review membership of the Committee.	Clerk	
4	Updated Risk Register to be submitted to the June Audit Committee for scrutiny by the VP F&R.	VP F&R	
5	Policy approvals to be reviewed by VP F&R	VP F&R	
6ii	Review format of Audit reports was requested.	RSM	
9	Review of outstanding Policies (VP F&R)	VP F&R	
9	Review and update of Committee annual work plans (Clerk)	Clerk	