

MEETING OF THE CROYDON COLLEGE AUDIT COMMITTEE
Thursday 26 November 2020 at 6.00pm
Virtual Meeting

PART ONE MINUTES

Present: Andrew Gilchrist (Chair)
Tom Hesmondhalgh
Rahel Haque
Claudine Reid

In attendance: Tony Stevenson (Chair Elect)
Lorna Raynes, RSM
Shachi Blakemore, Buzzacott
Ann-Christine Harland, Vice-Principal Finance and Resources
Steve Phillips, Director of MIS (Item 7.iv)

Clerk: Clare Mitchell, Director of Governance

1.	Apologies for Absence Apologies for absence were received from Nigel Dias
2.	Declarations of Interest The Chair declared that he was a Governor at Brooklands College.
3.	Minutes of the Meeting held 13 February 2020 The Part One minutes of the previous meeting were <u>approved</u> subject to three minor amendments. Action: DoG to amend the minutes of the Part One meeting on 13 February 2020
4.	Matters Arising not on the Agenda The Committee <u>noted</u> that all the actions on the action list had been completed.



<p>5.</p>	<p>Update on the Impact of Covid 19</p> <p>The VPF&R reported that this week seven students and two members of staff had reported that they had tested positive for Covid 19. This was the highest number to date. Enrolment of 16-18 year olds for 2020/21 had been strong as had recruitment of adult learners. However, apprenticeship numbers were lower and this would impact on income. The numbers of high needs students had increased in 2020/21 and the College had asked for purchase orders for this income in view of the severe financial difficulties that Croydon Council was experiencing. The Council had also awarded the College a contract for three Year 11 groups.</p> <p>The College was delivering a Covid response grant for small group tuition in English and maths and had received £220K from the GLA to fund learning for adults referred by Job Centre Plus. The GLA had also provided £177K for laptops for adult learners. However, income from catering had fallen and there were additional cleaning and security costs.</p> <p>As much FE teaching as possible was being provided face to face. Face coverings were required in all communal areas of the College. Relationships with the unions were good.</p>
<p>6.</p>	<p>Financial Statements and Regularity Audit 2019/20</p> <p>i) Letter of Engagement with Buzzacott and External Audit Strategy</p> <p>The Committee approved the letter of engagement and external audit strategy.</p> <p>ii) Regularity Audit Self Assessment Questionnaire 2019/20</p> <p>The VPF&R explained that completion of the self assessment questionnaire was an ESFA requirement. The questions were set by the ESFA and in recent years there had been an increasing focus on the Board of Governors' responsibilities.</p> <p>The Committee asked how the provision of guided learning hours had been monitored during the lockdown. The VPF&R explained that attendance registers had been maintained and the quality team had undertaken regular spot checks. The Executive Team had received regular reports on the number of student logins by area versus plan. The College had been open during the lockdown for vulnerable students and for Year 12 students for three weeks in the Summer term.</p> <p>The Committee agreed to recommend the completed regularity audit self assessment questionnaire to the Board for approval</p> <p>iii) Financial Statements 2019/20</p> <p>The VPF&R presented the draft financial statements. A previous draft had been considered by the Finance and Resources Committee at its meeting on 11 November 2020. Feedback had been received from the External Auditors and key points were incorporated into this draft.</p> <p>The Committee noted that the operating deficit reported was £1,322K. This figure included the FRS102 LGPS valuation adjustments provided by Croydon Council's actuary in September 2020. The outturn deficit reported in the Period 12 management accounts was £262K. The reconciliation of these two figures was</p>



provided at Annex B. Covid 19 had impacted significantly on the College's LGPS liabilities, which had increased by £7m (see note 19 to the accounts).

The External Auditors had highlighted the need for the Board to consider the slump in the commercial property market on the value of its investment property at the Brit School. This was on a long lease and the rent had recently been reviewed and would be increasing. The property would be revalued in 2021 but, following consideration by the F&R Committee, the 2018 valuation would stand.

Additional narrative had been included regarding senior staff pay and the Principal's pay multiple for the prior year had been restated to take into account the full year effect of the merger with Coulsdon College. There were two related party disclosures arising from the merger with Coulsdon College.

The following matters remained to be finalised:

- Consideration as to whether any post balance sheet events, e.g. the Section 114 Notice issued by Croydon Council, needed to be reported. This would be considered at the December Board meeting when the financial statements are due to be approved;
- Any further updates to Governors' leaving and appointments up to the date of signing the accounts;
- An ex gratia payment to a former member of the Executive Team would need to be disclosed in Note 7.

The VPF&R thanked the Chair for his detailed comments and asked for any other comments from members to be sent to her. It was agreed that the VPF&R would query why performance data for English and maths had not been included in the Student Performance Table.

Action: VPF&R to query why performance data for English and maths had not been included in the Student Performance Table in the Financial Statements 2019/20

The Committee agreed to recommend the amended Financial Statements for 2019/20 to the Board for approval.

iv) 2019/20 Audit Completion Report and Letter of Representation

Shachi Blakemore (SB) thanked the VPF&R and her staff for their assistance with the audit process, most of which had had to take place off site. The External Auditors expected to issue clean opinions on both the financial statements and the regularity audit.

The External Audit had considered the key risks and had assessed that the College continued to be a going concern. The risk of the College breaching its bank loan covenants was not considered to be high.

In terms of income recognition, written confirmation that there would be no claw back from the Innovation Funds granted to the College in 2019/20 was still required from the GLA. The VPF&R indicated that written confirmation was expected in the following week.

The point raised in the draft report re missing GPS card invoices had now been resolved and was not included in the final version of the audit completion report.



	<p>The Committee noted the comparison of financial ratios at Appendix 3. The College's borrowing as a % of income in 2020 was relatively high, at 27.9% against an average of 14.2% for the 35 Colleges audited by Buzzacott. The VPF&R explained that this was because of the Governing Body's decision to keep the proceeds of the sale of the Barclay Road building in reserves to invest in the estate at the Croydon campus rather than pay off the College's variable rate bank loan.</p> <p>The Committee noted that Colleges' contributions to the TPS had increased significantly in 2019/20. This increase was covered by grant funding by the DfE until March 2021. It now appeared likely that this support would continue until March 2022 but this had not yet been confirmed in writing.</p> <p>The Committee reviewed the Audit Completion Report and agreed to recommend the letter of representation to the Board for signature.</p> <p>v) Proposed Management Responses to Audit Findings</p> <p>The VPF&R stated that the point raised by the Auditors relating to missing invoices for GPS cards had now been resolved (see minute 6iv above). A second point recommended further work be undertaken to reduce the risk of underpayment of the TPS employer contribution. In future, this would be overseen by the Financial Controller.</p>
<p>7.</p>	<p>Internal Audit Reports</p> <p>i) Follow Up Report Part 2</p> <p>The assurance level given was one of reasonable progress. Five medium priority recommendations were overdue. Two of these recommendations had been delayed as a result of Covid and the new Head of HR not taking up post until the end of May 2020, a further two related to apprenticeship data from the 2019/20 Learner Number Systems audit, where the report had only just been finalised. The fifth recommendation related to the roll out of an automated system for installing server patches, which had also been delayed because of Covid.</p> <p>ii) Staff Recruitment</p> <p>Lorna Raynes (LR) introduced this report. The audit had been undertaken by RSM's specialist HR team and was advisory. The report included two medium and three low priority recommendations. The Committee noted that the implementation date for Management Action 4 should read 30 April 2021. The VPF&R indicated that a number of the recommendations related to actions that would be taken forward as part of the HR Strategy, which would be presented to the Board in December 2020.</p> <p>iii) Data Self-Assessment Toolkit (DSAT) Review</p> <p>LR reported that no significant issues had been identified from the review but a number of actions had been identified; three medium priority and seven low priority. Some such actions are to be expected as the review involved running approximately 70 reports to identify inconsistencies in the ILR data. No issues had been identified that would impact on funding. The VPF&R indicated that she expected fewer points to be raised in next year's DSAT review now that the new Director of MIS was in post.</p>



iv) Apprenticeships – post May 2017

The Committee noted that the testing of apprenticeship data had been separated from the main Learner Number Systems internal audit because of difficulties accessing these learner files during the coronavirus lockdown. This was an advisory internal audit. One high priority, five medium priority and eight low priority recommendations had been raised.

The VPF&R expressed her disappointment that a number of the recommendations were very similar to those raised in the previous year's internal audit. Steps had been taken during the year to ensure that all the data required by the ESFA was held for apprentices with start dates from 1 September 2019 but this data had not been collected retrospectively for apprentices with start dates between 1 May 2017 and 31 August 2019. The VPF&R would be leading a working group to take the recommendations in this report forward. The VPF&R provided assurance that the 2021 internal audit report would not contain the same recommendations.

The Director of MIS provided assurance that further controls were now in place to ensure that all necessary information was collected on apprentices. These controls were in addition to those already instituted for apprentices with start dates from 1 September 2019 onwards. Steps were being taken to improve team working between staff in MIS and the apprenticeship team.

The Committee expressed concern that one of the medium priority recommendations indicated that payments may not have been received from some non-levy employers. The VPF&R stated that this was being investigated and it was not yet clear whether this was due to non payment by employers or whether the Finance team had not been asked to raise the necessary invoices.

The Committee **agreed** that there should be a separate internal audit on apprenticeship learner records in 2021.

LR indicated that the College was not alone in experiencing issues with the quality of data held on apprentices post May 2017.

v) Subcontracting Controls

LR reported that the subcontracting controls certificate had been issued to the ESFA following the satisfactory completion of this piece of work, which was designed to review how the College selected, approved and monitored its subcontractors.

The report included three actions. The formalised contingency plan ensuring no disruption to learners should a subcontracting arrangement cease earlier than planned had not been presented to the November 2020 Croydon LQC meeting and would need to be presented to the Croydon LQC at its March 2021 meeting.

Action: DoG to liaise with the VPTSHE to ensure that a documented contingency plan was presented to the Croydon LQC in March 2021.

The Committee asked whether the College's use of The Skills Network's (TSN) platform and teaching resources to deliver distance learning courses could be construed as subcontracting. The VPF&R indicated that the staff delivering these courses were College employees and that the College paid an annual licence fee



for the use of the platform, but she would seek a formal response from the VPTSHE.

Action: VPF&R to seek a response from the VPTSHE as to whether the College's use of TSN's distance learning platform and teaching resources could be construed as a subcontracting relationship

vi) Annual Internal Audit Report and Opinion

LR introduced the Annual Internal Audit Report. The internal audit opinion for the year ended 31 July 2020 was as follows:

The organisation has an adequate and effective framework for risk management governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance, and internal control to ensure that it remains adequate and effective.

This opinion was in line with the majority of Colleges. There had been a number of advisory reviews in the 2019/20 internal audit plan and a significant number of recommendations from some internal audits e.g. the ILR internal audits. The work undertaken in order to issue the subcontracting certificate does not form part of the internal audit plan; however LR was satisfied that there was no conflict of interest for RSM in undertaking it in addition to the internal audit plan. The report would be updated with the outcome of the Apprenticeship post May 2017 internal audit and the final version would be issued.

Action: RSM to issue the final version of the Annual Internal Audit Report and Opinion

The VPF&R drew the Committee's attention to the KPIs, which showed that only 66% of management responses were received within ten days of the draft report being issued. There were a number of reasons for this, but an improved target was being set internally by the College and this would be discussed in the Part Two meeting.

The Committee **noted** the annual internal audit report and opinion.

vii) Subcontracting Arrangements Review

LR reported that two separate arrangements had been reviewed. The first related to apprenticeships where delivery had started at the College, but had moved to a partner (St Christopher's) because of staffing changes. It appeared that this arrangement should have been declared as a subcontracting relationship. The VPF&R would discuss how this subcontracting relationship, which had now ceased, should be disclosed with RSM and the ESFA. The VPF&R provided assurance that the numbers of students and amounts of money involved were small.

Action: VPF&R to discuss how the historical subcontracting relationship with St Christopher's should be disclosed with RSM and the ESFA.

The second arrangement related to curriculum bundling. SLAs have now been provided by the College and it appears that the partners had been providing resources or unfunded provision but evidence was still required to show that the tutors were employed by the College and recruited through an open and transparent process. If this was the case, the arrangements would not fall within the ESFA's



	<p>definition of subcontracting. The VPF&R undertook to ask the VPTSHE to provide this information.</p> <p>Action: VPF&R to ask the VPTSHE for information on the employment status and recruitment process for tutors delivering distance learning courses through curriculum bundling arrangements</p> <p>A formal report on this review was expected from RSM once this information was available.</p>
8.	<p>Standing Items</p> <p>i) Report on any fraud/corruption issues</p> <p>The VPF&R indicated that there were no issues to report.</p> <p>ii) Reports on any additional work required by Auditors</p> <p>Please refer to the subcontracting arrangements review agreed in point 7vii above.</p>
9.	<p>Annual Risk Management Report 2019/20</p> <p>The VPF&R highlighted the key changes in risk scoring. There had been a reduction in some of the long term risks to HE provision with the move to validation of HE courses by the University of Roehampton and the removal of OfS condition B3A. Apprenticeships was still an area where there was risk in terms of income and achievement. The implementation of the Student Services restructure and the enrolment of additional 16-18 year olds in September 2019 had reduced the risk post merger of the financial position at the Coulsdon campus. The VPF&R was reviewing the need for additional cyber security insurance to reduce risk in this area. Work was underway on Track 1 and Track 2 of the Estates strategy. Eversheds would be undertaking the Report on Title for the Croydon campus. This would reduce the risks to achieving Strategic Objective 5.</p> <p>Committee <u>discussed</u> the Annual Risk Management Report.</p>
10.	<p>Whistleblowing Annual Report 2019/20</p> <p>The Committee <u>noted</u> the Whistleblowing Annual Report.</p>
11.	<p>Review of Policies</p> <p>i) Information Policy</p> <p>The VPF&R reported that the policy had been reviewed by Eversheds. The current social distancing restrictions meant that increasing numbers of staff were working off site using laptops, which increased risk in some areas. Staff would be provided with refresher training on information governance at the Staff Learning Day on 18 December.</p> <p>The Committee <u>approved</u> the proposed amendments to the Information Policy.</p>
12.	<p>Audit Committee Annual Report 2019/20</p>



	<p>The Committee reviewed the draft Audit Committee Annual Report. The Committee asked for amendments to Section 7 to make it clear that Buzzacott undertook both the financial statements and regularity audit.</p> <p>Action: DoG to amend the Audit Committee Annual Report prior to it being presented to the Board</p> <p>Subject to the report being finalised and based on the audit work undertaken during 2019/20, the Committee agreed to recommend the report to the Board for approval and submission to the ESFA.</p>
13.	<p>Committee Self Assessment</p> <p>The Committee reviewed the self-assessment and agreed to grade its performance as good. The option to appoint a co-opted member would not be pursued at the current time.</p>
14.	<p>Private Discussion – Auditors and the Audit Committee</p> <p>LR and SB both indicated that there was nothing that they wished to discuss in private with the Committee. Committee members indicated that they had nothing they wished to raise privately with the auditors.</p>
15.	<p>Dates of Future Meetings</p> <p>Thursday 11 March 2021 Thursday 10 June 2021</p>
16.	<p>Other Business</p> <p>There were no items of other business.</p>

Signed Chair

Date: