



MEETING OF THE CROYDON COLLEGE AUDIT COMMITTEE
Thursday 10 June 2021 at 6.00pm
Virtual Meeting

PART ONE MINUTES

Present: Andrew Gilchrist (Chair)
Tom Hesmondhalgh
Claudine Reid
Frederick Law

In attendance: Mike Cheetham (MC), RSM
Shachi Blakemore (SB), Buzzacott
Ann-Christine Harland, Vice-Principal Finance and Resources
(from 6.10pm)
Paul Marsden, Director of IT and Estates (Item 11)
Helen Langford, Head of HR (Item 12)

Clerk: Clare Mitchell, Director of Governance

1.	Apologies for Absence Apologies for absence were received from Rahel Haque. The Chair welcomed Frederick Law to his first meeting of the Audit Committee.
2.	Declarations of Interest The Chair declared that he is a Governor at Brooklands College.
3.	Minutes of the Meeting held on 11 March 2021 The Part One minutes of the previous meeting were approved as a correct record of the meeting.
4.	Matters Arising not on the Agenda The Committee noted the updated action list. MC reported that RSM had provided advice to the VPF&R on item 2 relating to the College's historical relationship with St Christopher's.

<p>5.</p>	<p>Update on the Impact of Covid 19</p> <p>The VPF&R reported that the Health and Safety Committee had met the previous day. There had been an increase in the number of coronavirus cases reported; particularly among students at the Coulsdon Campus. Staff had been reminded of the importance of providing timely and accurate registers and seating plans to avoid a whole class of students having to be asked to self-isolate.</p> <p>Staff were still being advised to wear face masks in communal areas; although this was no longer a requirement. The mass testing centres at both campuses were expected to remain in place until the end of July 2021. £14K of funding for mass testing had been received from the government so far. The College had subsidised mass testing by £45K to date.</p> <p>The HSE was undertaking a review of Covid procedures at schools and Colleges. This could take the form of an in person visit or a phone conversation.</p>
<p>6.</p>	<p>Internal Audit Reports</p> <p>i) Internal Audit Progress Report</p> <p>The Committee noted that this report had not been received in time for the circulation of papers for this meeting. The DoG would circulate RSM's latest Emerging Issues in FE bulletin to members.</p> <p>Action: DoG to circulate RSM's latest Emerging Issues in FE Bulletin to members</p> <p>ii) Follow Up Report</p> <p>The Committee noted that the conclusion was one of good progress against the implementation of the agreed management actions. 87% of the recommendations due had been implemented and significant progress had been made on implementing the two outstanding medium priority recommendations. MC congratulated the College on its performance.</p> <p>iii) Teaching Staff Utilisation</p> <p>The Committee noted that this report had not yet been finalised and would be presented to the next meeting.</p> <p>Action: VPF&R to bring the Teaching Staff Utilisation Internal Audit Report to the next meeting of the Committee</p> <p>iv) Key Financial Controls</p> <p>The Committee noted the reasonable assurance opinion. One medium and three low priority recommendations had been raised. The medium priority recommendation related to providing evidence of authorisation of credit notes and invoices and maintaining a clear audit trail. The move to online processes as staff had moved to working offsite because of the pandemic had resulted in some steps in the process not being completed. MC reported that RSM had identified similar issues during internal audits at other Colleges and that he was of the opinion that this was a specific compliance issue and that, in general, financial controls were robust.</p>

The report also recommended that the College should consider whether it should obtain a Consumer Credit Licence (CCL) as two learners had been found to have credit agreements in place where the number of instalments being paid exceeded the maximum four instalments in the Fees Policy. The VPF&R was of the view that the College already had a CCL in place and would investigate this further.

Action: VPF&R to confirm whether the College has a Consumer Credit Licence in place, and if not, whether this was required

v) Learner Number Systems

The Committee **noted** that although this audit had identified exceptions where the College had not complied with the ESFA's funding rules, these had not resulted in errors in the funding being claimed. Three medium and two low priority recommendations had been raised. This audit had reviewed the Individual Learner Record (ILR) for AEB and 16-19 learners. A separate audit had taken place on the ILR for apprenticeships (item 6.vii).

MC confirmed that the instances of non-compliance which had resulted in the medium priority recommendation relating to the learning agreement being signed by the student and the College, had related to the College not having signed the agreement, rather than the learner's signature being missing. This gap in compliance had been seen at other Colleges as a result of the move to fully online processes during the pandemic. The VPF&R reported that a new process for electronic enrolment was being introduced for 2020/21. MC reported that the ESFA did not recognise electronic signatures at present. He hoped that this would be reviewed.

vi) HE Data

The Committee **noted** the substantial assurance opinion. No recommendations had been raised. The VPF&R reported that this audit had been undertaken because of issues with HE data in previous years, which had impacted on the College's application for registration by the Office for Students (OfS). The OfS had imposed conditions on the College's registration as a HE provider. The College now had assurance that the HE data being provided to the OfS, which would be used to review whether or not the conditions could be lifted, was correct.

vii) Apprenticeships (post May 2017)

The Committee **noted** that this audit had identified some exceptions where the College had not complied with the ESFA's funding rules. Some of these would have a funding implication if the College was subject to a full funding audit by the ESFA. Three medium and three low priority recommendations had been raised.

MC indicated that Colleges generally had difficulties complying with the complex funding rules for apprenticeships. Of the three medium recommendations; the main area of concern related to ensuring learners were on track with their required off the job training hours. The VPF&R clarified that this audit had been retrospective, testing of data from 3 to 4 years previously. This issue was now resolved. A new Head had been appointed in this area and discussions were taking place about moving responsibility for apprenticeship learner data to the MIS team. The risk to income from these errors was small as apprenticeship numbers were currently low.

	<p>viii) Subcontractor Certification Letter of Engagement and Fee</p> <p>The VPF&R stated that RSM had been asked to undertake the 2020/21 review of subcontracting controls in order to provide the certification required by the ESFA. A letter of engagement had been supplied as this was not part of the core internal audit services that RSM provided to the College. The scope of the work was specified by the ESFA.</p> <p>MC confirmed that the certification covered those matters required to be covered by the ESFA, and in particular did not involve checking on a sample basis that learners had actually been taught by the subcontractor. The VPF&R confirmed that the College itself undertook such a check on its subcontractor, The Skills Network, and also checks to quality assure the subcontracted provision and ensure that learners were correctly enrolled.</p> <p>The Committee approved RSM to undertake the review of subcontracting controls for a fee of £2,800 excluding VAT.</p> <p>ix) Review of Historical Arrangements with Contractors</p> <p>The VPF&R indicated that RSM had confirmed that the College’s historical relationship with St Christopher’s should have been declared to the ESFA as a subcontracting relationship in 2017/18 and 2018/19. The VPF&R had contacted the ESFA to inform them of this and was awaiting their decision as to whether any further action was required. The College had paid £25K to St Christopher’s for this work. The decision not to declare St Christopher’s as a subcontractor during 2017/18 and 2018/19 had been taken by the previous Executive.</p> <p>The second part of RSM’s review had related to arrangements with a number of companies that had been assisting with the delivery of the College’s ESFA AEB funding for learners outside London. RSM had confirmed by email that the contracts with these organisation did not fall within the ESFA’s definition of subcontracting. The VPF&R indicated that the staff responsible for the delivery of this funding were now aware of the need to ensure that contractual arrangements with providers were set up correctly and that the VPF&R was involved at an early stage.</p>
7.	<p>External Audit 2020/21</p> <p>SB introduced the annual planning report for the 2020/21 external audit and highlighted two amendments to the Audit Code of Practice (ACOP) for 2020/21. There was a new requirement for the external auditors to attend the relevant corporation meeting to present their findings to the Board. The ESFA had also clarified that the statement of grant payments made in respect of the funding year, did not constitute assurance over the funds earned by Colleges. As a result, External Auditors would need to seek assurance that the income figure for 2020/21 was materially correct. The College was in a good position as internal audit reviews of the accuracy of the ILR had already taken place during 2020/21, but some further testing would be required. The extent of the additional work had yet to be finally agreed as the situation was evolving and as a result the external audit fee was an estimate of costs. The VPF&R reported that Colleges had expressed concern to the ESFA about the cost implications of both of these changes. The ESFA had responded that any increase in external audit fees in 2020/21 would be monitored.</p> <p>In terms of changes to auditing standards, auditors were now required to seek greater assurance in relation to management’s assessment of going concern.</p>

	<p>In other respects the external audit approach was similar to 2019/20 and the issues of audit significance were set out in the report. SB clarified that in terms of the LGPS valuation, the auditors had to rely on the actuary's report. The auditor's role was to review the assumptions that had been made in the areas where a choice could be made e.g. the assumed future level of pay rises. The auditors needed to be satisfied that the assumptions made are within a reasonable range.</p> <p>The Committee noted that the letter of engagement included in the papers was the original letter of engagement signed in 2020, which covered a three year period. SB confirmed that there had been no changes and a further letter of engagement was not required for 2020/21.</p> <p>The Committee recommended the external audit fee for 2020/21 of a maximum of £25,995 plus VAT and the annual planning report to the Board for approval</p>
<p>8.</p>	<p>Internal Audit 2021/22</p> <p>The VPF&R introduced the internal audit plan for 2021/22. In addition to the mandatory reviews, high risk areas requiring annual review, and areas identified through the three year rolling cycle of internal audit reviews, the plan included new priorities with internal audits scheduled on cyber security and capital projects. The College was currently bidding for a total of £4m in capital funding from the DfE and a further bid was expected to be submitted shortly. In response to a question the VPF&R indicated that the scope of the cyber security audit had not yet been agreed. The College had recently taken out cyber security insurance and this included penetration testing. Penetration testing had also taken place as part of the internal audit of this area following the merger with Coulsdon College. The internal audit would be designed to focus on areas where testing/assurance was not currently available.</p> <p>The Committee noted that the timescale for completion of the internal audits was not correct. MC would provide an updated version of the internal audit plan.</p> <p>Action: RSM to provide an updated version of the internal audit plan for 2020/21 with correct timescales</p> <p>The Committee queried why the next internal audit of GDPR compliance was not scheduled until 2023/24. The VPF&R responded that a detailed audit of GDPR compliance had taken place in 2018 and since then Eversheds had reviewed the College's policies in this area and its retention schedule. Curriculum planning was another area that had not been reviewed since 2018/19. This area was not part of the formal three year internal audit cycle because changes were infrequent.</p> <p>The Committee recommended the internal audit fee for 2020/21 of £32,889 plus VAT and the internal audit plan for 2021/22 to the Board for approval</p>
<p>9.</p>	<p>Standing Items</p> <p>i) Report on any fraud/corruption issues</p> <p>See confidential minutes.</p> <p>iii) Reports on any additional work required by Auditors</p>

	<p>The VPF&R reminded the Committee that Buzzacott had been engaged to provide certification to the ESFA on the merger grants. This work had stalled because of the complexity and cost of complying with the ESFA's requirement that the College's aggregate surplus for 2019/20 should be split across the two campuses. This was a significant piece of work as shared services were in place and, given that the College had included provision to repay the ESFA in its 2019/20 accounts, seemed unnecessary. The VPF&R would be discussing the need for this piece of work with the ESFA at a meeting in late June 2021 and hoped to resolve this issue then.</p>
10.	<p>Post 16 Audit Code of Practice 2020/21</p> <p>The Committee noted the changes to the post 16 Audit Code of Practice 2020/21. The VPF&R reported that a number of the changes were already in place at the College e.g. the requirement to retender external audit services every five years.</p>
11.	<p>Cyber Security Risk</p> <p>See confidential minutes.</p>
12.	<p>Safeguarding Training Assurance</p> <p>See confidential minutes.</p>
13.	<p>2020/21 Risk Report – Summer 2021</p> <p>The VPF&R outlined the key changes to risk as set out in the paper. The VPF&R highlighted risk 3.2, where the risk related to expanding the College's apprenticeship programme had been RAG rated as red. The pandemic had impacted on both the recruitment of new apprentices and the timeliness of end point assessments for current apprentices. The Committee noted that the College was expecting an Ofsted inspection by February 2022 and this was starting to be reflected in the risk register.</p> <p>The RAG ratings for the HR risks were improving as the work to improve systems and processes took effect. A more positive financial outturn was now being forecast for 2020/21 as a result of additional Covid funding and reductions in utility costs as a result of lockdown. The College's current financial health score was good. However, the College was forecasting that there would be some clawback of ESFA AEB funding as the College was unlikely to meet the delivery target of 90%.</p> <p>The Committee asked whether the changes to the risk register had impacted on the College's risk management policy and risk appetite. The VPF&R stated that it was some time since risk appetite had been reviewed. However, the last 15 months had been unusual with the lockdowns, increased use of online learning and some additional covid grants. Generally, risk appetite was low and the College's reserves were being used to bid for matched funding from the ESFA for improvements to the estate. Surpluses were still small and there was a need to invest in staff and IT. However, there should be improvements in the College's financial position as local demographics indicated that 16-18 numbers were likely to increase.</p> <p>MC was asked how far the risk register was taken into account when designing the internal audit plan for the following year. MC indicated that it was taken into account, as were risks across the sector, but resources were prioritised across the three year plan. The VPF&R indicated that there were other sources of assurance, in addition to internal audit, particularly in curriculum areas e.g. through internal progress and snapshot reviews.</p>

14.	Review of Policies There were no policies on the agenda for this meeting.
15.	Committee Terms of Reference The Committee recommended the changes to its terms of reference, to bring them in line with the Post 16 ACOP for 2020/21, to the Board for approval.
16.	Post Meeting Reflection This item was taken at the end of the Part 2 meeting.
17.	Private Discussion – Auditors and the Audit Committee MC and SB 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 either of the auditors.
18.	Dates of Future Meetings Thursday 25 November 2021 Thursday 17 March 2022 Thursday 30 June 2022
13.	Other Business The DoG reported that she had just been informed that Rahel Haque had resigned from the Board of Governors.

Approved as a correct record at the Audit Committee meeting on 25 November 2021

*Clare Mitchell
Director of Governance*