



MEETING OF THE CROYDON COLLEGE AUDIT COMMITTEE
Thursday 25 November 2021 at 6.00pm
Virtual Meeting

PART ONE MINUTES

Present: Andrew Gilchrist (Chair)
Claudine Reid
Frederick Law
Mike Fisher
Tom Hesmondhalgh (Co-opted member)

In attendance: Lorna Raynes (LR), RSM (until 8.00pm)
Robert Cloke (RC), Buzzacott
Ann-Christine Harland, Vice-Principal Finance and Resources

Clerk: Clare Mitchell, Director of Governance

1.	<p>Apologies for Absence</p> <p>There were no apologies for absence.</p> <p>The Chair welcomed Mike Fisher to his first meeting of the Audit Committee.</p>
2.	<p>Declarations of Interest</p> <p>The Chair declared that he was currently a Governor at Brooklands College. Mike Fisher declared that he was currently employed by the ESFA and that his wife was currently employed by Croydon Council as the Governance and Compliance Manager for the Local Government Pension Scheme.</p>
3.	<p>Minutes of the Meeting held on 10 June 2021</p> <p>The Part One minutes of the previous meeting were approved as a correct record of the meeting subject to one minor amendment.</p>
4.	<p>Matters Arising not on the Agenda</p> <p>The Committee noted the updated action list. The VPF&R reported that under the FCA's rules students could pay their fees in up to twelve instalments over twelve months without the College requiring a consumer credit licence (CCL). However, the finance department had identified 35 students who were paying their fees over a greater number of instalments / longer period of time; having reached individual arrangements with the College re payment of their fees in previous years. The total amount of fees outstanding was £48K. No interest was being paid on this amount. The College had spoken to the FCA and would be taking legal advice as to whether a CCL was required in respect of these arrangements.</p>

5.	<p>Update on the Impact of Covid 19</p> <p>The VPF&R reported that the number of staff and students testing positive with Covid remained low. The mass testing centre had been stood down just before the October half term.</p>
6.	<p>Internal Audit Reports</p> <p>i) Subcontracting Controls 2020/21</p> <p>The Committee noted that this piece of work sat outside the internal audit plan for 2020/21 and the audit was undertaken to the ESFA's requirements. No issues had been raised through the audit and the College was complying with the ESFA's subcontracting rules.</p> <p>ii) Teaching Staff Utilisation 2020/21</p> <p>The Committee noted that the conclusion was one of reasonable assurance. Three recommendations had been raised; one medium priority and two low priority. The medium priority action had been completed. Staff utilisation reports were now being reviewed at Vice-Principal and Head of School level. LR's view was that these reviews could take place either monthly or termly, depending on the degree of change in the teaching staff/curriculum in the particular area. The VPF&R emphasised the importance of reviewing staff utilisation reports before October half term so that adjustments could be made in response to students withdrawing from or changing courses. A KPI on staff utilisation would now be included in the termly progress reviews.</p> <p>iii) DSAT Review 2020/21</p> <p>The Committee noted that only two (one medium and one low priority) of the original seven issues identified remained to be completed. Management responses to the issues raised from the audit had been delayed because of the extended enrolment period. Neither of the two outstanding actions had a funding implication.</p> <p>iv) Annual Internal Audit Report 2020/21</p> <p>The Committee noted the annual internal audit opinion which was that <i>"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."</i></p> <p>The report was currently in draft. LR would provide a final version of this report after the meeting.</p> <p>Action: LR to provide a final version of the Annual Internal Audit Report for 2020/21</p> <p>RSM was currently undergoing its external quality assessment and a client briefing would be circulated once the outcome was known.</p> <p>v) Internal Audit Progress Report 2021/22 and FE Emerging Issues</p>

	<p>The Committee noted the progress report and the FE emerging issues paper. The budget monitoring and control internal audit report was now finalised and on the agenda. The start date for the DSAT review had yet to be confirmed but would take place later in the year. The Committee agreed that the start date for the capital projects internal audit could be delayed until the start of the Summer term as the ESFA had not yet informed the College of the outcome of its Stage 2 bid for FE Capital Transformation Funding.</p> <p>The Committee noted that the outcome of the internal audit on cyber security would either be advisory or give an assurance level, depending on the scope of the audit. LR would discuss this with the IT specialists at RSM who would undertake the audit and confirm to the College.</p> <p>Action: LR to discuss the scope and outcome of the internal audit on cyber security with the IT specialists at RSM and confirm to the College</p> <p>vi) Budget Monitoring and Control 2021/22</p> <p>The Committee noted that the outcome of the internal audit on budget monitoring and control was substantial assurance. There were two low priority recommendations. The VPF&R reported that the first action was now complete and the second, relating to the use of standard documentation, would be implemented shortly. Heads of School would be given KPIs relating to data quality and finance in 2021/22.</p>
7.	<p>Financial Statements and Regularity Audit 2020/21</p> <p>i) Regularity Audit Self-Assessment Questionnaire (RSAQ)</p> <p>The Committee reviewed the completed RSAQ and additional Covid 19 regularity self-assessment questionnaire (SAQ).</p> <p>The VPF&R confirmed that the 5% figure for delivery of the National Skills Fund (NSF) Grant from the GLA was correct and that the funding had been provided late in the financial year. The College had delivered 86% of its ESFA AEB budget; 4% below the 90% threshold set for 2020/21. Provision had been made for the repayment of the unspent portion of both of these grants. The date that cyber security insurance had been taken out would be corrected to December 2020.</p> <p>Action: VPF&R to amend the date that cyber security insurance was taken out to December 2020</p> <p>In response to a question on GPC cards, the VPF&R agreed to report back to the Committee on the authorisation arrangements for the P&CEO's card.</p> <p>Action: VPF&R to report back to the Committee on the authorisation arrangements for the P&CEO's GPC card</p> <p>The Committee asked whether the College ever entered into NDAs with staff. The VPF&R would speak to the Head of HR and report back to the Committee on this issue.</p> <p>Action: VPF&R to report back to the Committee on whether the College ever entered into NDAs with staff</p>

The Committee **recommended** the completed RSAQ and Covid SAQ to the Board for approval, subject to the change in the date from which cyber security insurance had been in place to December 2020.

ii) Financial Statements 2020/21

The VPF&R presented the draft financial statements which had been reviewed by Buzzacott, the College's external auditors. The surplus for the year was reconciled to the month twelve management accounts at Annex B. The reconciling adjustments, from an outturn surplus of £1,473K to £21K, related largely to the impact of FRS102 and the Local Government Pension Scheme (LGPS) valuation expense of £1,666K.

The College's property in Selhurst had very recently been revalued. The new valuation was slightly over the £600K reflected in the draft financial statements but the difference was immaterial. Adjustments would be made to the balance sheet to reflect the revised valuation in the 2021/22 financial statements. The fixed assets note would be adjusted in the 2020/21 financial statements.

The VPF&R drew the Committee's attention to the College's increased pension liability in 2020/21. This would increase further if the College continued to grow its Level 0, Level 1 and SEND provision, as the additional support staff who would need to be recruited would be eligible to join the LGPS. The College's contribution to the LGPS was due to be reviewed in 2022.

Two related party disclosures relating to one former and one current Governor were included within the financial statements. Note 7 was being reviewed re the disclosure of performance related bonus payments to key management personnel. To date, there had not been any post balance sheet events.

The Committee queried discrepancies between the KPIs and actual figures reported in the Financial Statements and Buzzacott's Audit Completion Report. There were also some corrections needed to be made to Note 10 on Disposals and Note 2 on Funding Body Grants.

Action: VPF&R to ensure the KPIs and actual figures tallied between financial statements and the Audit Completion Report

Action: VPF&R to correct Note 10 on Disposals and Note 2 on Funding Body Grants

The VPF&R reported that the move from LIBOR to SONIA for the College's bank loans, approved by the Board on 20 October 2021, had not yet taken place and would be reported in the 2021/22 financial statements.

The Committee expressed concern that payment performance had declined from 79% to 72% between 2019/20 and 2020/21. The VPF&R stated that this would be an area of focus for the finance team in 2021/22.

The Committee **reviewed** the financial statements and **recommended** their approval to the Board, subject to the amendments noted above.

iii) Audit Completion Report 2020/21 and Letter of Representation

RC reported that the external audit had gone smoothly and no significant issues of concern had been raised. The external auditors would be giving clean opinions in

	<p>respect of both the financial statements and regularity assurance. There was one further unadjusted item to be included in the report, relating to the revaluation of the College's property in Selhurst.</p> <p>RC noted that the impact of the pension liability identified in the financial statements was common across the sector. The key risk areas identified had been reviewed, including the potential impact of Covid on going concern and no significant issues had been identified. A correction would be made to the report to indicate that there was no tolerance threshold for the delivery of the NSF grant.</p> <p>Action: RC to amend the Audit Completion Report re the revaluation of the Selhurst site and the delivery of the NSF grant</p> <p>Four recommendations were included in the report. The VPF&R assured the Committee that first three recommendations, which were Category B, were already being actioned.</p> <p>The VPF&R and RC would liaise to ensure that the ratios reported in the Audit Completion Report and the Financial Statements were consistent.</p> <p>Action: VPF&R and RC to liaise to ensure the ratios reported in the Audit Completion Report and the Financial Statements were consistent</p> <p>The Committee queried the reference in the report to delays in obtaining information. RC indicated that there had been some delays at the start of the process but nothing that had held up the progress of the audit. The VPF&R would discuss the process for providing information to the auditors with the Financial Controller.</p> <p>Action: VPF&R to discuss the process for providing information to the auditors with the Financial Controller</p> <p>RC indicated that the draft letter of representation to the auditors was very similar to the previous year.</p> <p>The Committee <u>reviewed</u> the Audit Completion Report and <u>recommended</u> the Letter of Representation to the Board for approval</p>
8.	<p>Standing Items</p> <p>i) Tracking of Previous Audit Recommendations</p> <p>The VPF&R reported that, of the 39 points raised last year (excluding the 2020/21 DSAT review report, which was issued later), 30 of the actions had been completed, i.e. 76.9%. There were no high level actions and the medium level actions had either been actioned or were in progress within the set deadline. The VPF&R was particularly pleased with the progress in implementing the actions from the apprenticeship internal audit. There had been significant improvements in this area.</p> <p>The points that had not been completed related to the actions from the Staff Utilisation and Risk Management internal audits. The VPF&R assured the Committee that these actions would be completed by the proposed revised dates.</p> <p>The Committee asked how topics were selected for the risk deep dives undertaken by the Committees. The DoG explained that the risk area was selected by the Committee and reported, retrospectively, to the Audit Committee and the Board.</p>

	<p>The Committee asked that a formal process was put in place to identify the topics for Committee deep dives in advance and to ensure adequate coverage of the full range of risks. The DoG would discuss possible options for this process with Frederick Law.</p> <p>Action: DoG to develop a formal process to identify the topics for Committee deep dives in advance and to ensure adequate coverage of the full range of risks</p> <p>The Committee noted the good progress made and agreed to extend the end dates for the Staff Utilisation and Risk Management actions to 31 December 2021 and 31 March 2022 respectively.</p> <p>ii) Report on any fraud/corruption/whistleblowing/GDPR issues</p> <p>The VPF&R stated that there were no such concerns to report to the Committee.</p> <p>iii) External Audit of OfS Grant for Higher Technical Education Provider Growth Fund</p> <p>The VPF&R reported that the OfS required external audit sign off of the expenditure against this grant, which would support the development of two new construction related HE courses. The VPF&R would ask Buzzacott for a formal quote for this piece of work. The deadline for the work was 31 March 2022.</p> <p>Action: VPF&R to ask Buzzacott to quote for an external audit of expenditure against the Higher Technical Education Provider Growth Fund grant from the OfS</p> <p>iv) Reports on any additional work required by Auditors</p> <p>The VPF&R provided an update on the work being undertaken by Buzzacott to provide certification to the ESFA on the merger grants. This work had been delayed because of the complexity of complying with the ESFA's requirement that the College's aggregate surplus for 2019/20 be split across the two campuses. The final piece of work that needed to be completed was the reconciliation of the Coulsdon accruals as set out in the Audit Completion Report. It was possible that the College would need to repay all of the element of the merger grant that had been allocated to cover future losses at the Coulsdon Campus. This work would be completed in advance of the Board meeting when the 2020/21 financial statements would be presented for approval. Provision for repayment of at least part of this grant had been included in the financial statements from 2019/20 when it became clear that the College's financial position was better than forecast.</p> <p>The Committee noted the update.</p>
9.	<p>Annual Risk Management Report 2020/21</p> <p>The VPF&R presented the report, which covered the period November 2020 to November 2021. Heat maps were included showing the movement of the strategic risks between the start and end of the period. The Committee noted the key changes to the strategic risks identified in the paper.</p> <p>Covid risks had been incorporated into the main risk management plan in 2020/21 and had been carefully managed throughout the year. There was a risk to income in 2022/23 as a result of significantly lower than budgeted enrolment numbers for</p>

	<p>16-18 year olds at the start of 2021/22. A number of London Colleges had reported unexpectedly low levels of 16-18 enrolments, possibly as a result of student receiving higher than anticipated GCSE results through the Teacher Assessed Grades process used to award GCSEs in Summer 2021.</p> <p>It was agreed that the heat maps would be merged onto one sheet and be updated termly in future.</p> <p>Action: VPF&R to ensure heat maps are merged onto one sheet and updated termly</p> <p>The DoG would provide Mike Fisher with the breakdown of the QDP results from May 2021 by campus.</p> <p>Action: DoG to provide Mike Fisher with the breakdown of the QDP results from May 2021 by campus</p> <p>The Committee approved the Annual Risk Management Report for 2020/21.</p>
10.	<p>Audit Committee Annual Report 2020/21</p> <p>The DoG presented the draft Audit Committee Annual Report, which would be finalised following the meeting. The report would be amended to state that the Committee's terms of reference were reviewed annually.</p> <p>Action: DoG to finalise the Audit Committee Annual Report 2020/21</p> <p>The Committee recommended the Audit Committee Annual Report to the Board for approval and submission to the ESFA, subject to the amendment noted above.</p>
11.	<p>Value for Money (VfM) Report 2020/21</p> <p>The VPF&R reported that this was the first VfM report to come to the Audit Committee. The report set out the ways in which the College measured VfM in terms of the curriculum plan, staff utilisation, room usage as well as through procurement, benchmarking cost data and maintaining good financial health. VfM KPIs had been set in all of these areas, with targets for performance in 2021/22. The data now available on room usage was being used to identify excess space at the Croydon Campus as part of the Property Master Plan.</p> <p>The Committee queried whether student destination data could be included as a KPI. The VPF&R explained that capturing students' final destinations was very time consuming and the College did not currently have the capacity to do this.</p> <p>The Committee approved the VfM report for 2020/21.</p>
12.	<p>Review of Policies</p> <p>There were no policies on the agenda for this meeting.</p>
13.	<p>Committee Self-Assessment and Training Requirements for Members</p> <p>The DoG presented the self-assessment and the proposals for addressing the new requirement for the Audit Committee to monitor the development of its members and put in place appropriate training. Training and development for Audit Committee</p>

	<p>members would be addressed through the individual Governor reviews and development plans, which would be implemented in the New Year.</p> <p>The Committee agreed the proposals for monitoring the development of Committee members and the provision of appropriate training. The Committee agreed that its performance was good.</p>
14.	<p>Post Meeting Reflection</p> <p>This item was taken at the end of the Part 2 meeting.</p>
15.	<p>Private Discussion – Auditors and the Audit Committee</p> <p>LR had left the meeting. RC indicated that there was nothing that he wished to discuss in private with the Committee. Committee members indicated that they had nothing they wished to raise privately with the external auditors.</p>
16.	<p>Dates of Future Meetings</p> <p>Thursday 17 March 2022 Thursday 30 June 2022</p>
17.	<p>Other Business</p> <p>There were no items of other business.</p>

Approved as an accurate record by the Audit Committee at its meeting on 17 March 2022

*Clare Mitchell
Director of Governance*