



MEETING OF THE CROYDON COLLEGE AUDIT COMMITTEE
Thursday 24 November 2022 at 6.00pm
Virtual Meeting

PART ONE MINUTES

- Present:** Andrew Gilchrist (Chair)
 Frederick Law
 Mike Fisher
 Jean Cook
- Observers:** Tony Stevenson (Item 5 only)
 Mario Cuba (Item 5 only)
- In attendance:** Lorna Raynes (LR), RSM – from Item 5
 Shachi Blakemore (SB), Buzzacott – from Item 5
 Ann-Christine Harland, Vice-Principal Finance and Resources
- Clerk:** Clare Mitchell, Director of Governance

1.	Apologies for Absence There were no apologies for absence.
2.	Declarations of Interest The Chair declared that he was currently a Governor at Brooklands College. Mike Fisher declared that his wife was the Governance Manager for the Croydon Local Government Pension Scheme.
3.	Minutes of the Part One Meeting held on 30 June 2022 The Part One minutes of the previous meeting were approved as a correct record. The Chair reported that he had asked the DoG to move item 7 on cyber security to the confidential minutes, as it might provide information of use to cyber hackers. Action: DoG to move item 7 of the minutes of the meeting held on 30 June 2022 to the confidential minutes
4.	Matters Arising not on the Agenda The Committee noted the updated action list. Action 4 – LR reported that of the 27 internal audits conducted by RSM at FE Colleges that had received a partial assurance opinion seven had related to cyber security. Actions 7 and 8 – The VPF&R reported that the potential reclassification of College as public sector by the ONS had not yet been added to the risk register as the implications of any change were not yet clear. The ONS was expected to announce the reclassification decision on 29 November 2022 and the deep dive would take place at the March meeting. The main concern in the FE sector was that reclassification would limit Colleges’ ability to borrow to fund curriculum or other development.

	<p>The VPF&R was asked for an update on the recovery from the flood damage. The bulk of the asbestos had been removed and the boilers were now working again. Flood detection systems were being installed, which would alert staff to any flooding out of hours. The glass lifts still had to be repaired. The plan to convert the damaged performing arts class rooms and theatre into a sports hall would not be possible as the internal walls were load bearing. Discussions were taking place about the future use of this space. To date, two thirds of the costs incurred had been covered by the insurers. BDO was advising on whether reinstatement values should be zero rated for VAT.</p>
<p>5.</p>	<p>Financial Statements and Regularity Audit 2021/22</p> <p>i) Regularity Audit Self-Assessment Questionnaire (RSAQ)</p> <p>The Committee reviewed the completed RSAQ. The VPF&R reported that there was no separate Covid self-assessment questionnaire for 2021/22. A number of new governance-related questions had been included in this year's RSAQ.</p> <p>The VPF&R reported on changes to the Conflict of Interest Policy to require all members of SMT, permanent or interim, to complete an annual declaration of interests and to update their declaration when a new interest arose. The revised policy would be presented to the Board in December for approval.</p> <p>FL reported that the proposed amendments to the policy had been discussed at the Search and Governance Committee meeting the previous evening and he had suggested that SMT declarations should be reviewed by the Audit Committee as well as by the Executive Team. The DoG was reviewing this point prior to the amended policy being presented to the Board.</p> <p>Action: DoG to consider where SMT declarations of interest should be reviewed by the Audit Committee</p> <p>SB confirmed that the College's responses to the questions in the RSAQ had been reviewed as part of the external audit process and stated that the auditors should be informed if there were any investigations relevant to the RSAQ that were not disclosed in the meeting minutes.</p> <p>The Committee recommended the completed RSAQ to the Board for approval.</p> <p>ii) Financial Statements 2021/22</p> <p>The VPF&R presented the draft financial statements, which had been reviewed by the Finance and Resources Committee at its meeting on 9 November and subsequently updated.</p> <p>The VPF&R reported that the audit close meeting had taken place and there were no changes to the figures presented to the Committee. Following feedback from Audit Committee members last year, the narrative in the progress against the 2021/22 main Strategic Objectives had been reduced. After finalisation of the student achievement data for the year, there was a focus in the Trustees' Report on the Coulsdon Campus outcomes and an additional key risk has been added for the Campus. The statements on Board self-assessment and performance would be updated following review at the Search and Governance Committee.</p> <p>Action: VPF&R/DoG to update the statements on Board self-assessment and performance following review at the Search and Governance Committee</p>

The Committee noted the significant reduction in the LGPS provision. The assets had increased slightly, but it was the increase in long term bond rates that had significantly reduced the total liability as they resulted in the use of a higher discount rate. The outcome of the triennial valuation would be known in January 2023 and it was possible that the College's contributions would decrease.

There was one related party transaction relating to a Governor which was declared in the financial statements.

The Chair queried the presentation of the Pension Increase Rate (CPI) of 9.9% in note 19.

Action: VPF&R to check the presentation of the Pension Increase Rate (CPI) of 9.9% in note 19 of the 2021/22 financial statements

FL asked whether the effect of rising costs in areas such as energy, pay and increased cyber security had been taken into account. The VPF&R explained that this was addressed through the management accounts for the current year and that the year end forecast was adjusted monthly. The staff pay increase for 2022/23 had already been agreed with the Unions and an increase in energy costs was already included in the forecast. The College's energy was purchased in advance through a consortium and the forecast would be revised as necessary to reflect any future price changes. The College was taking proactive steps to increase its income to offset the increases in expenditure. The non pay budget was currently being reviewed as the College would need to make provision for any costs relating to the flood damage that were not covered by its insurers.

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

iii) Audit Completion Report 2021/22 and Letter of Representation

SB commented that the audit had run very smoothly and thanked the VPF&R and the Financial Controller for the high level of preparation for the audit. SB noted that Mazar's report on the audit of the GLA Adult Education Budget had not yet been received. Buzzacott would not be in a position to sign off the external audit until this report had been received.

Clean audit opinions had been issued for both the statutory and regularity audits. Buzzacott had seen significant reductions in pension liabilities across all the organisations which they audited where staff were members of LGPS.

Two audit review points were noted in the report. The first related to holiday pay accrual, which was not adjusted this year. Reports from the i-Trent system that had been used in the past to calculate this provision indicated that a significant reduction was required, through improved use of the holiday reporting system by staff. A detailed review of this accrual calculation would be undertaken in early 2023. The auditors had confirmed that the accrual made for any holiday pay liability as a result of the Harpur vs Brazel case was reasonable.

The second recommendation related to rolling out the detailed fixed asset register review to the remaining Croydon campus equipment. This would be completed by the end of the 2022/23 financial year.

SB noted that the College's financial health would be graded as outstanding based on the 2021/22 financial statements. However, the College had self-assessed its

	<p>financial health as good. The College's current ratio had increased from 2.8 in 2021 to 3.1 in 2022. The report noted that a ratio higher than 2.5:1 could mean that funds were being set aside unnecessarily rather than being used to further the work of the College. The VPF&R responded the College's reserves enabled it to apply for capital grants which required matched funding and significant investment was needed in the estate at the Croydon Campus. The reserves detailed in the 2021/22 financial statements included matched funding which had already been committed as part of a capital grant, but where the contract had not yet been signed. The VPF&R reported that the Finance and Resources Committee would also be reviewing the College's bank loans at its March 2023 meeting, given the increase in interest rates.</p> <p>MF commented that the diversity of the College's income streams put it in a stronger position and asked whether there were any risks to this diversity going forward. The VPF&R stated that there were risks to HE income given the increases in the cost of living. However, demand for adult education continued to be high. It is important that the College increases the number of students at the Coulsdon Campus as this was a secure source of income.</p> <p>The letter of representation was considered. The Committee noted the P&CEO's view that the issue relating to purchase orders, which had been discussed in the Part Two meeting, did not amount to an irregularity as the financial regulations had not been broken. The Committee agreed with this conclusion.</p> <p>The Committee confirmed that it was not aware of any irregularities that needed to be declared to the external auditors.</p> <p>The Committee reviewed the Audit Completion Report and recommended the Letter of Representation to the Board for approval</p>
<p>6.</p>	<p>Audit Committee Annual Report 2021/22</p> <p>The DoG presented the draft Audit Committee Annual Report, which would be finalised after the meeting following comments from members. The Committee agreed the wording at section 6.4 relating to Audit Committee effectiveness.</p> <p>Action: DoG to finalise the Audit Committee Annual Report 2021/22</p> <p>The Committee recommended the Audit Committee Annual Report to the Board for approval and submission to the ESFA, subject to the requested amendments from members.</p>
<p>7.</p>	<p>GLA Adult Education Budget Audit from Mazars</p> <p>The Committee noted that Mazars' report from the audit of GLA AEB income had not yet been received. The auditor had been unable to attend this meeting because of a family emergency.</p> <p>The VPF&R reported that she had been informed that the audit opinion was satisfactory and that any points noted had been addressed in the final ILR. The report would be circulated to Audit Committee members prior to the Board meeting as soon as it had been received.</p> <p>Action: VPF&R/DoG to circulate Mazars report to Committee members</p>

<p>8.</p>	<p>Internal Audit</p> <p>i) Capital Projects Report</p> <p>The Committee noted that the audit opinion was one of substantial assurance. The report raised one medium recommendation relating to budget setting. In the case of the Clinical Simulation Centre, the project included in the audit, there had been a significant underspend against budget. However, there were clear reasons for the underspend on this particular project.</p> <p>ii) Subcontracting Controls 2021/22 (final report)</p> <p>The Committee noted the final outcome of the review of subcontracting controls. As reported at the March 2022 meeting, no issues had been found in relation to the subcontracting of ESFA AEB income to The Skills Network in 2021/22.</p> <p>However, RSM had also been asked to review two other subcontracting arrangements which were identified in 2021/22. These related to the delivery of end point assessments for apprenticeships. The total value of these two additional subcontracts was £41,220. RSM identified a number of management actions relating to apprenticeship subcontracts should they be necessary in the future. The VPF&R confirmed that these arrangements should not be necessary in the future.</p> <p>iii) Annual Internal Audit Report 2021/22</p> <p>The Committee noted RSM's 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>LR confirmed that this opinion reflected that of other organisations of a similar size where internal audits were targeted at areas of significant change or potential concern. RSM would bring a benchmarking report to the next meeting. However, Croydon College compared well to other Colleges audited by RSM on core internal audit areas such as key financial controls and learner numbers.</p> <p>iv) Amendment to the Three Year Internal Audit Plan</p> <p>The Committee had asked the VPF&R to reconsider the proposed timing of the next internal audit of Safeguarding. Following discussions with the VPE&Q and the Director of Student Services, the VPF&R proposed that the Safeguarding Internal Audit be moved forward to 2024/25. To accommodate this, the Curriculum Planning internal audit would be moved back to 2025/26. The Committee noted that the Local Authority undertook annual reviews of the College's safeguarding arrangements and that safeguarding would form part of the Ofsted inspection, which was due by February 2023.</p> <p>The Committee agreed this change to the internal audit plan.</p>
<p>9.</p>	<p>Standing Items</p> <p>i) Tracking of previous internal audit recommendations</p>

	<p>The VPF&R presented the report which showed that of the 24 recommendations raised, the College has completed 21. There were no high level recommendations and all but two of the medium control recommendations had been actioned or were in progress within the set deadline. Only 1 of the low level recommendations remained to be actioned.</p> <p>The Committee noted the good progress made and agreed to extend the end dates for recommendations 4b and 5 of the cyber security audit to 15 February 2023 and 12 December 2022 respectively and extend the end date of the recommendation relating to budget setting to 21 November 2022.</p> <p>ii) Report on any fraud/corruption/whistleblowing/GDPR issues</p> <p>The VPF&R confirmed that there were no incidents to report.</p> <p>iii) Reports on any additional work required by Auditors</p> <p>The VPF&R noted that additional work had been carried out by Buzzacott in relation to subcontracting, the merger grant, the teachers' pension audit, the HTE grant and Erasmus scheme certification and tax liabilities for overage.</p>
<p>10.</p>	<p>Risk Management</p> <p>i) Annual Risk Report 2021/22</p> <p>The report showed the change in risk profile over the last 12 months, since November 2021. With hindsight, the risks relating to the Coulson Campus could have been escalated earlier in the year, but the issues only became apparent in the second half of the year.</p> <p>The Committee approved the Annual Risk Management Report for 2020/21.</p> <p>ii) Risk Register Autumn 2022</p> <p>The VPF&R reported that the relevant sections of the risk register had been reviewed by the LQCs and the Finance and Resources Committee earlier in the term. There had been significant change to Strategic Risk 2 following the appointment of the new Coulsdon Principal.</p> <p>The Committee approved the Autumn term update to the Risk Register</p>
<p>11.</p>	<p>Review of Policies</p> <p>i Information Policy</p> <p>The Committee noted that comments had not yet been received from Eversheds. This policy would come back to the next meeting for approval by the Committee.</p> <p>Action: VPF&R to bring any comments from Eversheds on the Information Policy to the next meeting</p>
<p>12.</p>	<p>Annual Information Governance Report 2021/22</p>

	The Committee noted the report. The College had not had to report any data breaches to the Information Commissioner's Office in the last 12 months. There had been three near miss incidents.
13.	Annual Value for Money Report 2021/22 The VPF&R reported that work was ongoing to review how IT could be used most effectively within the classroom. The Chair thanked the VPF&R for including room usage in this year's report. The Committee noted the report.
14.	Private Discussion – Auditors and the Audit Committee LR from RSM and SB from Buzzacott 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.
15.	Dates of Future Meetings Thursday 16 March 2023 6.00pm-8.00pm – online Thursday 29 June 2023 6.00pm-8.00pm - online
16.	Other Business There were no items of other business.

Approved as an accurate record by the Audit Committee at its meeting on 16 March 2023

*Clare Mitchell
Director of Governance*