



Croydon
College



COULSDON
SIXTH FORM COLLEGE



Croydon
University
Centre

MEETING OF THE CROYDON COLLEGE AUDIT COMMITTEE
Thursday 14 November 2024 at 6.00pm
Virtual Meeting

PART ONE MINUTES

Present: Andrew Gilchrist (Chair)
Jonathan Brookes
Michael Cutbill
Armaghan Ul Haq

Item 5 only - Financial Statements and Regularity Report 2023/24

Terrance James
Maria Glasscock

In attendance: Thomas Parker, RSM (TP)
Shachi Blakemore, Buzzacott (SB) – Item 5 only
Ann-Christine Harland, Vice-Principal Finance and Resources

Observer: Martin Silverwood, Coulsdon Principal

Clerk: Clare Mitchell, Director of Governance

1.	Apologies for Absence Ian Valvona gave his apologies for absence for Item 5.
2.	Declarations of Interest The Chair declared that he was currently a Governor at Brooklands College.
3.	Minutes of the Part One Meeting held on 20 June 2024 The Part One minutes of the previous meeting were <u>approved</u> as a correct record.
4.	Matters Arising not on the Agenda The Committee <u>noted</u> the updated action list. The following actions were outstanding and will be completed: #6 TP would share anonymised risk register formats. #5 The DoG would recirculate the risk management internal audit.

5.	<p>Financial Statements and Regularity Report 2023/24</p> <p>This item was taken first as a number of Governors joined the meeting solely for this item.</p> <p>i Regularity Audit Self-Assessment Questionnaire (RSAQ) 2023/24</p> <p>The VPF&R reported that the only change to the RSAQ for 2023/24 was the addition of the final question relating to Colleges' charitable status.</p> <p>The College's responses were audited by the external auditor, who issued a separate audit opinion on the regularity and propriety of the use of the College's funding, and the Board's overall responsibilities under the Financial Agreement with the ESFA Memorandum and Charity Law. Buzzacott had not raised any comments in relation to the completed RSAQ.</p> <p>In response to a question, the VPF&R explained the process that the Board would initiate in the unlikely situation that the College was at risk of insolvency. The DoG clarified that under the insolvency regime individual governors would only be liable if there was evidence of fraudulent or wrongful trading.</p> <p>The Committee asked for an update on the estates strategy. The VPF&R explained that the current estates strategy had been agreed post-merger. Over the last few years, the College had made successful bids for matched funding from the FE College Transformation Fund, which had been used to improve the current estate. This funding was now coming to an end, and it was not clear how future capital funding would be allocated. An internal audit of estates maintenance would be taking place in 2025. The report would be presented to the Committee in June 2025.</p> <p>The Committee recommended the completed RSAQ to the Board for approval and signature by the Chair and P&CEO.</p> <p>ii Draft Financial Statements 2023/24</p> <p>The VPF&R presented the draft financial statements, which had been reviewed by the Finance and Resources Committee at its meeting on 13 November 2024.</p> <p>The financial statements showed an underlying operational deficit of £1.6m. However, surplus from two overage receipts and the inclusion of the flood insurance receipt meant that the outturn was £2.0m higher, a surplus before tax of £622k.</p> <p>There had been no significant change to the disclosure requirements, however following discussion with Buzzacott, the £1,092k insurance receipt for the refurbishment of the damaged Lower Ground Floor rooms was now being disclosed as an exceptional item, rather than as deferred income. The settlement from the insurers would be ringfenced to refurbish the remaining rooms damaged by the flood.</p> <p>Despite the negative EBITDA the College was self-assessing its financial health as Good for 2023/24. The DfE would need to confirm or correct this before the accounts could be finalised.</p> <p>The VPF&R reported that the surplus in the LGPS pension assets had not been recognised in the financial statements as it was not considered to be a long-term gain. The Government had recently announced that Colleges would be included in</p>
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	<p>the Local Government Pension Scheme Guarantee. This could result in a reduction in the College's regular LGPS pension contributions. The VPF&R had been in contact with Croydon Council and the actuary who had undertaken the last triennial valuation to see if there would be any reduction in the College's LGPS contributions in 2024/25. If this was the case, then it would be reported as a post balance sheet event. The VPF&R and Buzzacott would discuss whether the outcome of the Ofsted inspection should also be reported as a post balance sheet event.</p> <p>Action: VPF&R and Buzzacott to discuss whether the outcome of the Ofsted inspection should be reported as a post balance sheet event</p> <p>Two related-party transactions (RPT) were disclosed in the financial statements and discussions were taking place with the auditors about a third disclosure.</p> <p>The DfE had confirmed that the additional conditions of funding had been lifted and the College had exited intervention. The College would now enter a period of Post Intervention Monitoring and Support (PIMS) which was due to end on 31 July 2025.</p> <p>Action: DoG to send Buzzacott a copy of the letter from the DfE confirming that the College had exited intervention</p> <p>The VPF&R reported that the sections highlighted in yellow in the draft Financial Statements indicated information that was not yet available, and would be completed by the DoG before the December Board meeting.</p> <p>Action: DoG to complete the sections highlighted in yellow in the financial statements prior to the December Board meeting</p> <p>The Committee <u>reviewed</u> the financial statements and <u>recommended</u> them to the Board for approval.</p> <p>iii Audit Completion Report and Letter of Representation 2023/24</p> <p>SB reported that the external audit work was complete and thanked the Finance team for their assistance.</p> <p>No recommendations had been made and the two recommendations included in last year's audit completion report had been completed.</p> <p>The ESFA would need to provide the final funding reconciliation and any post balance sheet events would need to be included before Buzzacott could sign off the financial statements.</p> <p>The accounting requirements for disclosing RPTs had not changed but this was an area of focus for the ESFA. RPT disclosures were treated as material to the accounts, whatever their value.</p> <p>SB reported that clean audit opinions had been issued for both the statutory and regularity audits.</p> <p>There were a number of developments in the future that might affect Colleges' finances. These included a recent government announcement about the consolidation of public sector pension schemes, additional funding for Colleges from 2025/26 and discussions about VAT. Academies are exempt from VAT but Further Colleges are not.</p>
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	<p>The Committee challenged the high pay/income ratio in 2023/24. Buzzacott had highlighted that the College's pay to income ratio was higher than the same figure the previous year and higher than the benchmarks based on averages across other Colleges audited by Buzzacott in 2023/24.</p> <p>The VPF&R explained the factors that had increased the pay to income ratio in 2023/24. Expenditure on agency staff had been higher than expected. Unlike a number of others, the College does not outsource its cleaning and catering functions, which increases the pay/income ratio. The FEC benchmark for the pay/income ratio was 70% but this was under review. The pay/income ratio for the College is expected to drop in 2024/25, but reviews of staffing levels had been delayed until after the Ofsted inspection in October. Pay costs were also impacted by LGPS contribution rates, which varied by college.</p> <p>Action: Buzzacott to add a sentence to the audit completion report to clarify the factors impacting the College's pay costs</p> <p>There was an error in the letter of representation which would be corrected. The final letter would also need to reflect any post balance sheet events.</p> <p>Action: Buzzacott to amend the error in the letter of representation and include any post balance sheet events.</p> <p>The Committee <u>reviewed</u> the Audit Completion Report and <u>recommended</u> the Letter of Representation to the Board for approval subject to the amendments detailed above.</p> <p>The Committee queried whether the Executive had considered subcontracting services such as cleaning. The VPF&R reported that this had been considered but had not been pursued to date.</p> <p>The VPF&R had benchmarked the College's staff costs, which were higher than other Colleges of a similar size. This was partly because of investment in additional staffing in areas such as enrichment and safeguarding prior to the Ofsted inspection.</p>
6.	<p>Audit Committee Annual Report 2023/24</p> <p>The Committee reviewed the draft annual report. The VPF&R reported that following the ESFA funding audit undertaken by Mazars, the College had formally appealed against the proposed clawback of £140k from the 2023/24 16-18 funding allocation. The DfE was now taking legal advice about the interpretation of the funding guidance, which is understood to affect some other colleges. The outcome of the appeal was awaited.</p> <p>Action: DoG to include the College's appeal to the DfE against the proposed clawback of £140K from the 2023/24 16-18 funding allocation in the Audit Committee Annual Report</p> <p>TP noted that RSM, who also undertook funding audits for the ESFA, disagreed with Mazars interpretation of the funding guidance in this respect.</p> <p>The report would be finalised after this meeting for submission to the Board meeting in December.</p>

	<p>Action: DoG to finalise the Audit Committee Annual Report prior to the Board meeting in December</p> <p>To date the College had not received a letter from the ESFA informing them that a funding audit would take place in 2024/25. If the College was selected for a full funding audit this was likely to delay the sign off of the financial statements by the external auditors.</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.</p>
7.	<p>Internal Audit</p> <p>i) Internal Audit Progress Report</p> <p>The Committee noted the progress report. The final two internal audit reports for 2023/24 were on the agenda for this meeting. An internal audit of the College's compliance with the College Financial Handbook was currently underway. The cyber security internal audit would begin in December 2024. The scope for the estates internal audit would be finalised in January 2025 to allow the Director of IT and Estates to focus on the cyber security internal audit in late 2024.</p> <p>ii) Further Education Funding Rule Compliance</p> <p>The Committee noted that this report was advisory. The report raised three medium and eight low level recommendations. The internal audit had been delayed while the ESFA funding audit had taken place.</p> <p>Six of the recommendations related to apprenticeship provision which was a very complex area. However, the number of recommendations relating to apprenticeships had reduced over the last couple of years. The majority of the most significant actions had already been addressed.</p> <p>iii) Payments and Procurement</p> <p>The Committee noted that the outcome of this internal audit was a reasonable assurance audit opinion for the design of the controls and a partial assurance audit opinion for compliance with those controls. The report raised eleven recommendations: one high, four medium and six low. The VPF&R assured the Committee that swift action was being taken to address these recommendations.</p> <p>The VPF&R explained that this internal audit had been challenging as there was no centralised procurement team. The budgetary position had meant that a procurement officer could not be recruited. The VPF&R would be proposing that the objectives for senior staff should include achieving reasonable internal audit opinions in their areas.</p> <p>It had been difficult to evidence compliance with controls. Some previous members of the Executive Team had kept their own records of procurement processes, which were no longer available. The Executive Office would be tightening up this process to ensure that correct and consistent documentation for procurement processes run by the Executive Team was stored centrally within the Executive Office.</p> <p>The one high level recommendation from the report had already been actioned.</p>

	<p>Jonathan Brookes agreed that apprenticeship funding was a difficult area. He also offered his assistance with procurement process documentation.</p> <p>iv) Annual Internal Audit Report and Opinion 2023/24</p> <p>TP reported that RSM's internal audit opinion remained as follows:</p> <p><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>This was pleasing in what had been a challenging year for the College. There had been an increase in the number of recommendations made, particularly in relation to compliance with controls. The progress of the implementation of internal audit recommendations would be covered in RSM's follow up report later in the financial year.</p> <p>The VPF&R noted that a number of the recommendations relating to compliance had focused on staff training. The College had now moved to a new online training platform, which would automatically monitor staff compliance.</p> <p>The Committee queried the extent to which the external auditors relied on the internal audits completed by RSM and the annual internal audit opinion. The VPF&R reported that the external auditors had access to all internal audit documentation but were required to undertake their own sample testing of learner records. This was in addition to the annual internal audit of funding rule compliance.</p> <p>The Committee <u>noted</u> RSM's annual internal audit opinion</p> <p>v) Revised Internal Audit Code Of Practice</p> <p>TP reported that there had been no major changes to the Code of Practice. The new report formats and templates provided were now more concise.</p> <p>The Committee <u>noted</u> the revised Internal Audit Code of Practice.</p>
9.	<p>Standing Items</p> <p>i) Report on fraud/corruption and GDPR issues</p> <p>The VPF&R confirmed that there were no incidents to report.</p> <p>ii) Report on Freedom of Information requests</p> <p>The VPF&R reported the College received and responded in a timely manner to two Freedom of Information requests in the last 12 months.</p> <p>iii) Report on any additional work required by Auditors</p> <p>The VPF&R confirmed that there was no additional work to report.</p>
10.	<p>Risk Management</p> <p>i) Annual Risk Report 2023/24</p>

	<p>In 2023/24 separate termly risk meetings had been held by the Executive to enable scoring, increased threats, factors and actions to be re-assessed and reviewed. The Board also discussed risk at the Governor Away Day in March and the FE Commissioner reviewed the Risk Register at the second Monitoring visit.</p> <p>The Board Risk Register was reduced in size from 20 to 12 key strategic risks for monitoring by the Board going forward – 6 of which were curriculum and Ofsted related, 2 of which were reputational and 4 cover HR staff recruitment, Finance, cyber and IT and Estates.</p> <p>The scoring of four risks (shared culture, SEND work related activities, safeguarding and IT infrastructure) had improved (i.e. risk level (net of mitigating actions) assessed to have reduced) and the risk of not achieving a good outcome at the next Ofsted inspection reduced to low. The scoring of the risk related to local employers feeding into the curriculum and providing meaningful work placements worsened during the year.</p> <p>Risk Register 2023/24</p> <p>The VPF&R reported that the risk register had been reviewed following the Ofsted inspection and now included 10 risks. A new risk had been added relating to sustaining outcomes for students.</p> <p>The outcome of the curriculum review was not yet known. There was a risk to the funding of some L3 courses provided by the College and 2025/26 might be the last year of enrolment on some BTEC courses. There were also risks from the potential expansion of T Levels and the introduction of AAQs.</p> <p>Growth in apprenticeships was under target and the income forecast for this area had been reduced. Savings were being made in both pay and non-pay budgets to counter this.</p> <p>The Committee challenged the low net scoring of risk 7 relating to inability to recruit and retain staff. The VPF&R reported that the new People Strategy would be coming to the board for approval in December and staff retention had improved. Recruitment and retention of staff was a sector wide risk.</p> <p>The risk register did not include risks relating to external factors e.g. the impact of elections, climate change etc. as it focused on risks that the College could control.</p> <p>The Committee also challenged the low net score for the risk relating to the implementation of a detailed estates strategy to meet the needs of a modern curriculum and reach net zero by 2030. This seemed to assume that the costs of meeting net zero would not be prohibitive. The VPF&R explained that the College had a detailed sustainability strategy. A decarbonisation pilot was taking place at the Coulsdon Campus, funded through a Salix grant, to install solar panels and heat pumps in the Sports Hall. The DfE would also be carrying out a survey of all FE College estates which would include carbon emissions.</p> <p>The Committee <u>discussed</u> the Annual Risk Report for 2023/24 and <u>reviewed</u> the Autumn term 2024/25 update to the Risk Register.</p> <p>ii Deep Dive into sustaining improved College achievement rates</p>
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	<p>Martin Silverwood, Coulsdon Principal, provided assurance to the Committee that the improved achievement rates in the summer 2024 examinations could be sustained. One of the most effective changes that would ensure sustained achievement rates were changes to management structures, particularly at the Coulsdon campus.</p> <p>Predicted achievement rates were now robust and internally moderated. Any areas where achievement was at risk were identified early so support could be put in place. The quality team would complete additional lesson observations in these areas to minimise impact on student outcomes.</p> <p>Staff had a greater understanding of vocational qualification frameworks and how internal coursework could enable students who achieved a near pass in external examination to achieve a pass overall. Students now sat external examinations in January so that they could then focus on internal coursework. This also gave students the opportunity to resit examinations in the summer.</p> <p>One risk to sustaining achievement rates was student retention over two-year L3 courses. Now that A/S levels were no longer taught because of poor results, there had been more student attrition between Lower and Upper Sixth. However, the student achievement target for A Level students of 82/83% was expected to be met for 2024/25. There would be a greater focus on students achieving higher grades in 2024/25.</p> <p>The Committee <u>discussed</u> the deep dive into the sustainability of achievement rates at Coulsdon.</p>
11.	<p>Annual Information Governance Report 2023/24</p> <p>There had been no incidents that required reporting to the ICO in 2023/24. However, there had been two near misses reported to the Data Protection Officer (DPO). The DPO ensured that the area responsible reacted correctly in the immediate aftermath to mitigate the incident.</p> <p>The DPO reviewed the incident, the response and identified required changes to process or training required for individuals or areas. The incident, response and actions were then recorded in an official report that was sent to relevant parties and retained on file.</p> <p>The Committee <u>noted</u> the annual information governance report for 2023/24.</p>
12.	<p>Private Discussion – Auditors and the Audit Committee</p> <p>TP 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 internal auditor.</p>
14.	<p>Dates of Future Meetings</p> <p>Thursday 6 March 2025 6.00pm-8.00pm - online Thursday 19 June 2025 6.00pm-8.00pm - online</p>
15.	<p>Other Business</p> <p>i Identification of any training needs for Audit Committee members</p>

	<p>No training needs were identified. However, TP offered to share RSM slides on the Post 16 Audit Code of Practice, the role of Audit Committee members and the areas they should be focusing on.</p> <p>Action: TP to send DoG the RSM slides on the Post 16 Audit Code of Practice, the role of Audit Committee members for circulation to the Committee</p>
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Approved as an accurate record by the Audit Committee at its meeting on 3 March 2025

Clare Mitchell
Director of Governance