



**CROYDON COLLEGE FURTHER EDUCATION  
CORPORATION**

**AUDIT COMMITTEE: 18 NOVEMBER 2015**

**MINUTES**

- PRESENT:** Craig O'Donnell  
Matthew Sims  
Mark Wilson (co-opted Audit Committee member)
- ALSO ATTENDING:** **Internal:**  
Keith Oxspring (Chief Operating Officer -COO)  
Andy Smith (Deputy Chief Executive)  
Jo Bland (Director of Human Resources)
- Auditors**  
Mark Crowter (RSM)  
Ruth Ireland (BDO)  
Chris Mundy
- CLERK:** Melissa Drayson
- APOLOGIES** Caroline Allen  
Frances Wadsworth (Principal in attendance)
- QUORUM** The meeting was quorate throughout
- TIMING** 6.05 – 8.14pm

---

<b>Item no.</b>		<b>Action Lead</b>
<b>15.08</b>	<b>Welcome to new members and apologies for absence</b>  Mark Wilson was welcomed to his first meeting as co-opted committee member, replacing Shachi Blakemore. All attendees introduced themselves.  Apologies were noted as above.	
<b>15.09</b>	<b>Declarations of interests</b>  There were no declarations of interests relating to items on the agenda.	
<b>15.10</b>	<b>Minutes of the meeting held on 25 February 2015 and notes of the inquorate meeting on 1 July 2015</b>  The minutes of the meeting on 25 February were formally approved, and the notes of the meeting on 1 July were ratified.	
<b>15.11</b>	<b>Matters arising</b> There were no matters arising.	

Item no.	Financial Statements and Regularity Audit 2014-15	Action Lead
----------	---	-------------

**i. Audit Findings Report**  
*Supporting paper presented by Mark Crowter, RSM*

There were few issues to report from the audit. There remained a small number of outstanding actions to complete but these were mainly standard.

There were no issues relating to income recognition or going concern. There was a closer focus on the latter given the financial constraints on the sector.

Fixed asset revaluation had now been undertaken and an adjustment of £340k relating to the value of investment properties had been included in the accounts.

Free School Meals income was not subject to clawback so had been released to the Income and Expenditure statement.

Project costs relating to the West End project had been written off on the basis of reduced likelihood that the project would now go ahead. The committee supported this treatment.

A formal revaluation of land and buildings had been undertaken on the advice of the Audit Partner, as it was believed that values had increased by over 10%. This had resulted in an adjustment of £15.8 million to the balance sheet.

It was noted that the new SORP accounting standard, due to be implemented for the 15-16 accounts, would provide a further opportunity to review the value of fixed assets.

One internal control deficiency had been identified. This related to the lack of automated reporting by the MIS team, and the lack of segregation between the batch processor and batch reconciliator. Management reported that new software was being introduced. The Committee sought and was provided with assurance that there was no risk to the accuracy of impact on student data.

Fees were in line with the Audit Plan, and the Letter of Representation contained no non-standard paragraphs.

**AGREED:** that an update on the implementation of new MIS reporting software would be brought to the February Committee meeting. **COO**

**RESOLVED:** that it be recommended to the Board that the External and Regularity Audit Findings Report be approved

<b>Item no.</b>		<b>Action Lead</b>
---------------------	--	------------------------

**ii. Annual Report and Financial Statements**  
*Supporting paper presented by the External Auditor, RSM*

The F&R Committee had reviewed an earlier version of the accounts, and would consider the final version by email.

A final reconciliation of the accounts to the management accounts had resulting in:

- The release to Income and Expenditure of Free School Meals income
- The de-capitalisation of West End project expenditure
- The inclusion of provision for FRS17 pension liability.

A financial health grade of 'outstanding' was awarded. This had been assessed according to SFA criteria, using profitability, current ratio and gearing as the key ratios. It was noted, however, that this grade would be extremely difficult to sustain.

**RESOLVED: that the Annual Report and Financial Statements be recommended to the Board for approval, as a joint proposal with the Finance and Resources Committee.**

**15.13 Internal Audit Annual Report 2014-15**  
*Supporting paper by BDO*

The Committee noted that the main purpose of the Annual Report was to provide assurance on the Board's Statement of Corporate Governance and Internal Control. Key headlines were noted:

- Follow-up work showed that there had been considerable progress on addressing recommendations from the ICLT Audit and the Health and Safety Audits and that both areas were now low risk
- The Baker Tilly Funding Assurance had been taken into account in providing the overall assurance opinion
- 25 days had been used against a planned 23, due to the increased number of days used on the bursaries review.

**RESOLVED: that the Internal Audit Annual Report 2014-15 be recommended to the Board for approval**

**15.14 Audit Committee Annual Report 2014 -15**  
*Supporting paper by the Clerk*

**RESOLVED: that, subject to final amendment, the Audit Committee Annual Report be recommended to the Board for approval.**

**15.15 Internal Audit Plan 2015-16**  
*Supporting paper by BDO*

The Plan was the outcome of a planning meeting with the Principal and COO, and was based on the college risk register. 25 days

<b>Item no.</b>		<b>Action Lead</b>
	<p>were proposed, spread across four areas:</p> <ul style="list-style-type: none"><li>• Management Information and KPIs</li><li>• Safeguarding and Prevent</li><li>• Financial Controls</li><li>• Commercial Income Strategy</li></ul>	
	<p>Members discussed whether there were any key audit areas which had not been covered in the past two years. It was considered that a review of corporate governance decision-making processes would be valuable in the current challenging circumstances, and the magnitude of some of the decisions which Boards were expected to make. The Chair would speak to the Principal about this recommendation</p>	<b>Chair</b>
	<p>Concern was also expressed that ICT security should be reviewed on a ongoing basis, particularly given the duties on the college under the Prevent agenda.</p>	
	<p><b>AGREED: that the Chair would take forward a discussion on the inclusion of Governance Decision Making in the audit plan with the COO and Principal.</b></p>	<b>Chair</b>
	<p><b>RESOLVED: that, subject to the possible inclusion of an audit of governance decision-making, the Internal Audit Plan 2015-16 be recommended to the Board for approval.</b></p>	
<b>15.16</b>	<b>Risk management</b>	
	<p>Recent changes to the risk register were noted: ST1 “a strategic plan that is flawed” was confirmed by the Board of Governors as high risk in July. OP2 - “Income and contribution targets” had been discussed regularly at both F&amp;R and LQC and proposals were due to be made to LQC on additional controls to mitigate this risk.</p>	
	<p>The Committee asked where the risk relating to the Area Reviews was being captured. This would reside at Board level. The committee was reminded that independent Governing Bodies would make the final decision about accepting any recommendations, and that a proactive approach would put colleges in the best position.</p>	
<b>15.17</b>	<b>Policies and Procedures</b>	
	<p><b>i: Whistleblowing Procedure</b> <i>Supporting paper by the DHR</i></p>	
	<p>It was noted that the procedure had been updated to ensure that ACAS guidance was reflected and to cover the Prevent Duty. There was a discussion of the communication of the procedures to staff.</p>	

<b>Item no.</b>	<b>Action Lead</b>
-----------------	--------------------

It was requested that the role of the Audit Committee in terms of reporting should be included. This should include an annual report, with interim reports being brought as required should an incident occur. It was confirmed that there had been no cases during the previous 12 months.

**RESOLVED: that the revised Whistleblowing Policy be recommended to the Board for approval**

**iii. Freedom of Information Act Policy**

*Supporting paper presented by the COO*

No changes to the policy were recommended. It was noted that 81% of FOIA requests had been responded to within the deadline. There had been no consequences in respect of the 19% where the deadline had been missed.

**RESOLVED: that the Board be informed that the Freedom of Information Act Policy had been reviewed by the Committee with no changes**

**15.18 Review of Committee Performance and Terms of Reference**

*Supporting paper by the Clerk – tabled*

The Clerk apologised that the paper had been missed out of the pack.

**AGREED: that members would provide feedback on both the self assessment document and the Terms of Reference by email**

Governors/  
Clerk

**15.19 Private discussion – Auditors and the Audit Committee**

*Management withdrew for this item.*

The Committee reiterated its need for an Internal Audit review of Corporate Governance decision making and information. The need to continue to provide assurance about the security of IT systems, especially in the light of Prevent and the speed of technological changes in the cyber world, were also expressed. This would be covered by the Safeguarding Audit.

Both sets of auditors confirmed that audits had gone well and that management had been constructive, proactive, and responsive.

**15.20 Review of the performance of the Auditors**

*Auditors withdrew for this item*

The External auditors, RSM, had worked with the college well and relationships were very good. The audit had been timely and communication was good.

The College had just entered into the second year with BDO as

<b>Item no.</b>		<b>Action Lead</b>
-----------------	--	--------------------

internal auditors. Feedback was generally positive although they were not as proactive as RSM in providing management support and suggesting areas of focus which would benefit Croydon College. The question was raised whether 25 days was sufficient given that the college was at a unique transformational point for the sector and needed to ensure that it was ready to accommodate change in terms of its systems and processes.

**15.21 Dates of Next Meetings**

23 February and 7 June 2016

**15.22 Any Other Business**