

PRESENT: Piers White (Chair)
Ben Geeson
Shachi Patel
Kene Ibezi
Stephan John
Kate Ward

ALSO ATTENDING: Neil Blackmore (Clerk to the Governors)
Dominic Blythe (Baker Tilly, External Auditor)
Chay Champness (Chief Operating Officer) from item 2
Beth Davey (RSM Tenon, Internal Auditor)
Frances Wadsworth (Principal) from item 2

APOLOGIES: Caroline Allen

1 PRIVATE DISCUSSION - AUDITORS AND THE AUDIT COMMITTEE

The External Auditor stated that management had been cooperative, noting it was still early in the current year's process. The Chair asked about impacts of changes in the finance team. The Internal Auditor stated that they had been working positively with the newly appointed Head of Finance and her team.

2 APOLOGIES FOR ABSENCE

C Allen, as noted.

3 DECLARATION OF INTEREST

No new interests were declared.

4 MINUTES OF THE MEETING HELD ON 27 FEBRUARY 2013

The minutes were agreed and signed as a true record. No matters were arising.

5 FINANCIAL STATEMENTS AUDIT PLAN

The External Auditor made an oral report in advance of a formal audit plan which was expected in June. An interim revaluation of the College property assets was needed during the year. Until the Tower Block was disposed of, this would be part of the revaluation. "Going concern" status remains a key issue in the sector but the auditor saw that the general position of Croydon College as positive. There was a discussion about the removal of tolerance from clawback and any possible impacts on revenue.

There were no major changes of approach to the audit, but there were some emphasis changes, for example, fraud was being looked at more widely in the sector. There was a discussion about the AoC's work with actuary firms to achieve consistency on FRS17 calculations at different points near year-end (carrying value of Pension Liabilities). The External Auditor noted the publication of the revised Joint Audit Code of Practice and outlined possible changes in accounting standards, expected several years ahead.

ACTION: The Financial Statements Audit Plan to be circulated in June by email for comment from the Committee via the COO/Clerk when finalised.

6 INTERNAL AUDIT STRATEGIC PLAN

The report was **RECEIVED**. The Internal Auditor noted the consultation version of the Joint Audit Code of Practice (JACOP) which included the possibility that colleges can choose not to have an internal audit service. This would place increased responsibility on boards in accountability for risk and controls. The Internal Auditor asked the Committee to consider what sort of service was needed in future, given the potential for change. Attention of members was drawn to a series of questions posed in the preamble to the Plan on how boards could satisfy themselves about risk and accountability. Governors asked how they would seek assurance without an internal audit service approach. The Internal Auditor stated that boards will have a wide range of solutions, including using a number of providers for different issues or using specialists for a particular strategic audit, but that the board will still have to provide assurance. The COO stated that the committee could think about using the new JACOP freedoms to move towards audit approaches which look at effectiveness of strategies as an example of a change from the traditional controls-based model. The Chair noted that without internal audit there is significant compliance risk, also noting that the service provides significant support for audit committees to fulfil their role. The use of expertise from outside the institution is a basis from which colleges can review their own processes. It was agreed that the College would likely retain internal audit in light of the new JACOP for the foreseeable future but the Chair charged members and managers to think about future development of the internal audit service, as outlined in the questions referred to above.

The Internal Auditor then outlined the Internal Audit Strategic Plan. Governors asked why FE 24+ Student Loans had not been included in the Plan. The COO stated that fees debt will be picked up in the annual financial controls audit but it could be added separately for next year. Governors questioned whether the number of days was excessive and it was agreed that this would be reviewed as the plan was developed further by management following the approval of the College's plans for 2013/14.

It was **RESOLVED** to provisionally accept the Plan. A final confirmed plan will be agreed with managers and circulated for approval at the next meeting.

ACTION : Committee members to consider the extent to which continuation of the use of our Internal Audit service is right for Croydon College in the light of the JACOP consultation. This would be discussed at the next meeting.

7 INTERNAL AUDIT REPORT

The report was **RECEIVED**. The Internal Auditor outlined opinions on Learner Number Systems and Key Financial Controls: 1 medium/1 low and 2 medium/4 low recommendations respectively.

The Internal Auditor gave a brief overview of the Learner Number Systems audit, stating considerable progress in outcomes. The COO noted that this outcome provided evidence of the successful completion of the two-year journey of the College on learner data, establishing rigour and credibility. The Chair thanked the COO and the whole MIS team for the work that had been undertaken and the progress made on that journey.

The Internal Auditor also welcomed progress in Key Financial Controls. The COO stated that the shift away from central funding of students to personal funding meant that for similar income levels, many more transactions were being processed which attracted significant additional costs, both in terms of administration and in pursuing debts from individuals. The COO stated that he believed most debts would come in but that funds would arrive later this year than previously collected.

The Internal Auditor then outlined the Risk Maturity audit with only 2 low recommendations, stating that the College had a strong risk culture when compared to the sector generally.

Governors stated that re the bank's reluctance to provide a copy of the mandate, that management should help push for a confirmation of the mandate arrangements.

ACTION: The Head of Finance to attend the November or March meetings with a report to advise members on issues arising from the pursuit of debt from individuals.

ACTION: The COO to approach the bank to find a way to provide evidence of the terms of the bank mandate to the Internal Auditors.

8 REVIEW OF PERFORMANCE OF INTERNAL AUDITORS

The report was **RECEIVED**. The Chair noted previous feedback about timeliness of reports and occasions where specialist audit would have been appropriate. Otherwise it was **RESOLVED** to recommend the reappointment of the Internal Auditor for another year.

9 GOVERNANCE AND FINANCIAL MANAGEMENT REVIEW

The report was **RECEIVED**. The Chair outlined the discussions that the Committee and the auditors with reference to practice elsewhere in the sector. The Principal noted that the shift away from PFA audit during inspection meant that oversight of finance and governance had reduced significantly as part of the new Common Inspection Framework. The Internal Auditor stated that the introduction of Accountability Reviews suggested that there was some concern about these issues. The COO stated that the proposed document provided a useful oversight of the College's controls. Governors agreed that this continued to provide a good deal of clarity. It was **RESOLVED** to continue using this Governance and Financial Management Review next year. The Chair asked members to consider ways to develop the document further with rescoped questions.

10 RISK MANAGEMENT PLAN/MAP

The report was **RECEIVED**.

11 DATES FOR NEXT YEAR

The dates for 2013-4 were noted with the next meeting 13 November 2013.

12 ANY OTHER BUSINESS

There was no other business.