

PRESENT: Piers White (Chair)
Caroline Allen (until item 12)
Ben Geeson
Kene Ibezi
Stephan John
Craig O'Donnell
Matt Sims

ALSO ATTENDING: Sinead Borland (Head of Finance) from item 2
Chay Champness (Chief Operating Officer) from item 2
Jonathan Ericsson (Baker Tilly, External Auditor)
Lorna Raynes (Baker Tilly, Internal Audit Service)
Jane Stroud (Clerk to the Governors)
Frances Wadsworth (Principal) from item 2

APOLOGIES Shachi Patel (co-opted member)

1 PRIVATE DISCUSSION - AUDITORS AND THE AUDIT COMMITTEE

The External Auditor stated that it had been a good audit based on a robust relationship, and that open dialogue had taken place at an appropriate point in the proceedings. The Internal Auditor stated that the College had been responsive and that there had been no concerns about staff encountered at any level of the organisation.

In answer to a question from the Chair the external and internal auditors agreed that communications between the two teams were good, as they should be following the merger of the two audit firms. It was noted that Baker Tilly LLP have a policy of not providing both full internal and external services to a single college. The Chair confirmed that, following the merger of Baker Tilly with RSM Tenon, the Audit Committee was likely to recommend that the College go out to tender for the Internal Audit Service.

Officers were then invited to join the meeting.

2 APOLOGIES FOR ABSENCE

Apologies were noted as above.

At the Chair's invitation all present introduced themselves.

3 DECLARATION OF INTEREST

There were no new declarations.

4 MINUTES OF THE MEETING HELD ON 15 MAY 2013

The minutes were **agreed** and **signed** as a true record.

4.1 Matters Arising

Item 7 Internal Audit Report

Issues arising from the pursuit of debt from individuals: The COO reminded members that the issue had arisen now that 200 to 250 students were funded through the Student Loans Company (SLC) rather than directly by the SFA (Skills Funding Agency). A number of applicants had been unsuccessful in their applications for a loan and the College would have a full understanding of the scale of the issue within the next four to six weeks.

ACTION An update on the issues arising from the pursuit of debt of individuals would be brought to the next meeting.

5 MEMBERSHIP

C O'Donnell and M Sims were welcomed as new members. J Stroud, S Borland and L Raynes were also welcomed to their first Audit Committee Meeting. The Chair declared that it had been agreed he would be leaving the Committee in order to chair the Finance & Resources Committee following his presentation of the committee's business to the December meeting of the Governing Body. He would be proposing to the Governing Body that C O'Donnell be appointed as Chair of the Audit Committee.

6 EXTERNAL GOVERNANCE DEVELOPMENTS

The Clerk and the Chair introduced two new documents, supplied loose with members' packs for future reference.

The Joint Audit Code of Practice (JACOP) had been published for implementation as of 1 August 2013. The consultation document for the new Code had been discussed at the previous meeting of the committee. The document was much shorter than previous audit codes, and much less prescriptive. The big changes were that the College no longer needed to appoint an internal audit service, although the Governing Body, with advice from the Audit Committee still had to provide the same assurances about Governance, Risk, systems and processes. Colleges could also now appoint the same firm to provide external and internal audit, although Croydon College did not wish to do so. There were other more nuanced changes as well.

In discussion it was agreed that the nature of the relationship with the funding body had changed in recent years. With the JACOP colleges now had the opportunity to tailor their internal audit and other assurance requirements. It was agreed that in some areas, for example HR, resources other than the internal auditors would have more appropriate expertise in order to be able to provide assurance. The COO suggested that it would be prudent in terms of the College's reputation, and in the light of the College's 2011 Notice to Improve, to continue to engage an Internal Audit Service in the medium term. Members stated that the challenge would be to identify the issues that needed to be looked at for assurance purposes. The Chair suggested that at a future meeting the Committee examine the Statement of Corporate Governance in the Annual Accounts and work backwards to determine the assurances required.

Following the College's adoption of the AoC Foundation Code of Governance in December 2011 the AoC had now produced an AoC Audit and Accountability Annex which colleges who had adopted the Code could also adopt. J Erickson advised that the College should adopt the whole Annex if it decided to sign up to it. The Chair recommended that a thorough analysis of this potential commitment be made before

the Audit Committee were in a position to recommend to the Governing body whether or not to sign up to the AoC Audit annex.

ACTION: The COO and the Clerk to bring a full analysis of the consequences of signing up to the Annex to the next meeting.

7 INTERNAL AUDIT REPORTS

7.1 Follow-Up Report

The report was **RECEIVED**. The Internal Auditor had followed up on recommendations from previous years to see if they had been implemented. Adequate progress had been made. There was one high level recommendation and two medium level recommendations outstanding. The high level recommendation was from the staff utilisation audit. The COO explained that automation of staff utilisation controls was ongoing and complex. It was difficult to implement and mechanistic manual adjustments were used to supplement the automated reports. Members were concerned as staff are the biggest financial resource the College has, and requested that the recommendation be reviewed and closed down.

ACTION: The COO to come back to the next meeting with an alternative robust recommendation.

The HR Strategy, a medium level recommendation, had been postponed until spring 2014 due to the timing of the Strategic Plan review.

The COO had been informed that termly stock takes, the other medium level recommendation, had been implemented, but this needed to be checked by the auditors in their follow-up review.

7.2 Anti-Fraud and Anti- Bribery Recommendations

The report was **RECEIVED**. Management had accepted one high level and eight medium level recommendations for policies and processes. Most of the recommendations had already been implemented by updating policies. The Internal Auditor stated that the main consideration was communication with staff. The relevant policies are contained within the Financial Regulations. The COO stated that once the Financial Regulations are updated annually in December a link to them is sent to all staff. Later in the year budget holders have to sign to say that they have received a hard copy of the Regulations.

The following points were made in discussion;

1. Members asked whether staff were confident they could report potential wrong--doing. Officers responded that there had been examples of whistleblowing. The Principal commented that a change in culture helped, with the emphasis being placed on integrity and values. (see also items 12 and 14.1 below)
2. Members advised officers that, as International business grew, they would need real evidence that people understood these policies, especially in relation to the Bribery Act due to different cultural norms in some countries. The COO stated that the College seeks agents that are accredited by the British Council.

8 INTERNAL AUDIT ANNUAL REPORT

The report was **RECEIVED**. The Internal Auditor highlighted the Internal Audit Opinion on pages 70 and 71. The College 'had adequate and effective governance, risk management and control processes to manage the achievement of its objectives'. 'Adequate' was the highest level of assurance available. This was based

on individual assessments as follows: Governance – Green; Risk Management – Green; Control – Amber. The direction of travel of Governance and Control was static, while Risk Management was continuing to improve.

The member who was also the nominated governor for Safeguarding asked for assurances that the risks relating to the Safeguarding Framework and CRB checks had been sufficiently addressed.

The COO commented that the College's insurance company and the Croydon Council had also conducted reviews of this risk.

ACTIONS:

1. The Clerk to send the audit findings on Safeguarding to the Safeguarding governor.
2. The new Chair of Finance & Resources Committee to follow up relevant insurance reviews and implications for Safeguarding and communicate these to the new Chair of the Audit Committee and the Safeguarding governor.
3. The Clerk pointed out two factual errors in Appendix A of the report. The Internal Auditor agreed to correct Appendix A before the final report was sent to the Governing Body.

It was **RESOLVED:**

To **RECOMMEND** the corrected Internal Audit Annual Report to the Governing Body

9 INTERNAL AUDIT PROVISION AND PLAN TO APRIL 2014

The report was **RECEIVED**. The COO outlined the proposal to go out to tender for new Internal Auditors from April 2014 (see item 1 above), and that the plan was therefore for the period to April 2014.

The Chair made it clear that the Internal Auditors should provide assurance for the areas they covered for the duration of the period they covered. Other assurance would come from the new Internal Audit Service and other sources. This was permissible under the JACOP. He commented that the Plan was not a strategic document, and that the three year plan received at the May meeting had been helpful and this would require to be updated irrespective of who was providing the Internal Audit services.

The External Auditor pointed out that Baker Tilly would be unable to rely on the audit of Financial Controls by a Baker Tilly Internal Audit.

ACTION: The Chair and COO to resolve with both sets of auditors how to achieve sufficient reliance on the Key Financial Controls.

It was **RESOLVED** to **RECOMMEND** to the Governing Body that:

1. The College retain the services of Baker Tilly as the Internal Audit Service until April 2014 to the Governing Body;
2. The College go out to tender for the Internal Audit Service from April 2014 to the Governing Body; and
3. The interim Internal Audit Plan up until April 2014 to the Governing Body, but it was **AGREED** that the Chair of the Audit Committee and COO should decide which papers the Governing Body should be presented with in support of the Plan.

10 FINANCIAL STATEMENTS AUDIT: MANAGEMENT LETTER

The report was **RECEIVED**. The External Auditor confirmed to the Chair that only one recommendation from the previous year, relating to Fixed Assets, had been carried over. He pointed out that the report was in the same format as previous years and that the level of adjustments made by the auditors should give the committee comfort. The first page listed the matters outstanding at the report date that needed resolution by the time the Financial Statements were signed. No problems with this were anticipated. The following pages covered the plan, its approach, and resolutions; and also issues and resolutions identified during the audit. He highlighted the treatment of the Tower Block that was still showing in Fixed Assets. No clawback of funds was required. He outlined some changes to accounting standards that were expected.

Members asked what the trade debtors consisted of. The COO explained that because of the increasing movement from grant funded to individual funded provision there was more individual debt and resulted in a greater level of 90 plus day debt.

ACTION: The COO to report to the Governing Body on what was outstanding from the year-end £597k trade debt when the financial statements are signed in December.

It was **RESOLVED:**

To **RECOMMEND** the Financial Statements Audit Management Letter to the Governing Body

11 FINANCIAL STATEMENTS (FOR INFORMATION)

The report was **RECEIVED** for information. Fuller consideration and formal recommendation to the Governing Body takes place at the Finance & Resources Committee. However the Chair pointed out that the Governing Body are able to approve the Corporate Governance Statements which form part of the overall Statements because of the assurances provided by the Audit Committee.

The COO thanked the auditors and added that he was pleased to be supported by a good Finance team. Since production of the year end Management Accounts there had been some adjustments to Pensions and also Fixed Assets due to revaluation and these changes were now fully reflected in the Draft Audited accounts

12 ANNUAL REPORT ON FRAUD

The report was **RECEIVED**. There had been no reports of fraud during 2012/13, but there were two suspected instances under investigation in the current year. These were briefly discussed and the Committee was happy with the actions already taken by management. The appendix showed the amendments to the Policy that had been considered by the Finance & Resources Committee and would be approved by the Governing Body in December. The new Policy and procedures would be tested in a workshop next year. Some fraud types had been added to the fraud types already identified, and he highlighted 'stealing holidays'. The 'Net risks' profile, after control measures, had fallen from the previous year. He confirmed that staff were aware that their attendance in college could be checked by logging onto the new iTrent HR system and that this was an example of some risk mitigation against this fraud.'. He also stated that the new on-line leave system could not be tampered with.

There was a discussion about the changing definitions of fraud as part of changing culture. The COO confirmed that he would circulate the Policy and procedures as

recommended by the Internal Audit Service. There was a renewed focus in the College on integrity and transparency, and automation was helping to eliminate fraud. The Chair congratulated the College on its approach to fraud and stated that he had received independent verification about the College's good practice from individuals from other sectors who had visited the College.

It was **RESOLVED**:

To **RECOMMEND** the Annual Report on Fraud to the Governing Body

13 GOVERNANCE AND FINANCIAL MANAGEMENT REVIEW

The report was **RECEIVED**. The COO noted that production of the document was no longer a regulatory requirement, but that updating it confirmed that basic processes were in place. In future improvement action would be captured in the College's Quality Improvement Process.

Members commented that it would be good to identify where the COO felt improvements were needed and to be able to monitor this. C O'Donnell (to be nominated as the next Chair of the Committee) stated that it was good to have a control document, and that going forward spot checks could be carried out on the evidence. The COO emphasised that any update of the review process should be risk focused.

14 OTHER POLICY REVIEWS

14.1 Whistleblowing

The report was **RECEIVED**. Recommended changes to the Policy followed the internal audit review. The External Auditor advised the College not to name the External Auditors in the list of those to whom to take a matter further if necessary. He felt this would escalate the situation too quickly and the auditors might have conflicts of interest. It was agreed that the Chair of Governors and Chair of the Audit Committee be added to this list instead.

It was **RESOLVED**:

To **APPROVE** the updated Whistleblowing Policy with the amendments described above.

14.2 Freedom of Information

This policy was due for review under the policy review cycle. It had been reviewed by managers and no updates were recommended at this time.

15 RISK MANAGEMENT ANNUAL REPORT

The report was **RECEIVED**. The Chair noted that this was a key summary of the College's risk management activity and that it informed the Internal Auditors, internal control and the governance statements. The termly risk management meeting fed other processes.

Members asked if external risks were discussed and it was confirmed that this was addressed through coverage of the risks for recruitment, funding, and changes in legislation.

It was **RESOLVED**

To **RECOMMEND** the Risk Management Annual Report to the Governing Body

16 RISK MANAGEMENT PLAN AND MAP

The report was **RECEIVED**. The Chair asked that the description of risks, usually at the front of the report, be re-instated. It was noted that risk ST 5: 'Data ownership, compliance and understanding of impact' had been a key risk a few years ago and had increased in recent months. The COO explained the reason for the change was that the quality of statistical returns was an issue and plans were being put in place to tackle underlying problems. Governors emphasised the need for controls to cover behaviours as well as systems.

17 AUDIT COMMITTEE ANNUAL REPORT/SELF-ASSESSMENT

The draft Audit Committee Annual Report was **RECEIVED**. The Chair introduced the item by stating that the Financial Statements would only be signed following the assurances provided by the report. The JACOP will require the report to be sent to the SFA in place of the Internal Audit Annual Report from next year. He welcomed comments from members and asked for the input of the Auditors.

17.1 Committee Self- Assessment

The draft Self-Assessment was **RECEIVED** in support of the Audit Committee Annual Report. The Clerk tabled a list of possible development actions. Members felt that they would continue to benefit from external training and visits to other colleges..

ACTION: The Clerk to produce a summary of development actions.

It was **RESOLVED**:

1. To **APPROVE** the Committee Self Assessment; and
2. To **RECOMMEND** the Audit Committee Annual Report to the Governing Body

18 DATES FOR NEXT YEAR

The dates were noted. .

19 ANY OTHER BUSINESS: PART A OF THE AGENDA

Members asked that page numbers for the pack be attached to the agenda.

19 DATE OF NEXT MEETINGS

2013/4 dates: Wed 5 March 2014 (4.30pm); Wed 21 May 2014 (4.30pm)

The Chair thanked the Auditors who then left the meeting.

[The Clerk has moved the Part B section to these minutes. Original items remain confidential.]

PART B: MATTERS OF CONFIDENTIALITY

1 PRIVATE DISCUSSION WITH MANAGERS

See below.

2 PART B MINUTES OF THE MEETING HELD ON 23 MAY 2012

The minutes were **agreed** and **signed** as a true record.

3 REVIEW OF PERFORMANCE OF THE EXTERNAL AUDITORS

A report was **RECEIVED**. The COO said that he felt Baker Tilly were very good, and that their self-assessment questionnaire at the beginning of the audit was very helpful. They were thorough and sensible, responsive, and good on value added. The Chair stated the only issue had been the late audit planning document and that that should be fed back to the auditors.

It was **RESOLVED**:

To **RECOMMEND** the re-appointment of Baker Tilly as Financial Statements and Regularity Auditors for 2013/14 to the Governing Body

The COO thanked Piers White for chairing the Committee over a number of years, commenting that his chairing had been 'considered, experienced and well led.

The meeting then ended at 6.55pm.