

- PRESENT:** Craig O'Donnell (Chair)
Kene Ibezi
Stephan John
- ALSO ATTENDING:** Chay Champness (Chief Operating Officer)
Jane Stroud (Clerk to the Governors)
Frances Wadsworth (Principal)
- APOLOGIES** Caroline Allen, Ben Geeson, Matt Sims,
Shachi Patel (co-opted member),
Baker Tilly Internal Auditors
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1 PRIVATE DISCUSSION - AUDITORS AND THE AUDIT COMMITTEE

There was no discussion as no auditors were present due to the meeting having been re-scheduled.

2 APOLOGIES FOR ABSENCE

Apologies were noted as above.

3 DECLARATION OF INTEREST

There were no new declarations.

4 MINUTES OF THE MEETING HELD ON 13 NOVEMBER 2013

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

Matters Arising

4.1 Item 4.1 Pursuit of debt from individuals

A supplementary paper from the COO informed members that non-trade debt levels had increased by £962k between January 2013 and January 2014 due to the shift from government block HEFCE and SFA grant funding to individual loan finance. This placed a huge administrative burden on colleges which had to invoice and collect individual debt. There were clear procedures for debt management but the Finance team had begun to RAG rate individual debts. There were many reasons for outstanding debt. Based on current RAG ratings it was proposed to increase bad debt provision by £164k. Payment plans had been put in place for current year students, but a further increase in bad debt provision was likely to be required later in the year. He noted that the biggest cost to colleges was the loss of potential students who did not wish to enrol because of the need to loan-finance their courses.

4.2 Item 6: An Analysis of the consequences of adopting the AoC Audit and Accountability Annex

A supplementary paper was received from the Clerk. The College was already largely compliant with the Annex. In order to be fully compliant gaps identified in what had been disclosed in the previous narrative for the Financial Statements under the FRC Governance Code would need to be filled, and a policy on the engagement of the External Auditor for other services would have to be adopted and implemented.

There was however some ambiguity in the Annex regarding the additional material for the narrative. The Clerk had also consulted with the External Audit manager at Baker Tilly who had confirmed that the FRC Code would in any case require extended reporting in the Financial Statements for 2013/14. The detail of this would only be confirmed when the Accounts Direction for the year was published which was scheduled for June.

Members noted that the Annex required additional reporting on individual member attendance at meetings.

It was **AGREED** not to recommend the adoption of the Annex at this time, but that the College should develop and implement a policy on the engagement of the external auditors for other services such that the College would be in a position to adopt the Code later in the year if to do was deemed desirable at the time.

4.3 Item 7: Staff utilisation controls

A supplementary paper, written by the Director of HR was received from the COO describing how staff utilisation was controlled. It was a fluid activity, but the Internal Auditors had been satisfied in their follow-up work (see item 6) that this was being controlled.

4.4 Item 9: Sufficient reliance on key financial controls

The COO gave a verbal update that he thought it prudent to resolve the query over which of the internal and external audit arms of Baker Tilly could provide sufficient reliance on key financial controls by assigning key financial controls as the first assignment for the new internal audit service.

4.5 Any other matters arising

Item 8: The Clerk had sent the audit findings on Safeguarding to the Safeguarding governor. The College was planning to go out to tender for insurance, either via the broker or underlying insurance companies.

5 STANDING ITEM: VERBAL PROGRESS REPORT ON OUTSTANDING AUDIT RECOMMENDATIONS – BY EXCEPTION ONLY

A verbal progress report was **RECEIVED** from the COO on the External Audit recommendations. The recommendation re debtors had been addressed in matters arising (4.1) above. There remained the recording of Fixed Assets. This was a work in progress which would be finished in time for the next audit in October.

For Internal Audit see item 6 below.

6 INTERNAL AUDIT REPORT (SECOND VISIT)

The reports were tabled by the COO and **RECEIVED**.

6.1 Learner Number Systems

The COO noted that this audit was a useful tool for the MIS department. The report provided good assurance. There had been 5 recommendations: 1 low priority, and 4 medium priority. All recommendations had been accepted by management and implementation dates already set for all recommendations bar 1.

In answer to a question the COO confirmed that the College carried out sensitivity analysis on funding which was reported to the SFA, Finance & Resources Committee and main Board. The Board would receive a report on this in July as part of the Budget papers. The Clerk was **ACTIONED** to issue an updated schedule of acronyms.

6.2 Follow Up of Previous Internal Audit Recommendations

82% of recommendations had been fully implemented. Only 3% had not been implemented, and none of these were high priority. On page 2, with regard to Safeguarding recommendations the Executive was due to agree a revised Risk Assessment process for new employees in the following week (2.1.1). Exit interviews did already take place and feedback was followed up, but the process was due to be formalised (2.1.3). On page 4 the draft HR Strategy would be approved once the business plan for 2014/15 had been completed (2.2.1). This might be later than June because of the significant changes to be made. On page 5 the review of contractual fraud would be added to the Fraud Risk Assessment visit later this year.. Other recommendations had been implemented or implementation was close to completion.

In answer to questions it was confirmed that all new members of staff had to be DBS cleared, and that a risk assessment was carried out while the results of checks were awaited. It was also confirmed that management responses and action plans arising from internal audit were owned by individuals with the COO carrying out a reasonableness check.

The Chair commented that the reports indicated positive progress by the College.

7 INTERNAL AUDIT TENDER

The report was **RECEIVED**. The invitation to tender documentation had mainly been lifted from the previous mandatory terms of reference. Tender documentation had been returned from 4 firms out of 7 and was **TABLED**. The COO proposed, and it was **AGREED** that all 4 firms be invited for interview and that the tender panel be comprised of the Chair of the Audit Committee with Shachi Patel, supported by the Principal, the COO and the Clerk. Members were requested to refer any queries or comments via the Clerk to the tender panel. **CHAIR'S ACTION** was authorised to recommend the appointment of a new Internal Audit Service to the Board.

The COO commented that Key Financial Controls and the Risk Register should take priority in the new Internal Audit Plan.

8 RISK MANAGEMENT

The report was **RECEIVED**. Risks devolved for monitoring by the Committee had not changed following discussion by the Risk Management Committee. The COO recommended retaining the termly risk management meetings and the risk map even if new auditors recommended a revised risk management process.

9 UPDATE ON AUDIT COMMITTEE DEVELOPMENT PLAN

The report outlining progress to date was **RECEIVED**. It was accompanied, for information, by the formalised audit committee induction powerpoint presentation and checklist. The Clerk was **ACTIONED** to approach Chichester College in the first instance to see if the Audit Committee could visit in order to discuss approaches and experiences with another Audit Committee. The Chair reported that he had had a meeting with the Chair of the Finance & Resources Committee and the COO. At this stage the meeting had been about the handing over of the chairmanship of the Committee

10 UPDATE ON SORP

The verbal report was **RECEIVED** from the COO. Big changes were due for the reporting year 2015/16, based on the International Financial Reporting Standard. There would be no impact on the format of the 2013/14 Financial Statements and comparator figures would be needed for 2014/15. Some changes would be made to the treatment of deferred capital grants and the accrual of annual leave. These would not have a significant impact for the College.

11 ANY OTHER BUSINESS: PART A OF THE AGENDA

The Principal congratulated the COO on his appointment at Guildford College. He was likely to leave Croydon College sometime before the next meeting of the Audit Committee. She was arranging interim cover until a replacement COO could be appointed.

12 DATE OF NEXT MEETING

Wed 21 May 2014 (4.30pm)

PART B: MATTERS OF CONFIDENTIALITY

1 PRIVATE DISCUSSION WITH MANAGERS

As there were no auditors present this did not take place.

The meeting then ended at 5.50pm.