



**Minutes of the Meeting of the Audit and Assurance Committee 14 June 2022 at 6:00pm**

<b>Present</b>	<b>In Attendance</b>
Sundeeep Bhandari (Chair) (SB)	Sarbdip Noonan (Principal) (SN)
Simon Radford (SR)	Bob Pattni (Deputy Principal) BP
	Robert Heal (Director of Governance) (RoH)
	Annette Cast (Principal Designate) (AC)
	Mike Cheetham (MC) - RSM Internal Auditors

**1. Chairs Opening Remarks**

SB checked the meeting was quorate. RoH confirmed that quorate with a minimum of 2 members present. SB welcomed everyone to the meeting, especially AC the Principal Designate. SB thanked Sarbdip for all her work before her retirement in a few weeks. SN thanked everyone and especially Sundeeep.

**2. Apologies for Absence**

JL, MLHP Auditors and EG (RSM Auditors)

**3. Declarations of Interest**

None

**4. Minutes of the Meeting of 01 March 2021**

These were accepted as a true record.  
All action points were noted as complete.

**5. Matters Arising Not on the Agenda**

None

**6. Terms of Reference Review**

RoH overviewed the inclusion of points from Audit review.  
Approved

**RECOMMENDATION**

**APPROVED**

**TERMS OF REFERENCE**

**7. Annual Selection of the Chair / Vice Chair**

RoH reported nominations for Chair of SB for Chair and Viresh Paul (returning from sabbatical) as Vice Chair  
Approved

**RECOMMENDATION**

**APPROVED**

**SB AS CHAIR, VP AS VICE CHAIR**

**8. Audit Code of Practice April 2022 Update**

RoH reviewed changes, which were noted by the committee.

**RECOMMENDATION****NOTED****AUDIT CODE OF PRACTICE UPDATES****9. Business Continuity Plan**

SN updated that government guidance has stopped and suggested that the template has served its purpose and can now be parked. Effectively we are returning to BAU. SB, confirmed this is same in businesses generally. SB added, that his boards have generally concluded that hybrid working is not the way forward. It is acknowledged that it should be offered and there is a debate as to what works for individual institutions. SR made suggestions on hybrid working, noting that younger staff wanted to work in office, older staff want to work from home. Similarly those in central flats wanted to be in office, those with long commutes didn't.

Agreed to end BCP use.

**RECOMMENDATION****NOTED****BCP TERMINATION OF USE****10. Internal Audit****10i. Subcontract Audit Review**

BP reviewed changes to subcontract regulations. Subcontract is now less than 2% of total college provision and that regulations are tested by internal auditors, RSM. SN questioned some regulations which MC clarified. BP gave a new regulation example, having to provide CV's of subcontract staff, this being an onerous task and these tasks may lead to reducing subcontract further. We are mindful that if we continue with subcontract, we should obey all new rules. SN questioned GLA rules and why they have become so onerous. MC clarified that fraud is a serious issue in subcontract generally and as such the regulations are now incredibly strong to prevent this.

SB asked which committee overviews subcontract. BP responded Resources and then Board, with Quality being reviewed by C&Q committee.

SR asked, can we systemise the rules? SN, The colleges grew by subcontracting and now we have reduced subcontract from 20% to 2% by bringing in house, primarily to enhance the quality for learners. SR reflected on what additional tweaks we can do to improve reporting to regulation.

**RECOMMENDATION****NOTED****SUBCONTRACT AUDIT REVIEW****10ii. RSM Client Risk Profile**

MC shared their risk profile information. SB reviewed key points noting that the FE sector has highest number of High Risks. MC responded that MAT's and HE are different risk profiles which leads FE to be Higher Risk. SB challenged if there were any risks that we have missed off the risk register. MC, none.

BP suggested Cyber and Climate are the biggest risks we need to focus on.

SB, should we share with Curriculum and Resources – SN, its covered in Risk Register

**ACTION share this doc with committees**

**RECOMMENDATION  
NOTED  
RSM CLIENT RISK PROFILE**

**10iii. Internal Audit Progress Report**

Noted

**RECOMMENDATION  
NOTED  
INTERNAL AUDIT PROGRESS REPORT**

**10iv. FE Emerging Issues Update**

Noted

**RECOMMENDATION  
NOTED  
FE EMERGING ISSUES**

**10. Interim Self-Assessment Regularity Review 2021/22**

RoH noted that this had been completed early to ensure regularity prior to Principals retirement. RoH overviewed the revisions to the review template and highlighted the changes. The committee noted the key points being no settlements to date, no ex-gratia payments, minimal governor expenses, SLT expenses, overseas trips and additional governance requirements

**RECOMMENDATION  
NOTED  
INTERIM SELF-ASSESSMENT REGULARITY REVIEW 2021/22**

**11i. Management Accounts to 30 April**

ABP overviewed the accounts to 30April, reporting an £84k surplus YTD, with a forecast £100K outturn. Year end likely to be similar. Best case may improve to £135K. The 2% pay award was not in budget, we made decision to apply it and have recovered from this to remain positive. We have increased income and are £356K ahead of plan. There are some pay cost pressures from expensive temporary staff. All ratios are in good position and improving. Borrowing falling and well within target. Some cost pressures are being addressed. Areas to consider; is funding being spent within ESFA guidelines. Allocations are healthy, no clawback but target enrolments down by 62 means we will have a funding impact next year. This is mitigated by an increase in allocated hours. SN clarified.

BP overviewed key income measures highlighted in the report. There is additional apprenticeship funding and ESFA grants. EHCP contracts have been supported and are ahead of target. Spending on Teaching has been more than planned across materials at satellite centres. SN, there is a new department and management structure. Funding has been used to restructure the satellite centres.

Contingencies are being released to counter some overspends. e.g. marketing and exam resits. Utilities are impacting with increase costs. Pay costs are being balanced, saving in permanent staff but offset by cost of temps. Especially in student services.

We are seeking pension actuarial values. SR noted, markets have tumbled. SB, markets down by 25%.

SB challenged, is surplus pressure from learner numbers? BP no, this relates to pay award. SB, ESFA funding reduces, is this correct. BP, yes, pending 2 contracts from 16-19 and apprenticeships.

SB challenged, for 16-19 enrolments next year, what would cause the numbers to be deficit? SN, BP an undershot this year by 62 gave £500k down next year, so a numbers next year would give no in year impact 23/24, if repeated next year will see a further £500k down. SB, should this be put to the Board? How do we educate the board on this? SN, this will be part of the next strategic day.

SB, cost of living has dramatically increased, are we considering hardship funds? SN, we are working on numbers and pay plans to prevent hardship and mitigate any potential deficit. SR, have we modelled underlying costs? SB, one risk is increased temp teachers. These are valid concerns. BP, we have been modelling DfE grants and impacts. Next four years are likely to be impacted by building work, this will impact both student performance and numbers. Inflation peaking at 10%, pricing impacts and opportunities from green agenda to counter increases. The key is not dropping the 16-19 income. SR, commodity pressures are likely to continue.

**RECOMMENDATION**

**NOTED**

**MANAGEMENT ACCOUNTS**

**11ii Monthly Monitoring**

BP overviewed the exec summary. Regarding Capital discussions with DfE, we met yesterday and are still receiving positive messages; however we are expected to be challenged on budget. SB questioned impact. SN suggested that they are testing the water around contribution and cutbacks. It is likely to happen, we are taking a risk approach, for example they might require taller buildings rather than more buildings.

**RECOMMENDATION**

**NOTED**

**MONTHLY MONITORING**

**11iii ESFA Financial Assessment**

SB, our financial assessment is outstanding, thanks to all and congratulations.

SB, asked about graph on monthly cash days which shows blip in March. BP, the Chancellor reduce providers cash every financial year, we have no control.

**RECOMMENDATION**

**NOTED**

**ESFA FINANCIAL ASSESSMENT**

**11iv Cyber Security Assessment**

BP explained, GISK recommended 14 changes, we are working across all improvements, including the server room reciprocation. We are mindful of a cyber-attack, the new finance system is now out of sandbox and ready for go live. SB, thanks for resolving the finance system weaknesses.

MC, be aware that Cyber Essentials may be denied for older systems.

**RECOMMENDATION  
NOTED  
CYBER SECURITY ASSESSMENT**

**12i. Risk Register**

BP, no significant changes to report, overviewed risks. New risks added on satellite centres. A deep dive on satellite centres showed personal tutoring consistency and other practices at risk. SN clarified; these have been rectified for next year.

BP added, some transitions to Green. Pensions are Red. New risk on legal challenges to be discussed in part 2.

SB challenged; 6.21 narrative not understood. BP, we are responding to Local Government actions on pensions. There is little we can do.

**RECOMMENDATION  
NOTED  
RISK REGISTER**

**12ii. KPI**

SN covered most in previous discussion.

- Overall College Attendance Rate as at the 25<sup>th</sup> April is **80.26%** against a target of 86%
- Overall College Punctuality as at the 25<sup>th</sup> April is **87.18%** against a target of 91%
- ESFA 16-18 Enrolment Target is 1548 on the 25<sup>th</sup> April our 16-18 funded headcount is **1486**, that's a decrease of -62 against our allocation
- ESFA 16-18 Funding allocation is £8,526,492 as at the 25<sup>th</sup> April our 16-18 funding is **£8,060,359**
- ESFA 19+ & GLA Target is 2100 enrolments (1000 heads) as at the 25<sup>th</sup> April 19+/GLA enrolment is **2489 enrolments (1071 heads)**
- ESFA & GLA Funding Target is £1,806,822 as at the 25<sup>th</sup> April is **£1,700,772**.
- ESFA ER Apprenticeship Funding Target is £59,064 as at the 25<sup>th</sup> April our apprenticeship funding is **£21,323**.
- ESFA 19+ Loan funding Target is now £280,469, as at the 25<sup>th</sup> April our loan funding is **£272,798**
- Key Financial Indicators are RAG rated Outstanding, and the YTD Surplus is **£63k**, staff cost/cash ratio **£3.24:£1** for the end of March 22

Attendance & punctuality is an issue.

SR, a recent visit showed attendance an issue everywhere, is it a certain type of student ? Can we evaluate what is driving this? SN, there are a huge number of factors and some patterns. We are investigating.

SR, there are family hubs that can be bid for. Can we investigate this from Council? SN, we will look into it, but we do have good multi agency actions in place and other engagements eg breakfast clubs etc. AC noted, her local area changes are significant and numbers of families on benefits has increased. This is having an impact on families, environments and behaviour. SN, parental behaviour is also key.

**RECOMMENDATION  
NOTED  
KPI**

**13i. External Audit Strategy**

BP explained, McIntyre Hudson have looked at our performance with a risk-based approach. We are strong on:

- Strong budgetary control
- High quality of financial and management information
- Good levels of financial awareness
- Preliminary decisions – inherent & control risks
- Level of materiality – set at £6,300
- Internal audit review assurance
- Recognition of Income testing of the Individual Students Records (ILR) - new for 2021/22
- Future capital plans & Going Concern
- Related Party Transactions
- Key Financial Control

We still need to report any risk statement. The fee for next year is £22,500. We need to decide whether we need to tender. SB, we have no choice but to tender due to policy, preference is to keep them, but we do need to tender to guidelines. Do we need to tender for internal audit? MC, external is every 5 years. Internal is not required. BP, we can tender for both. SB, we should not tender both at same time as too risky. MC, we cannot respond to tender for both at same time. SR, makes sense to tender.

**The committee gave BP authority to plan tender, – ACTION**

RoH is there a good time to tender? BP, January 2023 for start 01 August 23. SB, Tender external first, then Internal following year to avoid having two new firms joining simultaneously.

**RECOMMENDATION****APPROVED****EXTERNAL AUDIT STRATEGY****13ii. Internal Audit**

MC overviewed draft plan for next year, risk-based assessments. Similar plan to previous year.

- GDPR
- Awarding Body Validation Process
- Governance – Workforce Engagement
- Learner Number Systems
- Key Financial Controls
- Follow-Up

MC, are you happy with scope? SB, these meet our needs but may be adjusted as year progresses. BP, awarding body processes, relates to TAGS, these have now passed, so this may be altered.

**RECOMMENDATION****APPROVED****INTERNAL AUDIT STRATEGY****14. Any Other Business**

None

**15. Date of next meeting**

6.00 pm Tuesday 22 November 2022

**Meeting ended at 7.27pm**

**Signed**

**Chair**

**Date 22 November 2022**

**Action points:**

<b>Item</b>	<b>Action</b>	<b>Responsibility</b>	<b>Timescale</b>
<b>10</b>	share RSM Risk Profiles with committees	RoH	Nov 2023
<b>13i</b>	The committee gave BP authority to plan tender of external audit	BP	Jan 2023