



Minutes of the Meeting of the Audit and Assurance Committee 23 November 2021 at 4:00pm

Present	In Attendance
Sundeeep Bhandari (Chair) (SB)	Sarbdip Noonan (Principal) (SN)
Jean Lammiman (JL)	Anjana Johnston (AJ) representing BP
Simon Radford (SR)	Robert Heal (Director of Governance) (RoH)
	Emma Gipson (EG) - RSM Internal Auditors
	Rajeev Shaunak (RS) - MHLP External Auditors
	Mark Eagle (ME) – MHLP External Auditors

1. Private chat with Auditors

Nothing to report

2. Chairs Opening Remarks

SB welcomed everyone to the meeting and noted that he had been able to catch up with both BP and the Auditors prior to the meeting. He noted that BP, Deputy Principal, cannot be here tonight due to unforeseen circumstances.

3. Apologies for Absence

DK, OC, BP

4. Declarations of Interest

None

5. Minutes of the Meeting of 15 June 2021

These were accepted as a true record.

Action points were noted as complete or within the body of this meeting

6. Matters Arising Not on the Agenda

None

7. i. Draft Financial Statement year ended 31 July 2021

SN reviewed, that the Financial Statements have been prepared in accordance with accounting standards and funding body rules. The Audit Strategy refers to the approach taken by MacIntyre Hudson in reviewing the reports and have focussed their review based on the risk profile and position of Stanmore College.

- The College made a surplus of £723k for the year to July 2021 compared to a surplus of £106k for the year to July 2020. Total income increased to £12,068k (2020: £10,449k), with an increase in costs to £11,345k (2020: £10,292k).

Item 4

- The LGPS pension scheme recorded an actuarial deficit of £662k (2020: £92k surplus) and; RS noted that this was common within the sector
- The Net Asset base of the College has increased overall to £7,466k (2020: £2,886k).

SN highlighted this was a very positive picture and added that there had been a clean audit opinion which was a fair reflection of the College affairs. SN asked RS whether p12 of the document required the Accounting Officers signature in addition to the Chair?

ME was not aware that the page needed it as it was shown on p32 and the document has a standard format.

SB called on the auditors for their observations.

RS replied from a governance perspective the audit was clean, they had full access and only raised the points in the letter. There were no concerns and the College had robust controls. He thanked both BP and AJ. He started that as there were no issues of material uncertainty, it was a good position. |The College remains a going concern. SN agreed, we are doing very well, SB thanked the Auditors and the Exec, especially BP.

JL agreed with the comments and congratulated all on a clean audit.

SB called for a minor change in displaying Governor Attendance 100% down

RoH agreed to revise the table to show 100% down. - Action

SB questioned whether attendance was measured pro -rata and RoH confirmed this.

SB asked whether we need to comment in the accounts regarding the Principal's retirement?

RS confirmed this was not required as the Principal was still in post at year end.

SB commented on £1.47m Loan terms being shown as 25 years, when nearly completed terms.

RS noted they were initially 25 years and ME agreed this could be misleading. ME advised that this could be **redrafted to show term remaining- Action**

SN observed the pension evaluation and stated that we have no control over this and it can erode our assets.

RECOMMENDATION

APPROVED FINANCIAL STATEMENT YEAR ENDED 31 JULY 2021, Subject to Changes noted

7ii. 2020/21 Financial Statements Management Report

RS noted there were no issues, and it is genuinely a good position, leading to the next item. Letter of Representation

RECOMMENDATION

NOTED

7iii. Letter of Representation

SB asked who will sign off

RS noted SN, as Accounting Officer, and the Chair of Board

RECOMMENDATION

APPROVED FOR SIGNATURE

7iv. Regularity Self-Assessment

SN introduced the regularity self-assessment and highlighted the regularity questions, College responses and summary of audit compliance. SB challenged what the self-assessment was based upon? RoH noted that this had been completed by BP & RoH, who had reviewed the requirements afresh, identified compliance evidence to each area and passed their findings to the auditors. SN noted it was wholly evidence based. RS confirmed this was a good self -assessment. There were no questions.

RECOMMENDATION**APPROVED FOR RECOMMENDATION TO THE BOARD****7v. LGPS Pension Report**

SB noted that the LGPS pension actuarial impact was a 'fait accompli' and thanked SR for his additional papers and attendance on the LGPS committee with Harrow Council. SB note the position had improved following the poor figures from the previous year. SB called on SR for his report.

SR stated this was a combination of:

- a large allocation of equities that went up quickly, but are now expensive; which leads to questions market correction, long term viability and stress testing.
- And pressures, e.g. political and public pressures around ethical investments; and that the management fund have a sustainable equities mandate. There is also a London CIV fund that focusses on ESG.

Currently there are activities that might anticipate a wider reaction but the funds are not micro managed, they simply have a preference on return on investment.

SB noted that, the challenge is pay-out ratio, the ongoing payment scheme to meet outgoing payments that derives the balance of bonds and equities. The fund looks heavy on equities, which can lead to a low pay-out ratio. SB noted that the industry market correction should be expected at 10% - 15% correction. SR balanced this with other anecdotal evidence of higher ratios and noted that the more expensive it is now, the less projected pay-out in the longer term.

SB noted we have little influence over the investment strategy and that that we can do nothing about the outcome other than watch and see what happens.

RECOMMENDATION**NOTED****7vi. ESFA Accounting Officers Letter Sept 2021**

SN overviewed that the College is required to comply with the terms of the letter. RoH noted this had been reviewed by the Board in October and only required noting by this committee. The committee understood and noted this.

RECOMMENDATION**NOTED****7vii. ESFA Financial Assessment**

SB noted that he had discussed the contents letter at length with BP; especially the requirements relating to external auditors. SB advised the Auditors that we remain very happy with their work but will have to conform to external auditor requirements driven by the ESFA and that we will have

to undertake a RFP. He added that there was no reason not to re-appoint. SN added that there is no reason not to re-appoint our existing auditors as they have partner rotation.

RS confirmed they are well regulated, have partner rotation and undertake hot reviews. SB challenged when Stanmore College was last hot reviewed. RS confirmed that this was last year and these are done in rotation and based on risk. There are also cold reviews ongoing.

SN noted that there are no significant problems. RS noted that there was none seen, but professional scepticism meant they would do these reviews as the College were a regulated client. This ensures that the relationship between partner / manager and customer is not too cosy.

JL reminded the committee of a previous discussion on what is good practice and how often you need to tender auditors, that we were happy and did not previously feel it was the right time to tender. The regulation means we now have to review the auditor appointment and that the partner rotation was encouraging. Also, that hot reviews sound a positive step. SB asked for an explanation of what is a hot review for the committees benefit. RS explained that they have a second partner review and a technical department that pulls apart what has been done to balance the partners opinion. They will question why decisions were made; this protects the firm and the Company reputation. They check the professional scepticism and that we are not leaving stones unturned. They make sure procedures were followed. A whole review is complete before audit sign off. They also have an internal cold review after the event, that reviews files / root cause analysis and lessons learnt. SB asked if this was FRCS? RS replied that FRCS do theirs, but we also do our own. RS continued, we also have a second partner review to look at key issues.

JL asked how long the hot review process had been in place? RS over 20 years.

SB asked if FRCS would pick us as a sample, RS said it was possible.

SN suggested as there is a risk approach and we are good, we are unlikely to be approached.

RS differed and said it is about whether we have reached the right conclusion. SB confirmed that, to FRCS, this would be deemed high risk as it is regulated. RS confirmed this.

RECOMMENDATION

NOTED THE ESFA OUTSTANDING FINANCIAL ASSESSMENT

8. Internal Audit Reports

RoH noted that there were no reports for the period. There is only an update on a previous report Cyber security.

SN reviewed report, highlighting strong new measures in place across the campus and satellite locations. We have Cyber security certification in progress, we are updating both HR and financial systems.

SB explained the genesis of the cyber security item for the benefit of the auditors, being a number of national college ransomware and malware cyber-attacks leading to advancing a review of our systems and a plan for audit.

RECOMMENDATION

NOTED

9. Internal Audit Annual report

EG reviewed the annual internal audit report and highlighted the overall opinion that the College has an adequate & effective framework for risk management, governance, and internal control. She noted the enhancements and management actions within the appendix B on staff utilisation and health & safety.

SB thanked EG and RSM Internal Auditors for their work. He observed that one of the bullets stated that *a scope or limitation was that there may be instances where limitations or controls may not always be effective* and asked for clarification. EG replied, these are standard terms and not specific for Stanmore College and generally relate to human error. In other words, there is always a risk of failure.

SB confirmed that the College had done well, but noted there was one still draft, green / amber. SB asked if there was anything we've missed? e.g. audit planning, audit work, market intel or low probability high risk events? EG responded that we use risk registers to place high impact low probability events and these need to be heavily monitored. The plan for audit can vary from year to year and we look at certain areas only. We have the plan and it includes cyber security and safeguarding this year. SB added that he and BP reviewed the risk register, and asked ourselves the question around challenge of those items we do not normally focus on.

SN asked about Page 9 H&S & staff utilisation as amber. EG noted the audit issues identified remain unchanged, based on actions identified. EG agreed to clarify these point after meeting by email.

RECOMMENDATION NOTED

9ii. Emerging issues

EG noted that the emerging issue is that the funding agency is changing their approach on sub contracting. The internal audit issue a sub contract audit certificate that is generally good for the college. This is being changed to something similar to a kite mark, which is being phased in during 2021/22, with full implementation in 2022/23. The emerging issue is that the college must meet the requirement of that kite mark if they continue to subcontract. SN challenged that this was only for contacts totaling over £100k. EG confirmed this. SN noted we have reduced sub contract to 5% and now have hardly any, as we have moved to direct delivery through satellite centres. AJ confirmed that we do not have any.

SB asked EG about the papers that come from executives to this committee and how would you rate them? EG replied, certainly not poor, the papers in this sector are never poor. The Colleges are incredibly detailed, but may be too detailed which can muddy the message. However, they contain all the required info. I would say Good. SB agreed they are a good standard.

SB asked about Apprenticeship accountability? SN stated they have issued a new framework for apprenticeship standards and accountability for them. SB asked is the relevant committee, C&Q, aware of them? SN confirmed standards to C&Q and funding to A&A. SB didn't want it to fall between the cracks.

SB also noted the inclusion of safeguarding in the audit plan. This was specifically noted by the Committee – NOTED

SB commented on a separate organisation that asked what other committees does the internal audit attend? So posed this question to EG, do you attend any other Stanmore Committees? EG replied, we have moved away from standards reviews of committees, we attend A&A, and now undertake standards reviews of the whole Corporation [Board].

SB asked how can internal audit give assurance to the Audit Committee on the effectiveness Governance of the other committees if they have not attended; should they periodically review other committees and report back holistically on discussions? JL stated this is about challenge and

the openness too challenge. We should test that we are challenging the Exec. New Governors don't feel they have permission to challenge. This can be picked up by Audit. SR agreed, but commented that new audit tech might be worth looking into using AI. Eg mind bridge. RS stated we are using AI for data testing.

SB added that in business the external auditors suggested that Internal audit should attend and observe an EXCO meeting and asked should we do this here? **EG will talk to Mike C on the subject and respond.**

RECOMMENDATION

NOTED REPORT AND INCLUSION OF SAFEGUARDING IN THE AUDIT PLAN

EG to respond with Internal Audit recommendation on committee reviews

10. Review of Internal Audit Strategy

This was noted as being discussed within the preceding two items.

RECOMMENDATION

NOTED

11i. Draft Annual Committee Report 2020/21

SB called on RoH to overview the report of activity for the year. RoH summarised the key points drawn from minutes and auditor opinions.

All approved

RECOMMENDATION

APPROVED FOR PRESENTATION TO THE BOARD

11ii. Summary of Committee Reports seen

SB challenged that KPI's are missing off the Autumn Term work plan. **SB asked for this to be added.**

SB asked if there was anything else missing? All agreed that they saw everything else required. SN stated reports and timelines are based on the learner journey. SB noted that this committee holds the other committees to account and asked Internal Audit for comment. EG suggested that the reports seen are consistent with other organisations.

SN ask about self-assessment of the Board and Chair, SB asked how it works at other colleges, who performance manages the chair and the board. RS responded this is all about personal reflection, attendance, challenge, contribution and is down to the Board to self-manage. SN highlighted the AoC 10 guidelines and Governance Operational Plan states Governors should be acting and measured at that level. SN the Board should have feedback on performance through a self-assessment. JL asked if we could use an external assessor to facilitate self-assessment. SN asked about Governance audit. RoH responded that the Governance Operational Plan is aligned to the AoC Code of Good Governance; and the College plan would be to achieve Outstanding Governance within 3 years and seek an AoC external audit of Governance.

SB called for suggestions from external audit.

RECOMMENDATION

NOTED and add KPI's to workplan

12i. Management Accounts to 31 October 2021

SN reviewed Q1 accounts and noted that the income target versus actual has a variance of £84k due to education health & care plans and catch up tuition. We are still recruiting 16-18 year olds and have not fully recruited. This is the first quarter position and tuition fee of £206k not there at present. However, the College is making a surplus but has an £11k variance, down on target. The pension impact can be seen, budget down by £102k, AJ added, the budget was set on the CFFR in June and pension assumptions came in late September. Our policy is to accrue to the assumption and correct when we receive an actual pension report. So, this is a prudent management to assumptions. SN best case forecast outturn is £105k surplus, although we are still recruiting students and are below target; the worst-case scenario is still positive. At this stage cash in hand is 148 days. AJ confirmed this is really good and above target but will reprofile in March.

SB confirmed he had reviewed with BP and highlighted that 12.2 borrowing to income % is a non-issue due to loans versus cash in bank ratio. The current ratio is positive. However, he questioned diversity of income? SN responded that 98% of income is based on contract, we have no scope to diversify especially with the ESFA embargo on apprenticeships.

SB suggested that explanations meant that we can be less concerned with red items within the accounts as they can be managed. He noted that current ratios fluctuate. AJ explained how current ratios were managed as ESFA fund up front and it is managed as a liability.

JL agreed there are no other sources of diversifying income as we are primarily funded on 16-18 years.

SB made the observation, that in FE week, we been noted that the ESFA has stopped our apprenticeships. SN replied this is a legacy of 2016/17 data despite our current achievement. SB asked how we get apprenticeships back on track? SN stated we are in a battle with the ESFA and I have written to the Chief Executive. This is a legacy based on 4 students, however they will not review. This may be escalated to our MP.

SB asked if the £723k pension surplus and overall £723k surplus are directly linked
AJ commented that they are not linked
SB no more questions

**RECOMMENDATION
NOTED****12ii Monthly Monitoring to 31 October 2021**

AJ briefly overviewed, with much repeated from previous, we are still below learner target and are still recruiting at Level 3. SN stated we will reach targets; the only concern is HE. There are mitigation plans and a contingency plan. SB noted that this was identical to last year and quarter v quarter are consistent.

SN stated we are trying to diversify HE and are dependent on the provider, Portsmouth University stopped working with us and we now have a new HE partner in University of West; which enables learner pathways and HE progression.

**RECOMMENDATION
NOTED**

13i Risk Register

SB suggested that he appreciated the evolution of the risk register and 1.7 climate risk in curriculum; but was unclear on 1.7 so undertook a **deep dive**. SB suggested the risk is about strategy the College and not about teaching. SN explained that every curriculum area would use the language of the climate change agenda and that is what is depicted in the strategic plan. SB suggested this should be about the College and could be worded better. SB suggested something to do with "long term curriculum plans". SN confirmed that it is the language of the curriculum plan; that is not a new initiative, just a change to how the language eg net zero, sustainability etc. is presented and enforced. SB understood this as, whatever subject is taught, there must be something on climate change embedded within it. SN suggested they did and SB challenged that this was not the case. SN reviewed and **agreed to reword**.

SN then reviewed risk register and advised new risks on climate change; and movement of risks from amber to green.

SB noted that in Finance industry, firms that fail to take climate change action will regulatory face action. There is a focus on this in the industry. JL challenged that we need to learn what the rhetoric means for us and adjust how work, teach and position ourselves.

SB shared a video on climate change with Governors for training purposes

RECOMMENDATION

NOTED subject to rewording amendment of 1.7

13ii Risk register deep dive

Completed as part of 13i above.

RECOMMENDATION

NOTED

13ii KPI's

SN, KPI's are as expected for this time of year. There are issues around punctuality but attendance is on target. For this committee we need to look at financial KPI's; which are all very positive. JL questioned punctuality which is red at 89% against 91% target, SN advised it is due to student attitude after lockdown, we are having to retrain their level of discipline and behavior which have been an issue, as they have been working from home and now need to be back to college on time.

SN highlighted the A&A KPI's for review. SB explained that alongside these, the committee we will look at all KPI's as Audit oversees the work of all other committees.

SN explained that recruitment, attendance and punctuality would be expected to be amber at this stage, with majority of others green and this is exactly what we can see, so the KPI's are where expected.

SB had reviewed all green KPI's and ensured we covered all kpi's

RECOMMENDATION

NOTED

14. Governor training

ESFA has suggested that **Audit committee receive training specific to committee role.**
 RoH has identified online training through AoC and will share shortly for completion over next few months.
 It was noted that Governors have received training on cyber security, climate change & safeguarding.

**RECOMMENDATION
 NOTED**

15 Gifts & Hospitality Policy

SB challenged why an increase to £60. SB asked auditors to comment. RS noted that it was generally £40 but there can be exceptions of greater than this. All agreed £60 and approved policy.

15ii Risk Management Policy

SB noted that changes to scoring and methodology had been addressed. SB asked what the statement **in 8a, the planned audit risk target should be reflected in the Risk register meant.** SN explained that if you are auditing a risk, this should be planned. SB felt this needed clarification or wording to be improved. Otherwise approved

15ii Auditor Appointment policy

SN noted this was an ESFA requirement. There are only a set number of firms that understand colleges.

SB asked how do we manage rotation?

RS suggested that rotation can be managed within firms and internal safeguards.

RS noted that it was an issue for audit firms to get the right staff and that the big 4 are turning away work due to risk, linked to fees. This was partly due to the industry heading. JL agreed they are lowering their risk appetite.

RS also noted that some firms are not taking on new customers with certain risk profiles.

Approved

15iv Governor Expenses Policy

Not submitted at this time

**RECOMMENDATION
 APPROVED POLICIES
 GIFTS & HOSPITALITY
 RISK MANAGEMENT
 AUDITOR APPOINTMENT**

16. Any Other Business

None

17. Meeting Review, Learning and Reflection

SB as Chair, I could be better prepared, I was rushing, apologies

SN it was robust challenge

JL papers could be single file to suit personal IT– **action RoH**

SR – no

Internal Auditors – no

External Auditors – no, all good

SN thanks to AJ for standing in.

Part 2. CONFIDENTIAL

It was noted that Part 2 there were no actions or updates at this time.

18. Date of next meeting

6.00 pm Tuesday 1 March (note the later start time)

Meeting ended at 5.40pm

Signed

Chair

Date

Action points:

Item	Action	Responsibility	Timescale
7i	Financial Statement Draft changes to attendance format and outstanding terms noted	BP / RoH	Dec 2021
9ii	RSM to respond with Internal Audit recommendation on committee reviews	RSM	March 2022
11ii	KPI added to audit Autumn work plan	RoH	March 2022
13i	Risk 1.7 reworded	SN	Dec 2021
14	Audit Committee online training	RoH	Dec 2021
15ii	Risk management Policy wording of 8a to be reviewed	BP	Dec 2021