



## Minutes of the Meeting of the Audit and Assurance Committee 7 March 2023 at 5:30pm

| Present                   | In Attendance                          |
|---------------------------|--|
| Sundeeep Bhandari (Chair) | Annette Cast (Principal)               |
| Ying Kay                  | Robert Heal (Director of Governance)   |
| Paul Goodman              | Thomas Parker – RSM Internal Auditors  |
|                           | Fiona Chalk, Independent Board Adviser |
|                           | Anjana Jonathan (Finance Manager)      |
|                           | Justine Gooch (Director MIS)           |

### 1. Chairs Opening Remarks

The Chair checked the meeting was quorate. The Director of Governance confirmed that quorate with a minimum of 2 members present. The Chair welcomed everyone to the meeting. Item 9 would be taken in the confidential part of the meeting.

### 2. Apologies for Absence

JL, ShR, MHLLP Auditors

### 3. Declarations of Interest

None

### 4. Minutes of the Meeting of 7 March 23

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

### 5. Matters Arising Not on the Agenda

None

### Action Point review

A verbal update by the Finance Manager was given on the Internal Auditors tender progress. The College had approached a number of auditors via an RFI. The bigger ones were not interested in tendering. In general, costs given by respondents were up by 35%. The current auditor has not responded. **The Chair asked for a summary to next meeting - action**

### 6i Post 16 Audit Code of practice update

A review of changes was overviewed by the Director of Governance. The Chair called upon the External auditors to give a summary of the changes related to the ONS statement of "nationalisation" and they recommended a basic sense of value for money and risk to governors. Governors challenged the impact of the change of status. The Chair explained the impact and gave examples. Inc: that we cannot have bank loan funding without government approval. RSM noted that a financial handbook was scheduled for publication in Sept/Oct

### 6ii Terms of Reference Annual review

The Director of Governance recommended a change to ensure compliance with Managing Public Money regulations, until such time as the Financial Handbook is published.

**Governors approved the ToR's**

**6iii Select Chair & Vice Chair for the forthcoming year**

It was resolved that Sundeep Bhandari would be Chair and Ying Kay would be Vice Chair

**Approved by the Committee****7. ESFA Financial Assessment & College financial benchmarking**

The Finance Manager spoke about the financial assessment and highlighted the outstanding assessment forecast based on information provided. From 2019 onwards we are on target and have achieved forecast. The financial health of all colleges shows a decline of colleges to average of good. The Chair noted these metrics and explained that the college is focussed on achieving a small bottom line profit to prevent actions arising by FE commissioner. The Finance Manager noted cash days are very healthy at 190 days. There is a dependency on the main funding stream and the college is pending new guideline introduction. Governors challenged cash days forecast peak / trough. This was explained as a regular Feb/ March operation trough, but this year we have a grant that has offset the trough.

**8. Internal audit reports****8i Key fin controls,**

The auditors gave substantial assurance, with 1 medium action. A clean report and the college came out better in this area of fixed assets than other benchmark colleges. Governors challenged on action. The Finance Manager noted that the college has started cross referencing systems for new and financially recorded assets, but where assets are fully depreciated this is more difficult.

**8ii Learner Number Systems**

There were 4 low priority actions, an improvement on last year. This is a core regulatory audit, using ESFA framework. Issues were seen around transfers, start dates reconciliation, work experience on MIS and minor variations. There were no funding variations. A Good report.

**8iii GLA subcontract controls.**

This was separate to the audit plan. The ESFA changed approach and noted that college has less than threshold to require full audit. However, GLA exceeds the threshold so this is more prominent. A certificate has been issued with minor issues, inc. wording of roles & responsibilities, wording on policy and transparency on funding values. None are significant. Governors challenged academic provision, the RSM representative noted this was across all T&L subcontract and focus on GLA provision.

**8iv Draft Annual Report**

RSM presented an early opinion that is amber / green. Reviews inc: Governance review, risk management, risk register and internal controls. They noted a number of actions and follow up. That have been fully implemented subsequent to this document being drafted.

Governors challenged those items in Red, RSM explained it related to merging courses and that it has now been closed and made green.

**8v Emerging FE issues.**

The main issue is the Public sector reclassification by ONS. Inc: check with new requirements to changes in next year audit. DBS emerging across sector as an issue. Governors challenged VAT. RSM explained that hoping for total VAT exemption similar to academies.

**9. Taken in Confidential****10 Internal audit strategy**

The plan for 23/24 was proposed with actions to be fully implemented. It was suggested that this should be Learner numbers, financial controls, budgeting & financial procedures and financial regulations. This was agreed with RSM and the College. The Chair requested that the Principal be

included as a fresh set of eyes.

Risk reviews: staff utilisation / capital programs , potential implications of capital development. Governors challenged appendix b cyber audit plan. RSM explained it was completed in late 22. by a specialist group and findings showed good outcomes. Actions are in place with follow up and only area was leavers. The Chair noted that the College was at higher risk of cyber attack due to ONS reclassification as Central government.

**The Director of Governance was requested to share the cyber audit report & Hadlow papers with members - action**

Governors challenged audit costs and RSM overviewed costs and the % increase.

Governors challenged RSM length of service as Internal auditors. RSM stated this as 13 years. The Chair noted that internal audit could be outsourced or internal, but that RSM rotates partners to refresh oversight of the account.

**Governors approved the strategy**

**11 External Audit Strategy**

The Committee noted the strategy and that fees have been kept down

**Governors approved the strategy and fees**

**12i Capital Build Risk Register**

The Principal explained the development of the risk register and its focus on learners. The Chair highlighted that H&S is issue. The Principal explained the college H&S actions, first aid and induction. Governors noted 3.1 & 3.4 scoring same, but the result is different the risk register was asked to be reviewed and resubmitted – Action

It was noted as a work in progress but had too many errors at this stage.

**Governors noted the Capital Build Risk Register**

**12ii Capital Build Update**

Paper taken as read.

**13i. Management accounts**

The Finance Manager overviewed April accounts, noting that May is not yet ready but will be distributed shortly. April shows a forecast surplus, but this is now in dispute due to UCU not accepting and being in formal dispute over the college pay award. The financial position is not improved. The principal explained the pay process and outcomes. The financial limitations of the college remain and UCU are likely to ballot for national strike. Currently the college is not in a position to agree beyond our scope. Governors desire to pay as much as possible but are limited by financial income. The Finance Manager explained the monthly report and financial outcomes. Governors investigated the pay review timeline as we near the end of the financial year. The Principal confirmed that we will need accrue into next year. There is a risk of strikes at end of year or in new term. There are 14000 members across country. Risk is to impact student enrolment and associated funding.

The finance manager stated that May is very similar financially but yet to be published. Prudence means we need to review for clawback nearer end of year. Governors challenged 16-18 funding, which was explained as lagged funding; and next year will prove very challenging as learner numbers reduce. The Chair noted we are going into a difficult period especially with capital build and its long-term future.

Governors challenge recruitment numbers continuing over year, the Principal explained this not 16-18, but is separate adult recruitment. The challenge is to change to a community college, be

demand led and support the community, with the right learner on the right courses and as such diversify income.

**Governors noted the Management accounts**

**13ii Monthly Monitoring**

Taken as Read

**13iii College Accounts Direction**

The Director of Governance noted that changes inc. managing public money and submit a March return. The Chair explained the regularity assurance for members benefit.

**Governors noted the College Accounts Directions**

**14i Risk Register**

The Principal highlighted the review of the risks and actions taken in period

The Chair sought a deep dive of risk 5.5

The Chair noted that the risk register was benchmarked by Internal audit against 15 colleges and appeared comprehensive and detailed

**Governors noted the Risk Register**

**14iii KPI report**

The Director of MIS explained the report and commented that at end April attendance is below benchmark, punctuality below target, 16-18 recruitment lower than target; which will impact 24/25 allocation. ESFA funding was shown to be below value due to targets and lagged funding. Figures are still changing as new adult courses starting next week and numbers will increase. Enrolment target has been met in May; and May shows an improvement.

The Chair noted for members that Audit focusses on impacts, whereas resources and C&Q balance this by checking. The committee objective is to assess bottom line impact. Governors challenged key areas inc enrolment and punctuality. The Principal responded with explanation of actions in progress

**15. AOB**

No AOB

**Date of next meeting**

5pm Tuesday 21 November 2023

**Meeting ended at 7:10 pm**

**Signed**

**Chair**

**Date**

**Action points:**

| <b>Item</b> | <b>Action</b>                         | <b>Responsibility</b> | <b>Timescale</b> |
|-------------|---------------------------------------|-----------------------|------------------|
| <b>5</b>    | Tender update                         | BP                    | November 2023    |
| <b>10</b>   | Share Cyber Audit Report with members | RoH                   | June 2023        |

