

GREENHEAD COLLEGE CORPORATION
Minutes of the Audit & Risk Committee meeting
Monday 13 November 2023, 5.00pm
starting with Joint Meeting with Finance & Estates Committee

Govs present: Anthony Hurley; Chris Kneale; Ed Wynn; Mohammed Usman; Richard King (Vice Chair); Stuart Irving (Chair)
& F&E Govs staying-on for A&R meeting: John Holroyd

In attendance: Simon Lett (Principal); Mike Benson (Murray Smith); Rosalind Armstrong (AuditOne, via Teams); Sharon Roper (Clerk)

Apologies: Alison Jones; Elliot Gill

+ additional F&E Govs for initial Joint Meeting:
 Adrian Barrass; John Holroyd; Richard Armstrong

AGENDA ITEM	DISCUSSION	ACTION
<p>JOINT MEETING</p>	<p>Joint Meeting with Audit & Risk Committee and Auditors, 5.00pm, to consider 2022/23 Year-end Report & Financial Statements, External Audit Report 2022/23, all previously circulated <i>(these Joint Meeting minutes are replicated in A&R Committee minutes).</i></p> <p>Joint Meeting with Finance & Estates Committee, 5.00pm, to consider 2022/23 Year-end Financial Statements, External Audit Report 2022/23, all previously circulated <i>(these Joint Meeting minutes are replicated in F&E Committee minutes).</i></p> <p>Joint-1. Year-end Financial Statements, previously circulated.</p> <ol style="list-style-type: none"> 1. This year Murray Smith were asked by MJO to complete the accounts in full. 2. The report at the front is updated by GC with statutory paragraphs included. 3. SLE said there are some further amendments to make. 4. EWY said it was good to see principal risks in the report but there is no assurance about the plan to manage the risks and this can be considered for future reports. <p>Joint-2. External Audit Report 2022/23 (Audit Completion Report). Mike Benson reported:</p> <ol style="list-style-type: none"> 1. Page 9 gives a summary of results over the last three years; the income has increased this year due to additional students and increases in funding per student. Staff costs haven't increased by the same ratio. There is a £1.5 million surplus which is a significant increase. 2. Good result as five years ago staff costs were very high 	<p>SLE</p>

compared to income.

3. The balance sheet (page 10) shows cash and investment balances rise from £3 million to £5.5 million.
4. A key measure to determine the strength of the college is to look at net current assets, that's increased from £2.5 million to £4.6 million.
5. A pension asset is reported this year on the local government pension scheme. There's a debate in the industry as to whether these assets are recognised. ESFA have refused to provide guidance to say if the assets should be recognised. Murray Smith is happy for colleges to recognise the asset.
EWY asked if the same approach is taken with liability – under FOS102, liability is recognised.
RAR said in the past it's been recognised when it was a liability, it's now a small asset which won't be material in the context of our overall financial health. MBE said that when ESFA assess financial health they ignore it whether it's an asset or a liability.
EWY said the figure is a £1.3 million swing. MBE said the only impact is that at certain times the local government increase or decrease contributions.
The teachers' pension doesn't appear in the accounts. JHO asked about the actuarial review of the teachers' scheme which was reviewed in 2016. A recent review has been issued in the last few days; a 2020 valuation will be used from April 2024. Murray Smith are waiting to hear if the pro forma accounts need changing and will advise GC if they do.
Teachers' pension has increased by 5% EWY asked that pension contributions are considered in the budget planning cycle. Increases in teachers' pension contributions continue to be funded by the government
6. Statement of Cash flows (page 11) shows what happened to the money generated by the college, the money was used to pay back some of the loan. The purchase of fixed assets was mostly covered by grant income. Cash increased by £2 million.
7. Overall, it's been a good result.
8. EWY asked how the new building funded by the DfE is reflected financially. It is brought into the accounts at handover as a fixed asset, and as a deferred capital grant liability. Each year the asset is depreciated and releases the money from the grant into the p&l and they match. RAR said that DfE have said the building value is £14.1 million.
9. SIR asked if there is any restriction on the amount of cash built up. MBE's experience is that colleges operate surpluses between £2 -£6 million, so GC is at the high end, there is no limit. RAR said that following the ONS review the government will review in 2025 if cash balances can be retained by colleges.
10. Internal controls (page 13) – three recommendations were made:

	<p>some policies are identified as past their review date, purchase authorisation – tightening needed for invoices to be signed off in accordance with financial regulations, credit card expenditure and expenses need authorisation evidence (fraud often happens in smaller amounts eg. on credit cards).</p> <p>11. Unadjusted misstatements (Page 15), this was a clean audit, there is a minor potential adjustment on depreciation which they don't recommend adjusting on the accounts.</p> <p>12. MBE said his team at Murray Smith want to thank SCE for her help and efficiency with the production of all the information they needed.</p> <p>Joint-3. Murray Smith letter of representation, this is a standard document that all colleges Murray Smith work with are asked to sign. It also confirms that there is no fraud that governors haven't made Murray Smith aware of. The only change from previous years is following the ONS reclassification that there are no issues with managing public money. RAR said the letter is dated in November, but he will sign the letter after approval at Corporation meeting in December.</p> <p>RKI asked if there is anything outstanding on the audit, MBE said there's nothing substantial, his team are still working with SCE on minor items. JHO asked about how we compare with other colleges; MBE said most colleges have had a better result this year than last year principally due to the increased funding per student and GC is at the higher end. GC cash has moved from the bottom to the top of colleges that Murray Smith deal with over the last few years. RAR said GC has benefited from the high value courses that are popular in our curriculum. RAR said there is a small typo (Financial Highlights, page 10, second paragraph) that says, 'sort term' not 'short term'. RAR asked about trade creditors which have increased even though our financial position is stronger, MBE said this number is only 10% of our other operating expenses and is probably one or two purchases and KWO said it will have been on the purchase ledger, it was agreed that it was down to timing. SLE clarified that the documents will come to us via Document Share for signing, after approval and signing by Corporation and the Chair, then they're uploaded to ESFA. Financial returns and the Audit Completion Report is also sent to ESFA. Regularity Self-Assessment questionnaire also goes to the board for approval in December, this needs sending to Murray Smith when it has been signed off. MBE will send information to SLE confirming what needs</p>	<p>Murray Smith</p> <p>SLE</p> <p>Clerk</p> <p>MBE</p>
--	--	--

	<p>sending to ESFA. The deadline to submit these documents is the end of December. JHO thanked MBE and Murray Smith for their help.</p>	
<p>A&R CTTEE MTG (5.30pm)</p> <p>1. Welcome, apologies</p>	<p>SIR welcomed participants. Apologies as above.</p>	
<p>2. Declarations</p>	<p>No declarations of pecuniary/prejudicial interest.</p>	
<p>3. Minutes 11/9/23</p>	<p>3.1 Minutes 11/9/23, previously circulated, agreed by Committee, signed by Chair, returned to Clerk for filing.</p> <p>3.2 Matters arising not covered on agenda: 1. SLE has produced a note of outstanding action points, which include which staff member is working on it and when it's likely to be actioned, this has been circulated to all committee members. 2. SLE confirmed that the Risk Registers have been updated, New Build Risk register is going to CDC meeting (22/11/23) and both registers will be on Corporation agenda (4/12/23). 3. SIR offered to come into college and help out due to the recent staffing changes. 4. (Min 5.14), substantial revisions have been made to the Fire Safety Plan, Clerk to forward to committee members.</p>	<p>Clerk</p> <p>Clerk</p>
<p>4. Internal Audit</p>	<p>Risk Management Audit, Rosalind Armstrong summarised the report, which was previously circulated: 1. This audit tested the risk management framework and focused on how the college identifies, assesses, manages, records, evaluates, and reports risks and the Risk Policy was reviewed. 2. There were three high, two medium, and one low recommendation. 3. The recommendations include: -the college needs to define its risk appetite, this should be agreed by the board, and be published in the Risk Policy. -the college should consider adopting tiered risk appetites for the different types of risk. -the risk policy needs updating and expanding. -the college should critically review the governance structure for managing and monitoring risks, to ensure wider formal participation from staff and governors. -Audit One suggested models for GC to consider that have worked well elsewhere. Other suggestions were having risk as a formal agenda item at SLT or forming a separate risk</p>	

	<p>registers, updating mitigating actions and the college risk appetite. SIR and EWY offered their help to SLT.</p> <p>IT Infrastructure and Disaster Recovery, Rosalind Armstrong summarised the report, which was previously circulated:</p> <p>14. This audit tested the disaster recovery policies and procedures, governance framework, testing and resilience of recovery plans and assumptions used.</p> <p>15. There were three medium recommendations which included:</p> <ul style="list-style-type: none"> -ensuring any single points of failure in the IT network and infrastructure are documented. -introducing a formal schedule carrying out test recoveries of backups of key systems so that lessons learned can be captured and applied. -bi-annual scenario testing detailed in the disaster recovery plan hasn't started yet. <p>16. The audit has been assigned a good level of assurance.</p> <p>17. EWY asked if the recovery from a Ransomware attack has been considered during the audit. Rosalind will find out if this was tested in the audit.</p> <p>Mike shared that a college in the Northwest lost everything in a recent Ransomware attack and had to rebuild from scratch.</p> <p>18. SIR asked about the bi-annual scenario test, SLE is following the actions up with PDI (MIS manager).</p> <p>Follow Up report, Rosalind Armstrong summarised the report, which was previously circulated:</p> <p>19. The follow up is an annual audit which reviews all recommendations that have been reported as implemented and evidence is sought to verify this. An overview of outstanding actions is also provided.</p> <p>20. Nine implemented actions were in scope for testing, three were evidenced, two were assessed as partially implemented and four were assessed as not implemented. The recommendations for the partially and not implemented actions were reopened and new target dates have been submitted.</p> <p>21. Fifteen other recommendations were outstanding, subsequently seven are now reported as implemented, the remainder have a revised action date.</p> <p>22. RKI asked why they haven't been implemented, SLE said that the infrastructure wasn't in place, the majority of the actions will fall to the two new postholders. The outstanding actions will be completed by Spring 2024.</p> <p>23. SIR asked what the priority actions are, Rosalind recommended the business continuity stress testing.</p> <p>Annual Report, Rosalind Armstrong summarised the report, which was previously circulated:</p> <p>24. This report summarises the work completed during the year which included positive outcomes for the Strategic and</p>	<p>Rosalind Armstrong</p> <p>SLE/PDI</p> <p>SLE</p>
--	---	---

	<p>Business Planning, IT Disaster Recovery and Safeguarding audits. There is an action plan in place for the Risk audit. The Follow Up audit had a reasonable level of assurance.</p> <p>25. Issuing draft reports within 10 days was missed for two audits in the plan, this was due to operational pressures at Audit One.</p> <p>26. SIR complimented the report on its scope and breadth.</p> <p>27. EWY asked about the scope for internal audit in this academic year. Rosalind confirmed that Audit One are not continuing as internal auditors for GC. SLE said new internal auditors are required. Audit One have already provided GC with a list of other internal audit companies.</p> <p>28. EWY asked what Audit One recommend looking at this year. Rosalind said targeted follow up of Risk Management, and if they had continued with us, they would have audited quality assurance processes, procurement, 16-18 provision, and software management, although risks change rapidly so any plan needs regular review.</p>	
5. External Audit	No additional updates.	
6. Legal, regulatory, sector developments	<p>Mike Benson gave the following updates:</p> <p>1. Teachers' pensions will increase by 5%, this will be covered by the government. This will have an affect in the independent school market. This affects GC, as we're in the state sector, we can potentially attract teachers from private schools with the advantages of our pension fund.</p> <p>2. There's likely to be an addition of VAT onto independent school fees, this may affect admissions for our feeder schools and ourselves.</p> <p>3. It's not obligatory for colleges to have internal auditors. Colleges who don't have internal auditors commission specialist audits, this means the audit committee and principal have to take more responsibility in regard to control.</p> <p>SLE will contact internal auditors from the list he's been given.</p>	SLE
7. Policies/ Procedures to review	<p>Disaster Management Plan – This is currently being reviewed by SLT.</p> <p>A desk based review on Cyber Security will be undertaken in January.</p> <p>EWY asked that Ransomware be considered in the plan. Updated Plan will come to the next A&R meeting (26/2/23).</p>	Clerk for agenda
8. AoB	SLE thanked Rosalind Armstrong and Audit One for their help and support over the years.	

9. Confidentiality	No confidential aspects identified.	
10. Date next mtg	<ol style="list-style-type: none"> 1. A&R Committee Mon 26 Feb 2023, 4.30pm 2. A&R Committee Mon 29 Apr 2023, 4.30pm 	Govs note

Minutes prepared by Sharon Roper (Clerk to the Corporation) on 28/11/23

Approved & signed by Chair, Stuart Irving on 26/2/24