

## THE COLLEGE OF RICHARD COLLYER

### MINUTES OF THE MEETING OF THE AUDIT & RISK COMMITTEE HELD ON Wednesday 22 November 2023 at 8.00 on Zoom

Present: Karl Banister, Sarah Ediss, Susan Martineau, Dom Valente

In attendance: Members of SMT - Ian Dumbleton (FD), Dan Lodge (Principal)  
Russha Sellings (Clerk)

External attendees:  
Chris Rising (MHA MacIntyre Hudson) Item 5a only  
Graham Gillespie (Wylie + Bisset) Item 5b onwards  
Scott McCready (Wylie + Bisset) Item 5b onwards  
Shachi Blakemore (Buzzacott) Item 7 onwards

In the Chair: Dom Valente

#### 1. Chair Introductions and Apologies for Absence

The Chair opened the meeting and welcomed all members as there were no apologies.

#### 2. Declarations of Interest

None declared with respect of the agenda items.

#### 3. Minutes of the meeting 23 June 2023

The minutes of the previous meeting were approved without amendment.

#### 4. Matters Arising

*(not already covered on the agenda)*

Item 5: Learnings from local schools on cyber-crime

The IT Network Manager was attempting to gain some further insights and the Principal would report back any relevant information once available.

Item 8d: ILR review frequency

The FD suggested that members refer to the new internal auditors for guidance on frequency of the ILR audit.

Item 9iii: Gifts & Hospitality process

As Christmas was approaching, the FD said a link to the guidelines had been circulated recently to all staff including a reminder of what was acceptable. Members were satisfied with this response.

[8.07 – Chris Rising joined the meeting]

#### 5. Internal Audit / Board Assurance

*Papers: MHA report 22-23, ILR audit, W+B engagement letter and ANA*

a) Updates from MHA

i) ILR review

The Chair welcomed Chris Rising to the meeting. Chris first addressed the ILR audit, the last of MHA's audits undertaken in the previous academic year. In summary, the audit opinion was positive with an overall adequate assurance grading. Whilst there were sufficient internal controls in place and the testing did not identify any specific issues, one recommendation was made to review the calculation of the total planned provision hours ensuring this aligned with the registered hours. The objective of matching the actual versus planned hours was queried. Chris acknowledged the aim of the advisory note was to ensure that the process was robust and

mitigated any future risks. Management had accepted this in their response which would be taken up with the consultant MIS Manager. He had not been in post at the start of the ILR cycle, although since working with the College had drawn from his experience, improvements and enhancements which the Principal said had led to planning becoming increasingly more accurate.

ii) MHA summary report 22-23

Chris went onto present his summary report for the year confirming the College has adequate and effective management and control and governance processes in place based on the areas of review over the period. This was particularly relevant to strategic management of estates and Quality Assurance where substantial assurance could be gained.

Chris wished to note his thanks to the FD, Principal and Clerk. In response thanks were recorded to MHA who had been the College internal audit partner for several years.

[8.18 – Chris Rising departed the meeting]

b) Wylie & Bisset introduction

[8.07 – Graham Gillespie and Scott McCready were welcomed to the meeting]

Introductions were made for the benefit of the new internal auditors. In terms of key personnel at Wylie + Bisset, Graham was the lead partner and Scott would be the main contact on the account.

i) \*Engagement letter

This was noted as a standard engagement letter.

ii) Audit Needs Assessment (ANA) 23-26

The rationale was explained; a risk based approach with input from the wider team made in reference to ESFA guidance. Wylie + Bisset also had drawn on various documentation including previous audit reviews and the College's Risk Register to build a 3 year rolling programme. The operational plan for the academic year set out in pages 9-10 would cover a funding review and ILR sample testing, review of safeguarding and exams processes with the timetable noted on page 11 which included reporting back to the Committee. Graham suggested the forward looking plan had an element of flexibility and it was recommended revisiting in the summer term. Members were directed to the appendices where the grading structure was explained and they heard that the internal auditor would use KPIs to assess their own performance via the annual report to the Committee. Training was also included as additional benefit.

Questions were invited. Both members and management were very supportive of the plan, especially with regards to safeguarding due to importance and impact.

The FD took the opportunity to raise the matter of the ILR audit frequency (as discussed under matters arising). Graham advised that ILR reviews were good practice and allied with risk management due the financial impact, however the most common review period was every three years, although it was possible to be subject to a random sampling by the ESFA at any point.

It was discussed bringing cyber security (identified in the third year of the plan) forward due to increasing network security issues in the sector. Reference was made to the external auditors advisory note in the Post-Audit Report specific to Cyber Essentials and recently updated DfE guidance for schools and colleges. It was suggested Governors may also benefit from training on cyber associated risks.

In response to a member's question on whether there was enough time allocated to cover all areas identified or if anything else was needed, Graham said he believed the first year plan was sufficient and there were no additional areas to highlight at this stage. Graham alerted members to the new College Financial Handbook following reclassification, a draft of which was expected in the spring

and with full compliance from 1 August 2024. In response, the College would need to review its financial controls.

Members were reassured with the handover to the new internal auditor and were content with the operational plan for the year.

**Recommendation: The Governing Body approve the internal audit plan for 23-24.**

Graham and Scott were in attendance for the remainder of the meeting.

## 6. Risk Management Update inc:

*Papers: RMG minutes Oct 23 College-wide Risks, External Risks, Risk Management and Assurance Policy, fraud questionnaire, ISA 315 controls questionnaire (SharePoint only)*

### i) \*RMG minutes 17-10-23

The minutes were received as a consent item. The Principal provided an update on the move to a management committee structure, in parallel the risk registers now aligned to directorate strategies grouping together (e.g. IT and MIS under Digital and Adult Ed into Curriculum) enabling risk registers to be streamlined and the key College risks overall more easily identifiable. The Chair commended this work and the alignment with College strategies.

### ii) College-wide risks

Following the above update, risks had emerged from each risk register. The Principal cautioned that the current landscape remained complex with uncertainties in many areas. Questions were invited by risk area. Members wished to understand the implications over time of risk B.5 (payroll increases). Due to additional funding, the pay increases were currently affordable reducing the gross risk at this point. The FD confirmed the underlying cash flow position was strong buoyed by growth in student numbers which didn't automatically translate to increased staff costs levelling the payroll in percentage income terms. However there remained uncertainties on future pay awards and pensions which meant relying on current assumptions for the moment.

B.6 and the impact on recruitment of international students due to academisation was a matter for the Academisation working party, however the Principal acknowledged the risks could be articulated more clearly in terms of the potential loss of provision and in respect of current impacts of recruitment specific to some countries. **(Action: Principal)**

Members explored other risks such as C.2 which could have more immediate impacts due to future inspection. Members observed the risk register could benefit from stating who each risk owner was. The Principal said this was normally added where there were additional actions and mitigations added over the year, however agreed it would be useful for risks to have a named owner against each one. **(Action: Principal)**

A member questioned whether the Estates Committee had undertaken a full learning review following the completion of the new building. The Principal responded that there existed project management processes that would address this at the appropriate time, however currently there were ongoing negotiations with the contractor in relation to the final account. He would however highlight the matter to the Estates Committee Chair in future discussions.

There was a further action specific to H.1 and H.2 to increase the prominence of the new People Strategy. At the time of drafting the current risk register, the strategy was in draft. It was now due to be approved by the Governing Body following the internal consultation process and review by the F&GP Committee. The Principal agreed and suggested the next update of the risk registers would be the appropriate point to include this.

Wylie + Bisset remarked on the benefit of including a risk owner for each risk. They also suggested a risk appetite assessment could be made against each risk due to the degree of variance e.g. for academisation the risk tolerance may be higher due to the nature of the project. The Principal

referred to historical discussions that had taken place with Governors at previous Audit meetings about a risk appetite statement which had now been included in the associated Risk Management & Assurance Policy. It was acknowledged this was a general assessment and the point was taken in terms of considering this a future development. Wylie + Bisset to share an exemplar risk template with examples of categories of risk. **(Action: W+B)**

iii) External strategic risks

The Principal referred back to the exercise from the UMAD in June 2022 that had led on from Stephen Carville's strategic review. The PESTLE analysis had proved a useful approach in framing the strategic landscape and the external risks were therefore quite broad.

There were no further comments.

[9.00 – Shachi Blakemore was welcomed to the meeting in advance of Item 7]

iv) Risk Management & Assurance Policy

The Principal advised the review was in addition to the current cycle arising from the renewed mission statement and updated strategic aims.

**Recommendation: The Governing Body approve the Risk Management and Assurance Policy.**

v) H&S risks (Estates)

The Clerk gave a verbal update following discussions with the Chair. There was some wider development underway to refine the level of operational information on H&S provided to the Estates Committee and how this would be presented to the Governing Body. It was agreed to reinstate the annual H&S report with a new strategic format and the Chair had provided a suggested framework.

*[new requirements]:*

vi) Fraud risk questionnaire

The FD assured members that there had been no instances of financial related fraud although the College remained alive to the risks. The external auditors provided a new fraud report template which the Clerk added was new reporting requirement. Shachi also recommended the related anti-fraud check list Audit Code of Practice (appendix 1) be completed annually as best practice and it was agreed to include this in the Committee's annual workstream given the risks. **(Action: Clerk)**

There was a requested amendment on point 4 to include bank transfers as well as cheques. The FD said there were also additional processes followed for example where a staff member changes bank details which was considered an area open to fraud and for completeness this could be included. **(Action: FD)**

vii) \*ISA 315 IT controls

This was noted as a consent item and the questionnaire was included on SharePoint for reference.

## 7. Financial Statements Audit

i) Draft Audit Findings Report inc. Letter of representation

Shachi provided commentary on the Post-Audit Report. Thanks were recorded for the support of the FD and Clerk as the audit had completed efficiently. This was particularly reassuring as the auditors were finding a level of churn amongst finance professionals which led to additional challenges when undertaking audits. There were no areas of significance to highlight, however two aspects of future strategy may require further explanation. One was around the possible loan from The Mercers' Company, although at this stage a revised offer was still in progress and this was unlikely to be resolved in the accounting period.

Shachi further explained that the College were a going concern financially, however subject to the timings of academy conversion, the legal aspects of going concern couldn't be guaranteed if the

legal structure of the College would be changing in the next 12 months. It was discussed how realistic conversion might be before December 2024. Shachi presented some options for the going concern. The first was to include some narrative on the aim to convert, with the understanding that the timings could go beyond this period, especially as for colleges it could take around a year to convert. The other options were to specify an identified conversion date which if within 12 months, the College would be financially solvent but would not legally exist in its current form which meant the going concern could not be confirmed or lastly articulate a combination of both with a note about material uncertainty. This would need to be resolved before the Annual Report and Financial Statements were presented to the Governing Body on the 6 December. The Chair referred to the Principal who would need to confirm following the next Academisation working party due to current partnership engagement. One member suggested the minutes from this could provide direction to the auditors in the going concern assessment. **(Action: Clerk)** The Principal was aware of 4 SFCs who were planning on converting meaning there were others in a similar position. Shachi added that since reclassification, Managing Public Money (MPM) rules meant the advantages of conversion appeared to be less obvious.

The recommendations in the report were discussed. In terms of the IT environment, Shachi alerted members that a cyber accreditation may become a condition of funding. The Clerk advised the College were working towards Cyber Essentials and the IT Network Manager would provide updates by Christmas. The risks associated with a cyber attack were well understood both financially and reputationally. Members had discussed earlier in the meeting bringing the cyber security audit forward in recognition of this importance. Other minor points to note were to clean up the fixed asset register in the next year and an advisory point on moving towards electronic financial records in future.

Following the sector updates, members discussed drafting a formal reserves policy to articulate the plans for the surplus, which Shachi said was broadly in line with other colleges. A reserves policy was also discussed by the F&GP Committee. It was agreed it would be helpful to include some narrative on legacy grants. The Principal said the plans for future growth were also clear on the College website. Academisation would impact on future reserves depending on the operational model and academy trusts were required to have reserves policy. Pensions were also raised; at the present time there were no guarantees of funding. It was observed that the surplus on page 5 of the accounts disclosure did not include LGPS contributions.

Shachi further advised that there would be new accounting standards for colleges including academies in 3 years time.

The Letter of Representation also made a statement about going concern. Shachi would remove the note about the pandemic as this no longer applied.

**Recommendation: The Governing Body approve the Post-Audit Report and LoR, subject to amends and additional wording on the Going Concern.**

ii) Report and Financial Statements for the year ended 31 July 2023

*Opportunity for members to question the auditor without the execs present*

Members took the opportunity to question the auditor without management present and the Principal and FD left the meeting at 9.37 for a short period.

The Chair had been in contact with members by email prior to the meeting to invite any discussion points. The merits of a reserves policy were revisited, in relation to whether this exposed the College to undue risk, or whether the current general approach to reserves in the Annual Report as seemed to be common practice was appropriate. Shachi advised that there was no risk, and that it would be likely that the academisation would prompt the need for a policy, which would consider how reserves were treated across the whole trust. Shachi explained that if the College were to academise, there would be additional considerations as reserve levels were required within specific parameters. Any funding from The Mercers' Company could be covered in such a policy.

Members sought assurances that the auditor had the full co-operation of management and Shachi confirmed she was satisfied with the level of transparency. There was regular dialogue with the FD who reached out to the auditors where advice was required and this was noted as positive. One point was raised where Shachi observed a reliance on manual and potentially inefficient accounting processes due to the current accounting finance system. Newer systems would enable more effective processes and efficiency in the finance team. Members noted that finance software upgrade would likely be part of the process of academy conversion.

The Principal and FD returned to the meeting.

**Recommendation: The Governing Body approve the Annual Report and Financial Statements to July 2023, subject to additional wording on the Going Concern and to minor amends suggested by members offline.**

**8. Audit Committee Annual Report to the Governing Body 2022-23**

*Paper: Annual Report*

The Chair invited the Clerk to speak to the report and the Clerk provided a brief summary.

The Chair had sent some suggested comments in advance and the document would be finalised and shared with the Governing Body at their next meeting.

**Recommendation: The Governing Body approve the Committee’s Annual Report.**

**9. AOB**

None to report.

**10. Meeting Assessment**

Thanks were recorded to everyone who helped to draw the meeting pack together and provide reports and other papers.

**11. Date of Next Meeting**

The Committee would next meet on: **Wednesday 6 March 2024, 8.00am** via Zoom.

*The meeting closed at 9.48*

Chair.....

Date.....

RRS 24-11-23