

CARDINAL NEWMAN COLLEGE

BOARD OF GOVERNORS – AUDIT COMMITTEE

A meeting of the above Committee was held at **4.00 p.m.** on **Wednesday 19 October 2016** in the Conference Room at the College.

Members present:

Peter Halpin, Principal
John Calvert
Bob Eastwood
Peter Towers (remotely participating)

Officers in attendance:

Bob Deed, Clerk
Nick Burnham, Principal
Katie O'Reilly, Director of Corporate Resources
Claire Walbank

Others in attendance:

David Fletcher, BDO
Chris Barstow, Mazars
Gareth Hitchmough, Mazars

1 Opening prayer

The meeting commenced with a prayer.

2 Welcome, introductions and apologies

The Chair welcomed Bob Eastwood to the Committee as it was his first Committee meeting as a governor.

3 Declarations of interest

There were no declarations of interest.

4 Minutes of the inquorate meeting on Wednesday 8 June 2016

The minutes of the meeting held on Wednesday 8 June 2016 were accepted as a correct record.

5 Matters arising from the minutes

The Committee agreed the fees proposed by the external auditors, Mazars, in their audit strategy memorandum presented at the last Committee meeting.

6 Risk presentation

David Fletcher, Senior Manager, BDO presented on risks in the college sector. He outlined the issues around financial pressures, Area Reviews, due diligence and examination changes. Mr Fletcher highlighted the implications for governance and assurance including the requirements for board commitment and sector knowledge.

Mr Fletcher noted the recent Ofsted grades showing fewer “outstanding” outcomes. He noted that the focus on Safeguarding and Prevent remains.

The Committee asked about the implications of examination changes for the College in terms of quality assurance and marketing. The Principal explained how the College was planning to continue to focus on ALPS value added and it was able to use objective data to communicate the College’s strong performance.

The Principal outlined the initial developments in the Lancashire Area Review process in response to a question for a Committee member. He noted that there were no significant risks coming out of the process.

7 Progress report on audit recommendations

The Principal confirmed to the Chair that the recommendations on reporting of Safeguarding had been implemented.

The Committee asked about the risk associated with a violent intruder on site. The Principal confirmed that the College was working on an “invacuation” contingency plan.

8 Regularity Audit questionnaire – audited by the external auditors

The Clerk introduced the Regularity Audit self-assessment questionnaire which had been reviewed by external audit during their fieldwork on Regularity Audit.

The Committee approved the Regularity Audit questionnaire

9 External audit completion report

Gareth Hitchmough and Chris Barstow from the external auditors presented the Mazar’s Audit Completion Report. They outlined the financial performance and position shown in the draft accounts.

Governors asked about the implications of the Local Government Pension Scheme deficit. It was noted that the College was expecting to pay higher pension contributions in the near future with higher cash outflows arising from the 2016 LGPS funding valuation. The external auditors noted that no college or school had been made insolvent by pension deficits.

The external auditors explained the implications of the new financial reporting standard FRS102 including those for deferred capital grants and the new employee leave accrual.

The external auditors confirmed that the College would have an unqualified opinion for both the Financial Statements and the Regularity audit.

The external auditors noted that there were no Regularity audit issues.

The external auditors also noted the two management letter points:

- the Regularity Checklist had not been approved formally before the audit; and
- the postings to the VAT control account in Newman Business Limited were manual.

Management agreed to address both issues. The latter had already been implemented.

The external auditors confirmed that letter of management representation included no specific non-standard assurances.

The Committee agreed the letter of management representation to be presented to the Governing Body.

10 Draft Annual Report and Financial Statement 2015/16

The external auditors highlighted matters of interest in the College and Newman Business Limited draft accounts.

Governors asked about the treatment of development costs which were not being capitalised. The Director of Corporate Resources said that this was the adopted treatment. She explained that Newman Business Limited had incurred costs on developing new and improved modules which had resulted in the loss during 2016/17.

The Committee asked about Cedar and both its compliance with new data protection legislation and the actions to mitigate in terms of legal exposure with, for instance, cyber-attacks. The Clerk as Director of Corporate Resources assured the Committee that these issues had been considered by an external consultant in the past. He agreed that the issue of EU legislation should be re-visited.

Peter Tower left the meeting.

11 Performance indicators for external audit and assurance providers

The Clerk as Director of Corporate Resources noted that the Finance Manager and College Accountant had prepared the College's assessment of the performance of the external audit and assurance providers based on the methodology adopted by the Committee last year. The Committee noted performance was good against the performance measures.

The Committee agreed the same framework of performance indicators for external audit and assurance providers in 2016/17.

12 Review of Value for Money activities

The Committee considered the Review of Value for Money activities report.

The Chair queried the measurement of efficiencies which appeared low given the level of activity in the year. The Director of Corporate Resources noted the savings made by using a module building, St Frances, but such efficiencies were not included in the measure. The College was now measuring these efficiencies on an on-going basis since the appointment of a Procurement Manager.

13 Risk register: termly update

A member of the Committee asked whether there were perceptions of the College being “overcrowded”. The Principal noted that the College had both grown and used space efficiently.

The Chair noted the top risk was the senior managers’ succession risk and the slightly lower risk of Higher Education funding. He suggested that care needed to be taken with moderation of risk scores. The Principal agreed that the Higher Education funding risks should be re-visited.

The Committee asked about the data protection risk on the register, particularly the near-miss noted. The Principal explained how the College had responded to the possibility of data loss in a timely and effective manner before it could be established that no loss had happened on a recent trip.

14 Session without managers present

No issues of concern were raised by the external auditors.

15 Assurance plan for 2016/17

The Chair introduced the paper on the assurance plan for the year.

The Clerk noted that the risks shaded green had been subject to an external assurance review. The Committee asked about recent work on network security. The Clerk noted that there had been an internal audit on networks but not in the period shaded green. The Clerk further noted that Networks had arranged for penetration testing. This was not within the assurance plan but would be reported to the Audit Committee.

The Committee asked about the financial implications of the College’s growth strategy. The Principal explained that the College was exploring funding opportunities.

The Chair observed the importance of the objectives set out in the Strategic Plan and suggested that the business-critical objectives could be reviewed.

The Committee asked for a presentation on the risks associated with the College's growth strategy and the property implications raised by it.

The Chair noted that Cedar was facing a cross-roads and raised what were the risks associated with it. The Principal suggested that an assurance review might be considered. The Chair suggested that the review of Cedar would consider the operational aspects of Cedar and the risks around the draft Business Plan.

The Chair noted that the Governance and Search Committee had requested an external review of governance once the recent changes had time to fully implemented.

The Committee agreed that:

- **College governance and Cedar arrangements should be subject to assurance review in 2016/17.**
- **Further options for inclusion in the Assurance Plan would be considered following feedback from SMT review of risks associated with strategic objectives.**

16 Audit Committee annual report to the Board of Governors

The Clerk introduced the draft Audit Committee annual report. He explained that the yellow highlighted sections either required updating for the recent Audit Completion Report or the Committee's particular attention as they required their evaluation of arrangements.

The Chair noted the conclusion should refer to "*assurance arrangements*" rather than *audit arrangements*.

The Committee agreed that the Annual Report subject to the Chair's amendment.

17 Determination of any items to be treated as Confidential

There were no items to be treated as Confidential.

The Chair and Principal noted that the draft accounts should not be published until finalised.

18 Date and time of the next meeting

The next ordinary meeting of the Committee is scheduled to be held at 4.00 p.m. on Wednesday 1 March 2017.