

**CARDINAL NEWMAN COLLEGE**

**BOARD OF GOVERNORS – AUDIT COMMITTEE**

A meeting of the above Committee was held at **4.00 p.m.** on **Wednesday 24 May 2017** in the Conference Room at the College.

**Members present:**

Peter Halpin (F), Chair  
John Calvert (F)  
Peter Towers

**Officers in attendance:**

Bob Deed, Clerk  
Katie O'Reilly, Director of Corporate Resources  
Denise Kennedy, Finance Manager

**Others in attendance:**

Gareth Hitchmough, Mazars  
Joanne Dean, consultant

**1 Opening prayer**

The meeting commenced with a prayer.

**2 Welcome, introductions and apologies**

The Clerk gave Bob Eastwood apologies (work commitment).

The Chair welcomed Gareth Hitchmough of Mazars and Joanne Dean of JD Management Solutions.

**3 Declarations of interest**

There were no declarations of interest.

**4 Minutes of the meeting on Wednesday 1 March 2017**

The minutes of the meeting held on Wednesday 1 March 2017 were accepted as a correct record.

**5 Matters arising from the minutes**

There were no matters arising not covered on the agenda.

**6 External audit planning memorandum**

The external audit partner from Mazars, Gareth Hitchmough, introduced the external audit planning memorandum. He said that he anticipated that the year-end would be a straightforward one as there were no substantive changes at or affecting the College. He likewise expected no significant modifications to the Casterbridge model accounts and Accounts Direction from the Education and Skills Funding Agency (ESFA).

The external audit partner outlined the key audit risks, the audit team and the audit fee. The external audit partner noted that the draft letter of engagement may change when the ESFA issues the accounts direction guidance.

The Chair asked the Director of Corporate Resources if any issues were foreseen. The Director of Corporate Resources agreed with the external audit partner's assessment.

## **7 Mazars briefing on fraud and irregularity**

The external audit partner presented the Mazars briefing. He noted that the College audit committee addressed fraud risks as part of its remit.

The Committee asked whether the College was raising awareness of phishing risks. The Finance Manager confirmed that staff had been warned of phishing risks and instructed to delete such emails without clicking on links.

The Committee questioned the College's controls over electronic payments. The Director of Corporate Resources confirmed that the College had rigorous controls over changes to supplier bank detail with all written or emailed requests being verified verbally and on the College's amendment form.

The external audit partner noted the College had a small, stable and tight Finance team. Similarly, with cyber-risks the exposure of College systems was limited.

The Chair asked about the suggested "deep dive". The external audit partner said that this approach involved a comprehensive review of fraud risks. He also noted that some organisations undertake penetration testing. The Director of Corporate Resources confirmed that the College had commissioned penetration testing over the summer and the vulnerabilities had been addressed.

The Clerk confirmed that the College has a fraud policy and response plan and a whistleblowing policy. The Committee discussed whether the audit committee annual report normally addressed fraud risk.

**The Clerk will ensure that the draft audit committee annual report addressed fraud risk.**

## **8 Progress report on audit recommendations**

The Director of Corporate Resources explained that the one remaining recommendation was to be fully implemented when the annual safeguarding report was considered at the Quality, Curriculum and Staffing meeting in the autumn.

## **8 Assurance report on governance**

The consultant, Joanne Dean, introduced her report. She thanked the Clerk and other staff for their help and cooperation during the review.

The consultant drew the Committee's attention to the conclusion that the College's governance was good. She said that this was informed by a range of sources of good practice. She noted that the report was based on the College asking her to "undertake a review of governance processes, policies and practices". She stressed that this was not an Ofsted-style review or a validation of the self-assessment.

She highlighted the strengths in the College's governance arrangements and the progress the Clerk's appointment. The consultant noted the key strengths including:

- willingness to seek an external perspective on how governance is conducted;
- systematic internal review of governance;
- shared commitment to the College's Mission;
- openness between the Executive and Governing Body with information being shared;
- participation of governors in the Colleges Self-Assessment Validation Panels;
- dedicated Governance intranet; and
- dedicated Link Governance scheme.

The consultant did highlight the expectations of Ofsted in the Inspection Handbook with governors expected to:

- understand the institution and know areas of weakness;
- shape the strategy; and
- provide challenge and hold senior managers to account.

The consultant noted that there was a need for focus in providing information with a data dashboard.

The consultant outlined key recommendations including:

- synchronising the Governance Self-Assessment and Quality Improvement Planning schedule and processes with the College overall SAR and QIP with periodic external reviews;
- strengthening performance management measures including governor appraisal, governance key performance indicators and a data dashboard;
- introducing Quality, Curriculum, Teaching, Learning and Assessment Link Governor roles;
- using quantifiable and qualitative criteria against which to consider potential governor re-appointments;
- addressing the potential conflicts of interests, including the role of the Clerk;
- ensuring that the Chair of the Remuneration Committee is somebody other than the individuals that acted as reviewer and is presenting the outcomes;
- producing a Governor Development Policy and utilising an Annual Skills Audit; and
- writing and revising a set of governance documents.

There was a discussion about the risk of curriculum Link Governors blurring the line of governance and management. The consultant suggested that these risks could be addressed through suitable protocols.

The Clerk confirmed that he was starting to implement the accepted recommendations and liaising with the Principal and Chair of the Governing Body about agreeing a way forward on considering the other issues. He said that the Chair was keen progress matters where the Governing Body accepted recommendations,

The Chair asked the consultant about comparative performance. The consultant said that the College was doing “extremely well”. She did note that she was not able to observe any meetings which would have allowed her to comment on impact which was a key issue for Ofsted.

The Committee asked about the suggestion that committees could be collapsed with more regular Governing Body meetings. The consultant noted that this would avoid governance silos and reduce the workload. She suggested that this should be considered with the Governing Body deciding on what arrangements best suited the College’s circumstances and culture.

[The consultant left the meeting.]

The Committee discussed the value of term limits for membership of the Governing Body. The Chair updated the Committee on discussions at the Governance and Search Committee. He noted the practical difficulties associated with strict term limits and suggested that rigorous arrangements for governor appraisal and re-appointment could achieve the desired ends.

The Chair asked the external audit partner his views on the report. He considered the report to be comprehensive and thorough.

**9 Update on the assurance plan (item taken before item 8 )**

The Clerk as outlined the approach being taken to planning the two assurance reviews in this year's plan:

- The governance review had been completed.
- The review of the operational aspects and business management of Cedar would be undertaken in August. The scope had been discussed. It was being proposed that RSM undertake the review.

The Clerk asked for the Committee's view on the ordering of the risks based on the difference between the gross and the net risks. The Committee viewed this as a useful way of identifying assurance requirements.

The Committee discussed the risks around network security which was shown as having the greatest gross-net risk difference. The Director of Corporate Resources suggested that the Network Manager present at the next meeting and that the Committee consider the results of the penetration testing. The external audit partner noted the implications of catastrophic failure of networks for organisations.

**The Committee agreed that the Network Manager should present on network risks and resilience at the next meeting.**

The Chair asked about mental health risks. The Director of Corporate Resources updated the Committee on the College's work to mitigate risk putting in place a mental health nurse. The Chair asked about the possibility of an assurance review. The Clerk noted that the Principal thought that an assurance review by a specialist consultant might be useful.

The Committee asked about the College's readiness for a serious violent incident. The Director of Corporate Resources explained that the College was rolling out a lockdown procedure after half term. This was planned before the recent bombing in Manchester which demonstrated the need.

The Committee also asked about the ability of the College to be ready for supporting staff in the event of serious incidents affecting staff or students personally. The Clerk noted that the disaster recovery plan addressed these matters.

**11 Regularity Audit – self-assessment questionnaire**

The Clerk introduced the Regularity Audit self-assessment questionnaire which is completed with a supporting file of evidence prepared by the Finance Manager. The questionnaire and file are reviewed by the external auditors as part of the Regularity Audit.

A Committee member asked whether the College's relationship with Preston City Council for sport lettings at the St Augustine's Centre was in the form of a joint venture. The Director of Corporate Resources noted that Preston City Council had been managing the lettings until this function was brought in-house on 1 May.

**The Committee approved the draft Regularity Audit self-assessment questionnaire (subject to any changes agreed by the Audit Committee Chair) for signing by the Chair of Governors and accounting officer (i.e. the Principal).**

**12 Risk register – termly update**

The Chair noted the earlier discussion of risks when the extract of the risk register was considered in relation to the assurance plan.

**13 Committee self-assessment against its terms of reference**

The Clerk noted that all committees were being asked to self-assess themselves as part of the governance self-assessment. This included consideration of how committees were fulfilling their remit and whether any changes were required in terms of reference. No such changes were identified.

The Committee considered the annotated version of the Chartered Institute of Public Finance and Accountancy's self-evaluation tool for audit committees. The Committee noted the issues of succession planning and external committee co-optees as requiring further discussion.

**14 Determination of any items to be treated as Confidential**

There were no items to be treated as Confidential.

**15 Date and time of the next meeting**

The Clerk noted that the draft meeting dates for the autumn would soon be circulated.