

## **CARDINAL NEWMAN COLLEGE**

### **BOARD OF GOVERNORS – AUDIT COMMITTEE**

A meeting of the above Committee was held at **4.00 p.m.** on **Wednesday 17 October 2018** in the Conference Room at the College.

#### **Members present:**

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

#### **Officers in attendance:**

Nick Burnham, Principal  
Bob Deed, Clerk  
Claire Riding, College Accountant  
Tom Walsh (item 11 only), Procurement Officer

#### **Others in attendance:**

Gareth Hitchmough, Mazars

### **MINUTES**

#### **1 Opening prayer**

The meeting commenced with a prayer.

#### **2 Welcome, introductions and apologies**

The Clerk noted apologies from Bob Eastwood, Father Luiz Ruscillo and Katie O'Reilly.

#### **3 Declarations of interest**

There were no declarations of interest.

#### **4 Minutes of the meeting on Wednesday 23 May 2018**

The minutes of the meeting held on Wednesday 23 May 2018 were accepted as a correct record.

#### **5 Matters arising from the minutes**

There were no matters arising not already on the agenda of the meeting.

## **6 Progress report on audit recommendations**

The Clerk outlined the progress of the governance assurance review recommendations. He explained that there had been some slippage with those items highlighted in orange. However, with several recommendations due for completion by the next Committee meeting, he suggested that the Committee might wish to review the remaining recommendations without a specific timescale or timing contingent on other factors.

In response to a query about the termly performance dashboard, the Clerk explained that a dashboard would be available for the December Governing Body meeting. A Governor asked whether more real-time information could be made available. The Chair was wary that too frequent information might result in governors getting involved in the detail. The Chair suggested that reports by exception might be appropriate in some cases.

The Clerk as Vice Principal Finance and Resources (VP F&R) presented the report on the progress of the GDPR readiness assurance review recommendations. He noted that most recommendations had been implemented but some remained outstanding. He observed that GDPR had raised several unforeseen issues, including some following staff training and awareness-raising. He said that the concept of managers maintaining their own part of the data register was not practical but that he was planning a round of meetings with managers to refresh the College's data register and re-visit the issues identified in the initial round of meetings. A governor asked about timescales for this. This round of visits was intended to be complete before the next Audit Committee meeting.

## **7 Regularity audit self-assessment questionnaire**

The Clerk explained that in the past the regularity audit self-assessment questionnaire had to be approved by the audit committee before it was audited by the external auditors as regularity auditors. Now the questionnaire was brought to the Committee for information and to inform the questionnaire in 2019.

The Chair asked what issues had been seen by the external auditors at other colleges. The external audit partner found that they had found issues at other colleges such as bursary funding compliance and overseas trips – including rationale and which staff went on visits.

A governor suggested that the College response had not clearly answered the question on “does the College have processes in place to ensure it is aware of funding rules and the evidence required to demonstrate learner eligibility”. The Clerk as VP F&R suggested that the College relied on an experienced MIS Manager who attended training and participated in MIS networks, the VP F&R's background in ILR and funding audit, and the use of consultants when necessary. There was a discussion about whether these arrangements constituted as process. The Clerk as VP F&R agreed that the College's response should be revised and fuller in 2019.

## **8 External audit completion report**

The external audit partner updated the Committee that while the audit team was stable, there was a new audit manager, Ian Pinches. He also flagged up that partner rotation was due in the next few years.

The partner said that the College audit was his earliest of the college audit season and that it had gone smoothly as in previous years. He noted that the financial statements audit opinion would be unqualified. He did not note that there was a minor unadjusted error. However, he said that this arose from a Mazars invoice which had been accrued but the scope of the work had subsequently changed.

The partner discussed the audit risks addressed by the auditor's work. He said that the going concern risk may not be required to be itemised as a risk in the future given the College's strong financial health.

The partner noted that Mazars own actuarial specialists had reviewed the reasonableness of the pension provision assumptions.

The partner noted the controls recommendation where there was a minor error on a VAT return. It was noted that this had not affected the VAT liabilities of Newman Business Limited.

The partner noted that the regularity audit opinion would be unqualified and that there were no issues identified in the regularity audit work.

The partner noted that the only non-audit work was in relation to tax.

The Chair asked whether there was any reliance upon College support for Newman Business Limited's going concern. The partner said that there was no assumption given the current contracts in place.

A governor asked about the College's risk in relation to pension liability. The partner outlined the basis of the pension liability and noted that it did pose an issue for some colleges. He also highlighted the actuarial gain, in part arising from the edging up of bond yields.

The Chair asked about the College's strategy for the LGPS pension risk. The Clerk as VP F&R explained that the College continued to budget for the current contribution rate and annual deficit reduction payments of about £50k.

He noted that the College's funding level at the last triennial funding valuation in March 2016 was 88% and that the Lancashire LGPS fund appeared to be well-managed and diversified with investments in physical assets as well as equities and bonds. The planned Brexit date in March 2019 might be unfortunately timed for the LGPS triennial valuation.

The Clerk as VP F&R suggested that the likely increase in Teachers Pension Scheme employers' contributions from 16.48% to 23.5% in September 2019 was a more serious and imminent

The Clerk noted the Finance and Premises Committee was to receive a briefing note on pensions at its next meeting.

## **9 Draft Annual Report and Financial Statement 2017/18**

The partner briefly outlined the primary statements in the draft financial statements. He noted the healthy operating surplus, positive net assets and strong cashflow.

A governor asked about the land and buildings shown on the balance sheet. The Principal noted that the College owned the land for St Augustine's and St Francis' while the Factory Lane site was held on trust for the College by the Diocese. The Principal confirmed that the College insured these sites.

The Chair noted that the College was strongly cash generative. The Principal noted the role of cash reserves in financing a future new build.

**The Committee resolved to recommend the draft annual report and financial statements of the College to the Governing Body.**

The Chair thanked the College Accountant and the rest of the Finance Team for their hard work.

## **10 Performance indicators for external audit and assurance providers (taken after item 16)**

[In the absence of the external audit partner]

The Clerk said that he had completed the reports on the performance of the assurance provider in the case of the GDPR review and, with the College Accountant, the external auditors. In both cases the performance was good.

The Committee noted the elapse of time since the last tendering exercise for external audit. The Clerk suggested that there might be more interest from challenger firms but suggested that an exercise was unlikely to generate any cost savings. The Committee agreed that Mazars had provided an excellent service but the need to ensure independence meant that a tendering exercise would be required in the near future. The likely rotation of the external audit partner by Mazars was noted.

**The Committee asked the Clerk to report back on possible tendering arrangements and benchmarking information on costs.**

## **11 VFM update (taken after item 5)**

Tom Walsh, the Procurement Officer, introduced himself and his work under the Contracts and Procurement Manager. He said that the procurement team had been focusing on estates tenders as a high-expenditure area and a set of tenders were previously consultants had been used. The Chair asked about the largest tender dealt with. The Procurement Officer said the largest was around £150,000 but just below the threshold for EU procurement rules.

The Principal outlined how a VFM culture was being embedded at the College. He said this could be seen in the VFM training and the presentations by budget-holders to SLT members. The Procurement Officer told the Committee how savings were being logged and the plans for a VFM toolbox to support budget-holders.

The Procurement Officer talked through the VFM tracker, including the examples of tenders, cash savings and cost avoidance. He explained how efficiencies are categorised. He highlighted the cumulative figures shown.

There was a discussion about how the opportunities for cost savings might have been reduced as the College had taken the “low hanging” fruit.

The Chair asked how the College could ensure that quality was not impacted. The Procurement Officer explained that quality was a significant element in tender scoring. The Principal confirmed that quality was the watchword for both pay or non-pay expenditure.

## **12 Risk register: termly update**

The Principal introduced the risks register. He noted the challenges around staffing as the College headed towards smaller surpluses.

The issues of low-level crime and anti-social behaviour was noted by the Principal who explained that the College was working with stakeholders on solutions.

The Principal noted that a Safeguarding assurance review would be useful.

## **13 Session without managers present**

[The Principal, the Clerk and the College Accountant left the meeting.]

The Partner confirmed the audit has progressed well and that he held the finance team in high regard. No issues of concern were raised.

## **14 Consideration of clerking arrangements**

[The Principal returned to the meeting.]

The Committee discussed the dual role which Bob Deed performed as Clerk and Vice Principal – Finance and Resources. The Committee had not seen any evidence of conflicts. The Partner also had not encountered any issues arising from the dual role. The Principal commented that the Clerk was very conscious of the need to respect the differing roles and responsibilities of the two positions held and had no concerns that the performance of either role had any negative impact on the other. On the contrary the Principal thought the performance of each role was enhanced by the broader understanding gained from performing both roles.

[The Clerk and the College Accountant returned to the meeting.]

## **15 Assurance plan for 2018/19**

The Clerk introduced the paper noting that, as last year, the risks had been ordered by the level of reliance on controls operating effectively as measured by the difference between the gross and net risks.

The Chair asked about when health and safety had been reviewed. The Clerk said that there had been a review about three years ago with a focus on management and governance. He said that there was likely to governing training over the next year so that might be the right time for an assurance review.

The Chair asked who might be a suitable assurance provider for an assurance review of safeguarding. Principal said that someone with recent safeguarding and Ofsted experience. He suggested timing some time in 2019. A governor asked about the role of the Assistant Principals Students. The Principal confirmed that they would be key participants in a review.

A governor asked about disaster planning. The Principal said that there had been a simulation on disaster scenarios three years ago. He also updated the Committee on the day's Project Argus training for manager from Counter Terrorism Advisers. He outlined the content of the training. He said that the College would be re-visiting the major incident procedures.

The Chair asked how the governors could be given assurance on major incident readiness. The Principal suggested that College managers present on such arrangements.

**The Committee resolved to propose:**

- **The commissioning an external assurance review of Safeguarding.**
- **A presentation to governors on major incidents.**

**16 Draft Audit Committee annual report to the Board of Governors**

The Committee noted the draft Audit Committee annual report to the Board of Governors, including the conclusion, which the Clerk and the Chair had prepared.

**The Committee resolved to agree the draft wording of the Audit Committee annual report.**

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

There were no items deemed confidential.

**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 27 February 2019.