

CARDINAL NEWMAN COLLEGE

BOARD OF GOVERNORS – AUDIT COMMITTEE

A meeting of the above Committee was held at **4.00 p.m.** on **Wednesday 23 May 2018** in the Conference Room at the College.

Members present:

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

Officers in attendance:

Bob Deed, Clerk
Katie O'Reilly, Vice Principal
Denise Kennedy, Finance Manager

Others in attendance:

Gareth Hitchmough, Mazars
William Simpson, RSM

MINUTES

1 Opening prayer

The meeting commenced with a prayer.

2 Welcome, introductions and apologies

The Chair welcomed William Simpson representing RSM to the meeting.

The Clerk noted apologies from Father Luiz Ruscillo.

3 Declarations of interest

There were no declarations of interest.

4 Minutes of the meeting on Wednesday 7 March 2018

The minutes of the meeting held on Wednesday 7 March 2018 were accepted as a correct record. The Clerk confirmed that the date on the minutes had been changed on the upload on the day of the meeting.

5 Matters arising from the minutes

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

6 Letter from the Chief Executive of the ESFA – Responses

The Chair noted that the Vice Principals for Finance and Resources had jointly drafted the responses to the letter by the ESFA's outgoing Chief Executive addressed to the college sector. The responses explained how the College dealt with the matters of financial management and governance. The Chair noted that an earlier and shorter set of responses had been considered by the Governance and Search Committee in January.

A member of the Committee asked how the responses related to the College's own governance self-assessment. The Clerk agreed that the review of the ESFA letter and the responses should form part of the governance self-assessment.

The Committee noted the responses to the ESFA letter.

7 Progress report on audit recommendations

The Clerk presented the progress report on audit recommendations which were all from the May 2017 governance assurance review. The Chair asked if the Clerk could update the Committee on the recommendations due to be implemented in the immediate future. The Clerk summarised progress on those due in June 2018:

- Skills audit (recommendations 9, 29, 63) – the skills audit form had been drafted and considered by the Governance and Search Committee but needed amending for GDPR before being circulated.
- Induction framework (10, 36) – further work was required.
- Performance dashboard (16) – limited progress meant that completion had slipped into the autumn.
- Health & Safety link governor (23) – some progress and discussions with the link governor – this has led to the suggestion of Health & Safety governor training.
- Code of conduct (53, 54) – all due to be completed on time as the Code had been adopted; it had been circulated to governors who were signing and returning it.
- Committee terms of reference (60, 64) – both changes were being considered by the committees with approval by the Governing Body required at either the summer or early autumn meetings.
- Standing Orders (69, 70, 72, 73, 74) – these have been considered by the Governance and Search committees with approval by the Governing Body due in June 2018.

- Document retention schedule (82) – this had become part of the GDPR project with 25 May being the target date.
- Governance Office 365 site (88) – the June 2018 timescale is unlikely as the Governance site is not moving to Microsoft Teams in the near future.
- College website (92) – there has been slippage on the governors’ pen pictures due to other priorities.

8 Assurance review: GDPR

William Simpson presented RSM’s assurance review on the College’s preparedness for GDPR. He explained that the review was based on guidance from the Information Commissioner’s Office. He said that at the time of the fieldwork, the College was reasonably well-prepared.

The Committee asked what was the likely approach taken by the ICO to compliance. The RSM Manager suggested that the ICO would not require organisations to be fully compliant from the first day of GDPR on 25 May 2018. However, he believed that the ICO would expect them to have taken reasonable steps with a clear action plan being implemented.

The Clerk as the College’s Data Protection Officer outlined the steps being taken including a new policies and procedures, privacy notices and work at further raising staff awareness. He said that communication with staff repeated emphasised the importance of handling personal data with care and respect. He noted that there was further work to be done on a revised retention schedule.

Committee members stressed the need for care in ensuring that data was not destroyed where it may create risks for the College in, for example, complying with legal requirements or protecting its interests in disputes. The Clerk was asked whether it was planned to bring the retention schedule to governors for approval. He said that retention had been included in the new Data Protection Policy considered by the Finance and Premises Committee and approved by the Governing body in spring 2018. He said that he had not intended to bring the revised detailed retention schedule to the Finance and Premises Committee but this could be done.

A Committee member asked how the implementation of the recommendations in the assurance review would be reported. The Clerk confirmed that these would be included in the progress report on audit recommendations.

9 Update on the assurance plan

The Clerk explained that the agenda item was included as the Committee had agreed to review the assurance plan during the year. But he noted that there was limited time for any further re-views. The Chair suggested that there was no immediate need for any further external assurance reviews.

The Committee agreed that there was need for any further external assurance review to be added to the assurance plan for 2017/18.

In relation to the 2018/19 assurance plan to be considered at the autumn meeting of the Committee, the Chair noted that several of the highest risks had been subjected to external reviews in recent years.

10 External audit planning document

Gareth Hitchmough introduced the Audit Strategy Memorandum. He confirmed that there were no significant changes with the audit approach. However, it did inform the Committee that there would be a change in audit manager in 2019 and that Mazars would be reviewing responsibilities at partner level due to their approach to partner rotation.

The external audit partner noted that there were no major audit risks. He did caution that the ESFA's Accounts Direction guidance had not yet been received which may impact on audit requirements.

The external partner explained the implications of the Teachers' Pension Agency audit reporting requirements which were reflected in an above-inflation rise in the fee. He also informed the Committee that there may be further changes in the TPA requirements.

The Committee resolved to recommend the audit strategy memorandum from Mazars, including the proposed external audit fee, to the Governing Body.

11 Risk register – termly update

The Clerk introduced the termly update of the risk register. The Vice Principal noted that some scores had changed, in particular the funding risk around High Needs Students as the College was unlikely to suffer a large reduction in the near future.

The Committee asked about the relatively low scoring of the accommodation strategy risk. The Vice Principal explained that the College had undertaken an in-house room utilisation survey which identified capacity for more students within the current buildings. She also noted that the College was unlikely to grow in 2018/19 so could accommodate students in the short to medium term.

The Vice Principal explained that the College was working with local stakeholders, including land owners, and exploring funding options. She noted that the plans for the new build in the grounds were on hold rather than ended. These plans did need changes in the positions of either the Lancashire Enterprise Partnership and/or the ESFA nationally.

The Committee asked about the implications of cost pressures if the College was not growing. The importance of managing the pay:income ratio for financial sustainability was noted. The Vice Principal explained that the College was planning for non-pay savings in 2019/20 due to lagged numbers being flat in that year. She noted that pay rises in excess of the assumed numbers in 2019/20 would have serious effects on the College.

The Vice Principal noted that the draft budget would be considered at the Finance and Premises Committee and then by the Governing Body meeting at the SLT/Governors' Conference. The Chair asked about the key sensitivities in the budget. The Vice Principal said that the main risks were around student numbers and pay cost pressures. She did note that the budget paper would include a full sensitivity analysis.

12 Committee self-assessment including review of terms of reference

The Clerk introduced the Committee self-assessment paper. He noted that the self-assessment document was written for Higher Education institutions but he suggested that much of it was relevant to the college sector. He said that he had made notes where he considered there to be a need for further explanation of responses or the absence of a response. A Committee member suggested that it would have been useful if there had been comments against each item.

The Chair asked the Clerk whether National Audit Office reports should have been considered by the Committee. The Clerk explained that the NAO did not report on the college sector frequently. He believed that there had only been two NAO reports relating to colleges since 1993.

A Committee member suggested that there had been limited governor training and development for Audit Committee members. The Clerk agreed but said that he was not aware of anything offered by the Association of Colleges. He suggested that accountancy firms offered seminar but this was not aimed at governors. The RSM Manager said that governors were welcome to attend the firm's seminars on finance and risk.

The Chair asked about induction to the Committee. A Committee member explained that when he joined the Committee, he quickly learned what its role was. He noted that he had been to an Association of Colleges' induction session but he did not find it useful.

The external audit partner suggested that there might be a short document briefing new Audit Committee members on the role of the Committee with useful background information.

The Clerk agreed to raise these issues in the review of induction and training.

The Clerk highlighted the minor changes to the Committee terms of reference required to comply with the ESFA's Post-16 Audit Code of Practice.

The Committee resolved to recommend to the Governing Body the proposed change in the Audit Committee terms of reference required by the revised Audit Code of Practice

13 Determination of any items to be treated as Confidential

No items were considered to require treatment as confidential.

14 Date and time of the next meeting

The next ordinary meeting of the Committee is provisionally scheduled to be held at 4.00 p.m. on Wednesday 17 October 2018.