

CARDINAL NEWMAN COLLEGE

BOARD OF GOVERNORS – AUDIT COMMITTEE

A meeting of the above Committee was held at **4.00 p.m.** on **Wednesday 16 October 2019** in the Conference Room at the College.

Members present:

Peter Halpin (F), Chair
Bob Eastwood (F)
Peter Towers (F)

Officers in attendance:

Nick Burnham, Principal
Bob Deed, Clerk
Katie O'Reilly, Vice Principal Finance & Resources
Claire Riding, College Accountant

Others in attendance:

Charlene Lancaster, Mazars

MINUTES

1 Opening prayer

The meeting commenced with a prayer.

2 Welcome, introductions and apologies

There were no apologies to be recorded.

3 Declarations of interest

There were no declarations of interest.

4 Minutes of the meeting on Wednesday 23 May 2019

The minutes of the meeting held on Wednesday 23 May 2019 were accepted, as tabled, as a correct record.

5 Matters arising from the minutes

The Clerk apologised that the presentation by the Vice Principal – Teaching, Learning and Staffing deferred from the previous meeting had been omitted from the agenda. This would be included on the agenda of the next meeting of the Committee.

6 Progress report on audit recommendations

The Clerk presented the update on the Governance assurance review which showed that almost all the recommendations had been implemented.

The Clerk as the College's Data Protection Officer presented the report on the progress of the GDPR preparedness audit recommendations. He noted that the update of the data register had started but had not been completed so it remained outstanding.

7 Assurance review: Safeguarding

The Principal introduced the Safeguarding assurance report by Kathryn Podmore, the former principal of Birkenhead Sixth Form College. He noted that this was the second report on Safeguarding as part of the assurance framework. He said that it was an example of how useful assurance reviews could be.

The Principal drew attention to the action plan at the back of the report. The Principal and the Safeguarding Link Governor noted that the recommendations were matters of further enhancing the arrangements already in place.

The Chair asked about the recommendations where there was a dash, rather than a "yes" or a "no" for accepting the recommendation – namely, recommendations 11 and 21. The Clerk noted that in those cases the College was agreed that there was a need to review arrangements. These discussions had already started.

The Safeguarding Link Governor said that he would be trialing the online training on Safeguarding offered by the Education & Training Foundation. There would then be a discussion about how recommendation 4 would be rolled-out, whether the governor training should be mandatory and how completion could be verified.

The Safeguarding Link Governor said that he had attended a Safeguarding staff development event. He suggested that it would be useful if it was made available to all Governors.

The Principal thanked the Safeguarding Link Governor for his support and involvement, including in relation to the Safeguarding assurance review.

The Chair asked about whether mental health was fully addressed by the Safeguarding assurance review. The Principal suggested that the review would have covered the process but it would not have scrutinised in detail the work around the Mental Health Strategy and particular issues such as counselling and wellbeing tutors.

The Principal said that the College's mental health strategy was multi-faceted so any assurance review would need to focus on particular elements. The Safeguarding Link Governor suggested that he discuss the issues with the Assistant Principal Students in order to get a sense of the quality of arrangements.

The Principal suggested that the Audit Committee might at some point deem an assurance review be appropriate.

The Committee agreed that the Safeguarding Link Governor should follow-up with the Assistant Principals Students on mental health.

8 ESFA investigation report into Bournville College

The Clerk as Vice Principal introduced the paper setting out how the College considered that it addressed the issues raised by the report on Bournville College. The Chair said that the Chair of the Governing Body had requested that the Audit Committee should consider the letter from the Chief Executive of the ESFA to the college sector.

The Chair asked about funding risks and how they were addressed by audit. The Clerk as Vice Principal said that since the introduction of regularity audit about 15 years ago, colleges were not required to have an audit of student records and funding each year.

The External Audit Director further explained that the ESFA commissioned firms, including Mazars, to undertake funding audits. Most of the colleges audited were selected on a risk-based approach while some were randomly selected. So sixth form colleges, like the College, had a relatively low probability of being visited.

The Clerk as Vice Principal said that the funding risks were more significant at FE colleges, such as Bournville College, which were likely to have subcontracted provision and distance learning. Sixth form colleges, in contrast, were likely to have exclusively classroom provision with full-time 16-18 year olds on-site.

The Principal agreed that the level of inherent risk was low and noted that the MIS Manager was very cautious and thorough. He also suggested that the College might be more likely to under-claim than over-claim.

The Committee asked whether funding risks were addressed on the risk register. The Clerk as Vice Principal said that the register included funding risks around the requirement for a minimum of 540 programme hours for full-time students.

The possibility of a peer review of funding risks was suggested.

The Committee asked that there be a report back to the next meeting on funding risks.

9 Regularity audit self-assessment questionnaire

The Clerk as Vice Principal introduced the regularity audit self-assessment questionnaire which the external auditors review and test. He noted that due to the timing of the ESFA's publication of the questionnaire and the work required in completing it, it is not normally possible for the Audit Committee to review it in advance. He did say that the Committee's feedback would be useful and welcome as in the case of the comments made last year about MIS controls which had been addressed this year.

The Chair asked the External Audit Director what audit approach was adopted. She explained that the questionnaire was used a planning document. She said that the firm had a set of tests undertaken for regularity and propriety.

The External Audit Director said that the questionnaire was an appropriately detailed response. She suggested more detail could be included on Value for Money. She noted that Mazars had been involved in discussions about the future content of the regularity questionnaire including the possibility of including testing around student data and funding.

10 External audit completion report

The External Audit Director introduced the paper and updated the Committee on progress. She said that the firm had received the feedback on actuarial assumptions. She did not expect any issues to arise from this or the other outstanding items.

The External Audit Director talked through the risks identified in the audit strategy memorandum, including the standard risks which are always included.

The External Audit Director explained the background to the GMP and the McCloud cases which had a limited impact on the pension provision and costs in the draft accounts. She noted that the salary assumptions used in the pension provision had been queried by Mazars' own actuarial team but these were deemed reasonable for the college sector.

The External Audit Director noted the change in presentation for the Gift Aid payments from Newman Business Limited to the College. This was required by financial reporting standards but had no implications in practice.

The internal control recommendation, with housekeeping priority, about the reporting of journal originators for Newman Business Limited. The College Accountant said that this was being addressed by the accounting system provider in a future update. She observed that very few journals were raised each year for the Company.

The External Audit Director noted the sole “error” was the presentation of the Gift Aid payments from Company to the College. This had been adjusted in the draft accounts received by the Committee.

A Committee member queried whether the error should be shown as “£s” rather than “£’000”. The External Audit Director said that this would be corrected in the final version of the Audit Completion Report.

The External Audit Director noted that the letter of management representation contained only the standard representations.

The Committee formally accepted the Audit Completion Report and agreed to recommend the letter of management representation as presented.

11 Draft Annual Report and Financial Statement 2018/19

The Chair noted the Annual Report and Accounts for the College and Newman Business Limited would be considered by Finance and Resources Committee too. The Finance and Resources Committee would also after its review be asked to recommend the Annual Report and Accounts to the Governing Body.

The Chair noted the Committee’s thanks to the College Accountant and the other Finance Team members.

The Committee resolved to recommend the Annual Report and Accounts, including the statements on governance and internal control, to the Governing Body.

12 Performance indicators for external audit and assurance providers

The Chair noted the sets of performance indicators for the external auditors and the assurance review by Kathryn Podmore.

The Clerk as Vice Principal said that the service from Mazars had been affected by factors outside the control of both the College and Mazars. He added that there had been particular issue with a large volume of late queries being raised by Mazars weeks after the fieldwork was completed. The External Audit Director apologised and explained that a key member of their team had difficult personal circumstances which had delayed the file review.

The Principal said that the document on Kathryn Podmore’s review highlighted the value of choosing the right consultant with the appropriate experience and approach.

13 VFM update (taken after item 6)

The Project Coordinator presented on Value For Money as the Contracts & Procurement Manager was unable to attend the meeting.

The Project Coordinator outlined activities over the last 12 months including the letting of the catering contract, working with other colleges and procurement consortia, training and awareness raising with staff, supporting staff with a procurement toolkit and template documents, implementing electronic procurement, etc.

A Committee asked about the objectives of work with budget holders. The Project Coordinator explained that this work was intended to support budget holders so that they could take ownership of procurement.

The Chair asked about work with other colleges. The Project Coordinator gave examples. The Vice Principal highlighted the benchmarking which was frequently undertaken.

The Project Coordinator outlined the tracking of savings. He noted that in the last 12 months, savings of £74k of savings had been made. He noted both the catering contract and a project management contracts.

The Chair noted that the savings measure was an achievement and recognised that it would inevitably become harder to make savings. The Principal noted the significant step-change when the College originally appointed a Procurement Manager who worked with budget holders.

The Chair noted the Committee's thanks to the Project Coordinator for the presentation and to him and the Contracts & Procurement Manager for all the work on Value For Money.

14 Risk register: termly update

The Clerk as Vice Principal noted that the Senior Leadership Team at a recent meeting had reviewed each risk on the risk register. It had identified several risks, as noted on the covering paper, which required adding or deleting. He noted that later in the autumn term the risk owners would also be reviewing their risks with updates on progress.

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

15 Session without managers present

No issues of concern were raised by the External Audit Director with regard to the audit and the College's finance team. The Director was complementary of the quality, efficiency and professionalism of the Finance team.

With regard to the following agenda item, the External audit director raised no concerns with regard to the dual role performed by the Clerk, and commented that given the broad experience of the clerk, there were benefits to be gained by the College from the dual role.

16 Consideration of clerking arrangements

The Committee discussed the dual role performed by the Clerk and agreed that no issues had arisen which raised any concerns or conflicts.

[The Principal, the Clerk, the Vice Principal and the College accountant returned to the meeting.]

The Principal said that he believed the clerking arrangements worked well.

17 Assurance plan for 2019/20

The Clerk introduced the paper and explained the extract from the risk register which showed the gross and net risk scores with the risks ordered to highlight where reliance was placed most heavily on existing controls.

The Chair noted risks towards the top of the ranking had been subject to external assurance reviews with the exception of IT risks. He noted the presentation by the Networks managers at the last meeting. He suggested that an assurance review should focus on the high-level strategy.

The Clerk said that he had consulted Mazars. The External Audit Director told the Committee that Mazars have invested in a computer audit team undertaking internal audits and supporting external audits. She said that the firm believed that Cyber Essentials approach would be useful covering issues such as policies, firewalls, secure configurations, user access control, IT equipment, malware and patch protection. Such a review might take about five days. The External Audit Director suggested that the College liaise with her colleagues.

The Chair noted that the College needed to have an assurance review should have an appropriate scope and depth. The Vice Principal highlighted that the need for validation rather detailed testing.

The Committee resolved that the Vice Principal should have further discussions with Mazars about a review and provide them with a copy of the presentation given to the May Audit Committee meeting.

The Chair asked that he be consulted on any audit scope before the review took place.

The Chair referred to the early discussion of funding risks.

The Committee resolved that management should explore the option for peer review of funding and data returns.

The Chair asked when the risk register process was last reviewed. The Clerk said that it was about five years ago after the board assurance approach had been adopted.

There was a discussion of whether the risk register process should be reviewed given the reliance being placed on it. The Clerk cautioned against a review of the mechanics of the risk register. He said that the last review suggested a large number of relatively trivial changes. He suggested that an external review involving a sense-check of the risk register would be more helpful. The Principal noted that there was a risk of “blind-spots”.

A Committee member asked whether a peer review by another college might be useful. The Vice Principal suggested John Boyle as a suitable expert as he was the Finance Lead for the Sixth Form Colleges’ Association as well as one of the FE Commissioner’s Team.

The Committee asked the SLT to review options for a review of risk management and report back to the Audit Committee.

18 Draft Audit Committee annual report to the Board of Governors

The Chair outlined the draft Audit Committee annual report. The Clerk noted that the sections relating to external audit could now be updated.

The Committee resolved to adopt the draft Audit Committee annual report subject to the Chair’s review.

19 Determination of any items to be treated as Confidential

There were no items deemed confidential.

15 Date and time of the next meeting

The Committee noted that its next meeting of the Committee was scheduled to be held at 4.00 p.m. on Wednesday 4 March 2020. The Chair said that he was unable to attend the next meeting. He noted that the Committee did not need a Spring term meeting last year. He suggested that the need for a meeting be re-considered nearer the date.

A Committee member noted whether there were plans to increase the membership of the Committee. The Clerk noted that, subject to the Diocese appointing her as a Foundation Governor, Bernardette Davies had said that she was to join the Audit Committee. Her background was in law, governance and Higher Education.