

CARDINAL NEWMAN COLLEGE

BOARD OF GOVERNORS – AUDIT COMMITTEE

A meeting of the above Committee was held at **4.00 p.m.** on **Wednesday 11 November 2020** on Microsoft Teams.

Members present:

Peter Halpin (F), Chair
Peter Towers (F), Vice Chair
Charu Ainscough
Bernadette Davies (F)
Bob Eastwood (F)

Officers in attendance (except items 15-16):

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

Other governors in attendance (items 1-5):

Richard Ainscough (F), Chair of the Governing Body
James Gifford
Adrian Metcalf (F)
Bill Noblett (F)
Helen Seechurn (F)
Andrew Wygladala (F)

Others in attendance:

Mike Benson, Murray Smith
Nicola Tucker, Murray Smith

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. External audit report

The external audit senior manager, Nicola Tucker, outlined the findings in their Audit Highlights report. She thanked the Finance Team for their help and cooperation.

The external audit senior manager highlighted the main changes in the financial performance of the College including the significant increase in income. The external audit senior manager noted the improving net current assets had improved although the net assets had been impacted by the actuarial loss.

The Chair asked about the Local Government Pension Scheme (LGPS) actuarial loss. The external audit partner, Mike Benson, noted the impact of low discounts rates in the valuation for financial reporting purposes. The Chair of the Governing Body asked about view of the ESFA. The Clerk as Vice Principal Finance & Resources said that the ESFA focused on the cash costs of pensions for colleges. He noted that the College's funding level in the 2019 LGPS funding valuations was relatively high and had increased with recent triennial valuations.

A governor attending as an observer asked about depreciation and rules around these charges. The external audit partner confirmed that there were no restrictions on the use of College funds.

The external audit partner commented how smoothly the external audit had gone despite the early timing and the complications of the pandemic.

A governor asked whether the sensitivity analysis was a cause for concern. The Clerk as Vice Principal Finance & Resources noted that the College's student numbers this year were about 100 higher than the numbers assumed in the 2020 Financial Plan so the College was in the range of the upward sensitivities for income rather than the downward ones.

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

5. Draft Annual Report and Financial Statement 2019/20

The College presented both the Cardinal Newman College and Newman Business Limited (NBL) accounts.

A governor asked about the profit shown by the NBL accounts being lower than the previous year. The College Accountant said that this largely reflected an increase in the rate used for cross-charging pay costs to NBL.

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

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

The Committee resolved to note the company accounts of Newman Business Limited.

6. Minutes of the meeting on Wednesday 10 June 2020

The minutes of the meeting of the Committee held on Wednesday 10 June 2020 were confirmed as a true record.

7. Matters arising from the minutes

There were no matters arising not covered elsewhere on the agenda.

8. VFM update

The Vice Principal Finance and Resources said that there was another good year for Value-for-Money at the College. She noted that that it was increasingly challenging to secure savings but they were still being generated. She said that the procurement toolbox and associated training has been well-received by budget-holders.

The Vice Principal said that the College had been bounced by the circumstances of the pandemic into making some single tender and quote actions. Nevertheless, even In these cases the procurement team took action to secure savings.

9. Progress report on audit recommendations

The Clerk as Vice Principal Finance & Resources reported on the remaining audit recommendation relating to GDPR. He said that circumstances, particularly the pandemic, had complicated and delayed the refresh of the data audit register. He said that rather than seeking to arrange meetings with all data owners (those holding personal data) to update the data asset register, he was asking them to update the register entries relating to their areas. He said that he had started this exercise and it was progressing well. He assured the Committee that the refresh of the data asset register would be completed before the next Committee meeting.

In response to a query, the Clerk confirmed that recommendations from audit and assurance reports were covered by this standing item once agreed. So the agreed recommendations from the risk register assurance report would be monitored from the next meeting.

10. Assurance review: risk register

The Clerk as Vice Principal Finance & Resources introduced the report by John Boyle who had been asked to undertake a reasonableness check of the College risk register on the basis of his experience with the Sixth Form Colleges' Association and the FE Commissioners' team.

The Committee considered the recommendations in the assurance report – particularly those where the College management had asked for the Committee to provide a steer:

- *Review colour coding of Gross and Net risks:* the Committee suggested that a simpler red/amber/green scheme should be used without the current shading.
- *Separate the controls intended to mitigate likelihood and impact:* the Committee did not consider this would be useful.
- *Review the columns relating to further action and create a column to show when the risk was last reviewed by the risk owner:* the Committee did not think this would be useful.
- *Re-consider the frequency of risk reviews:* the Committee asked for the retention of the current system of review by committees but suggested that lower order risks could be removed.
- *Describe risk owners and responsible SLT members by job titles:* this was agreed.
- *Reduce duplication at board level:* the Committee suggested that only top risks be presented to the Governing Body.
- *Introduce a standing final agenda item asking governors to describe any new, or amendments to existing, risks that they may have identified during the course of the meeting:* this was agreed.

A governor said that the review was a useful exercise in focusing on the risks register and the current situation. She suggested that further pandemics were likely and thought that the risk register should be broader and more forward-thinking. She said that the College needed to think about the risks associated with the experience of learners during their time at the College.

The Principal said that the College was very concerned about the student experience including their need for connection and routine in troubled times. He said that the blended learning timetable was providing this.

The Chair said that the register needed to be more strategic. A governor said that the register was inevitably both strategic and operational in some critical areas.

The external audit partner said that risk registers could not accommodate unforeseeable “black swan” events. But he said that it was vital that organisations had a culture and capability to handle such events. The Principal highlighted that the College was flexible and resilient on responding

The Chair noted how the College had demonstrated organisational flexibility and resilience. A governor agreed and highlighted how the College had responded to the pandemic. She said that this was evidenced by comments in the community about the College. The Principal stressed the importance of trust and morale in handling change.

The Chair summarised the discussion as being about the need to find a means of making the risk register more dynamic and strategic.

11. Sport England review of the College's governance

The Clerk outlined the process behind Sport England's desktop review of College governance in the summer. He pointed out that the one recommendation was minor and now implemented.

12. Regularity audit self-assessment questionnaire

The Clerk introduced the self-assessment questionnaire which the external auditors review and test as part of the regularity audit. The questionnaire was provided for information to the Committee as the ESFA no longer required its approval by the Audit Committee.

The external audit partner explained how the regularity audit involved the external auditors verifying the College's responses.

13. Other external audit related documents

The external audit partner noted the late appointment of Murray Smith which meant that an Audit Strategy Memorandum could not be presented to the summer term meeting. He said that the Memorandum was being forwarded for the sake of completeness. He said that the audit approach at sixth form colleges were quite standard across colleges as they faced similar risks.

The external audit partner presented the engagement letter. He said that the wording was based on the requirements of the ESFA and the Institute of Chartered Accountants in England & Wales. He said that there was no tie-in and no covert attempts to limit liability.

The Committee resolved to recommend the Audit Strategy Memorandum and the engagement letter to the Governing Body.

A governor asked about the Teacher Pension Scheme audit. The external audit partner said that Murray Smith had undertaken one day audit in the College's return.

14. Risk register

The Clerk said that the risk register had not yet had its termly refresh due to the recent assurance review but noted the COVID-19 risks had been added.

The Chair noted the earlier discussion of the risk register.

15. Session without managers present (taken after item 22)

All staff were absent for this item.

No issues of concern were raised by the external audit partner with regard to the audit and the College's finance team.

16. Consideration of clerking arrangements (taken after item 22)

All staff were absent for this item.

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

17. Assurance plan for 2020/21

The Clerk introduced the paper. He updated the Committee on plans for the Network Security review which had been planned for 2019/20. This would now happen in the spring as the Network team had been busy in the autumn term and the consultant BTRG were not able to visit when the College suggested dates. A governor asked about the proposed presentation on funding risks. The Clerk said that would be put in the agenda for the next meeting.

The Clerk said that, as in previous years, an extract from the risk register had been included to assist the Committee in prioritising risks for review. A governor asked about the purpose of the ranking. The Chair said that with the board assurance framework the Committee sought assurance, including external assurance, where there was heaviest reliance on controls to reduce the level of risk – the extract ranked the risks based on the difference between the gross risk score and the net risk score. Likewise, reviews may be required where there was a high level of risk.

The Committee suggested that approval of the assurance plan for 2020/21 should be deferred until the risk register had been refreshed and the agreed assurance review recommendations were being implemented.

18. Draft Audit Committee annual report to the Board of Governors

The Chair noted the standard format used for the Audit Committee annual report each year. He noted that the green sections highlighted the areas of judgement for the Committee.

The Committee resolved to propose the Draft Audit Committee annual report to the Governing Body.

(The external audit senior manager left the meeting.)

19. Performance indicators for external audit and assurance providers

The Clerk as Vice Principal Finance & Resources presented the positive feedback on both the external auditors, Murray Smith, and the assurance review by John Boyle.

The College Accountant said that the external audit went well and smoothly from the College management's perspective. The Clerk as Vice Principal Finance & Resources said that it was positive change with minimal disruption.

20. External audit – appointment

In the light of the preceding discussion, the Committee considered the ongoing appointment of Murray Smith as external auditors.

The Committee agreed that there was no reason why Murray Smith should not be re-appointed to undertake the external audit for 2020/21.

21. Determination of any items to be treated as Confidential

There were no items which required to be treated as confidential in the minutes.

22. 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 3 March 2021.