



ST MARY'S COLLEGE BOARD OF GOVERNORS

Minutes of the Extraordinary Meeting of the Audit Committee Held On Monday 16th December 2019 4pm

Present: Mr M. Conboy (Chair 19/20)
Mr J. Hargreaves (Foundation Governor)
Fthr N. Wynn (Foundation Governor)

In attendance: Mrs L Farnhill (Clerk)
G. Hitchmough (Mazars– External Auditors)
Mrs K Hollern (Business Manager)

Apologies: Mr M. Vizzard (Foundation Governor)

OPEN AND WELCOME

The Committee Chair, Mark Conboy (MC) thanked members and attendees for their attendance, and asked Fthr NW to open the meeting in prayer.

ITEM 1 – APOLOGIES

The apologies of MV were noted and accepted.

Item 1 – Resolved: The apologies noted were accepted.

ITEM 2 – DECLARATION OF INTERESTS

No declarations of interest were received.

Item 2 – Resolved:

ITEM 3 – FINANCIAL STATEMENTS –

Item 3.1 - Audit Regularity Self-Assessment

The Committee reviewed the document previously seen in November. MC invited questions and comments. None were received and the committee unanimously agreed to recommend this to the Board for approval.

Item 3.1 – Resolved: The Committee recommends the Regularity Self-Assessment for approval.

ITEM 3.2 - ACCOUNTS/ FINANCIAL STATEMENTS INCLUDING ITEM 3.4 – CORPORATE GOVERNANCE EXTRACT FROM THE FINANCIAL STATEMENTS (PAGES 10-17 (INCLUSIVE) OF THE FINANCIAL STATEMENTS)

MC confirmed the focus had been on ensuring a long term liability position reflected in the accounts, the delay in approving the accounts had facilitated an improved position.

GH confirmed the legal position on the balance sheet, it looks as though it is in deficit and it is and this is a change from 2 year ago, it is treated in different way now. MC agreed that this created unease but confirmed that the key thing now is the assessment of the auditors reflected in their completed audit report advising that pre-emptive conversations, a few weeks earlier had considered that there would be a going concern issue which had since been alleviated.

KH explained the changes, including the outcome of the FEC visit, improved terms from LHU and enhanced payments for some subjects. The result is that the deficit is less and the timing of payments is now controlled, preventing the need for rescheduling by the ESFA

Comment – this is all entirely positive but will not change the structural plans. The College remains in a position where it is always struggling, with an inability to deal with in year emergencies or essential building repairs. Whilst the plan has not changed it will provide us with more control.

GH confirmed that the only item outstanding was in relation to the going concern, awaiting the outcome of the FEC review with the College now in charge its own future destiny with the forecast to July 2021 demonstrating a satisfactory position, although cash remains tight in certain areas. GH advised that any issues at all in relation to cash flow would need be raised with the ESFA who have stated that they are aware of the present position. GH concluded that whilst the forecast for the next 2 years are still inadequate and the College is still in breach of bank covenant there remains the need to adequately disclose this within the financial statements. GH confirmed that he was satisfied that they are disclosed and happy that they can now sign off on going concern basis.

GH summarised by reiterating Mark's point that the College is now in a more positive than when the last Audit meeting was held when there had been fundamental uncertainty but now the position is positive with the College in control of its future, still in 'recovery' and conceding that it remained difficult but with more leeway.

MC thanked GH for his summary and confirmed that the FEC report is in draft format including important recommendations but essentially they are enabling the College to continue to work with their support to find a partner, demonstrating a measure of confidence that the College is doing something right and are able to manage their own future as a stand-alone entity in the short term. MC concluded that with new members with valuable skills (JH) who knows fundamental change in education well, having lived through it, this experience is vital to support the College as it works towards a solution.

MC concluded by giving thanks, in particular to KH for her hard work and to GH and his team for reacting so quickly to the updating situations, noting that if the accounts had to be recommended for approval in November, it would have been very damaging for SMC, tarnishing relationships with LHU. With no further questions or comments, MC asked the Committee to recommend the accounts to the Board for approval, this was given unanimously.

Item 3.2 and 3.4– Resolved: The 18/19 Accounts are recommended by the Committee to be signed by the Board of Governors.

ITEM 3.3 – DRAFT AUDIT COMPLETION REPORT INCLUDING 3.5 – MANAGEMENT REPRESENTATION LETTER (PAGES 5-17 (INCLUSIVE) OF THE AUDIT COMPLETION REPORT)

GH – confirmed that this was the 2nd of 2 reports to the committee, highlighting the areas of work focused on with an obligation to report back to the Committee. GH confirmed that their work is complete and drew attention to page 52 in the Audit pack, page 3 of his report, highlighting that the SAR needs signing.

GH confirmed that the going concern wording still needed to be finalised and the final actions were for the signatures at the full Board meeting tomorrow, concluding that it was a clean and qualified opinion.

GH confirmed that there were 3 significant risks, with the first two included for all clients. GH acknowledged that there was a small finance team but noted that was sufficient. GH then drew attention to the second point that a lot of funding is lagged and the nursery funding had been sampled with no issues raised.

The specific SMC risk was that if the going concern, noting that the numbers are highlighted in red so that it could be discussed, concluding that now it has been discussed, he is satisfied. GH confirmed that areas of judgement were highlighted, assessing estimates, depreciation, with fixed assets written back into statements and no issues noted.

GH moved on to summarise the LGPS position, noting that this had already been discussed in detail, but summarising the process. GH reminded the Committee of the points discussed at the sign off the previous year, with the McCloud and fire brigade union judgement feeding into the valuation for this year. GH confirmed that they were also satisfied that the equalisation for guaranteed minimum pension methodology was appropriate.

GH concluded that the FRS102/Casterbridge included no major changes. Financial statements opinion and regularity opinion were both clean and all significant matters discussed with management at length with only the going concern left to finalise. GH confirmed that there had been no difficulties with the audit, thanking KH, adding that he was grateful as it had been an easy process considering the College's position, noting it was a really clean year in difficult circumstances.

GH asked the Committee to note Section 3 and the minor recommendation relating to a dormant account. KH clarified the details of this and confirmed that actions had been taken to close this.

GH summarised the contents of the appendices, confirming that Appendix A needed to be signed at the Board meeting again reiterating that it had been a clean audit.

GH confirmed that under appendix E – fees, they had not done anything outside of the audit and item F was for information and invited questions and comments. None were received.

GH then returned to summarise how the Going Concern was to be addressed in the accounts. GH clarified where and how it was acknowledged both by the College and Auditors, highlighting procedures had been followed, with acknowledgement from the College including the Barclays Waiver letter and highlighting the potential for further breaches.

MC acknowledged an understanding that the bank had a due a process that they have to go through, noting how they had always been supportive. GH confirmed that there had been an issue with payments but that this indicated a warning on both sides.

GH concluded that the forecast was in place and ESFA intervention and contact was ongoing, therefore they would continue to adopt a going concern stance which gives an element of protection for governors.

MC confirmed that the visibility for next financial year up to December 2020 indicates that whilst there won't be an excessive surplus, the position will be more comfortable.

GH agreed that all colleges have a tight period in March but other colleges would not be breaching covenants but needing to re-profile. GH confirmed that this was a health warning, the College remained still vulnerable to sudden unexpected expenditure but have the support of the ESFA, adding that most colleges in intervention have emergency funding, SMC remains in this position because they have not asked for funding.

GH also highlighted the notes on page 27, a duplication of the disclosure. GH summarised the financial statements, noting income had fallen driven by funding body grants and educational income, offset by staff costs which have gone down, noting the good work on staff costs by SMC. GH worked through the figures, highlighting the impact of the Defined Benefit pension scheme and outstanding loan on what would otherwise be a comfortable position, noting that historic issues were presenting problems at present, but that staff were managing them well within their resources. GH advised the Committee and College to look at the cash buffer to create a buffer and invest in assets.

KH confirmed that as a new requirement, the Principal's salary as a multiplier of other staff had been included, GH confirmed that the multiple was reasonable and whilst the Principal's salary was at the lower end of the sector average, the median staff salary also was with a high number of staff in the nurseries on minimum wage, confirming that the calculation would be different if they were not included.

GH invited further comments and questions and confirmed that once the final updates were circulated by KH, GH would be happy to sign it off.

MC discussed the availability of governors for signing the accounts due to the absence of CB, GH agreed that the appointment of a Foundation Governor as chair for the meeting would be acceptable and that they could sign on behalf of the Board.

Item 3.3 and 3.5– Resolved: The draft Audit Completion Report is recommended by the Committee to be approved and signed by the Board of Governors.

ITEM 4 - DRAFT ANNUAL REPORT OF THE AUDIT COMMITTEE TO THE GOVERNING BODY

MC summarised the meeting, confirming that there had been a number of items reviewed for signing and confirmed that the Committee understood and were happy with all of the documents and information that had been presented. MC had authored the report which was reviewed by the

committee. No queries were raised and it was agreed that this could be presented to the Board for approval once the final audit completion report and accounts were available.

Item 4 – Resolved: The draft Annual Report of The Audit Committee is recommended by the Committee to be approved and signed by the Board of Governors

ITEM 5 – INTERNAL AUDIT DRAFT PLAN

KH confirmed that this had been produced in June as a 3 year plan and it was now felt that 30 days a year may be too much and had been done on the basis that this had been the previous requirement for IA. GH confirmed that Board assurance and internal control now rests with audit committee, able to dictate the nature and extent of intervention necessary.

KH added that at the outset of the federation, it was felt more assurance was necessary but this now needs to be revised, focusing on things that will make a positive impact this year.

MC asked the Committee for their thoughts; the Committee were in agreement that this needed to be revised, delegating authority to KH in conjunction with MC and the Exec to devise a suggested plan for Audit Committee approval.

KH suggested that GDPR and marketing would have a positive immediate impact, along with budgetary control. KH confirmed that within the plan had been risk register and KPI's, business continuity, curriculum planning and a 5 day contingency, asking if the Committee suggested bringing forward anything. The committee agreed that although ILR had been an issue, the ESFA assurance audit had reviewed this and it was no longer a priority. MC suggested effectiveness of governance and governance code adoption with committee comments that the FEC letter will highlight priorities and this should direct focus on areas of risks identified by the FEC. GH confirmed that whilst reviewing governance may be useful, there will be further changes and now that Board assurance and IA has changed, it is possible to get advisory work done, used in a more advisory approach but the areas of focus can be very much dictated by need.

MC agreed that Board and governance would be good to include once the pathway is laid out but not necessarily a current need.

MC summarised the priorities concluding that most items within the 3year plan will still be relevant, with the tender process having highlighted the issues, although the timings may need to be adjusted and reconsider the scopes of work as some may have been more relevant as part of the FoH.

Item 5 – Resolved: The Committee delegated the review of the Internal Audit Draft Plan to KH with support from MC and the Exec.

ITEM 6 – INTERNAL AUDIT REPORTS – HEALTH AND SAFETY

KH confirmed that ML had been in charge of health and safety and reporting to the committee with CMC staff supporting SMC while they were in training, due to FOH collapse and ML leaving, KH

confirmed that she had taken over but felt external support and guidance was needed to ensure issues were identified and addressed.

KH confirmed that the limited assurance was based on the boiler service having been missed, this was addressed immediately. This was in addition to the 11 important action points which were detailed in the report and KH went through them in detail giving details of the timeframes and actions undertaken summarised as follows:

2 – Procedures to be developed and updated – Jan 2020 deadline

3 – Committee set up with fair representation for across college

4 – Visitor information, new posters required to display stating what to expect – these are being printed

5 – Staff training and refreshers as appropriate. This has been communicated to the HR manager to ensure training is part of the induction and will look into IHASCO online training to see if this would be relevant

6 – One standard form needed for risk assessments. This has been uploaded to PearlTrees, previously access was detailed as an issue this is now available to all staff with a reminder of how to find it emailed out

7 – Asbestos annual review – KH advised that they have had a full review, now need an update, however the company that did the review have gone out of business and new contractors contacted have stated that they cannot place reliance on the work of another company necessitating a new survey with £3000 costs

8 – External fire risk assessment in Feb 2020 as they recommend that this is done every year, however the requirement is bi-annual

9 – Legionella risk assessment - Regulation for this is 2 years, however they recommend that this is done every year. With staff now trained, the interim annual review can be done internally now

11 – fire evacuations to be done termly – KH confirmed that this is now happening

12 – lighting tests to be carried out monthly – now scheduled

16 – half termly reviews – now calendared to take place half termly

KH confirmed that the final actions as recommendations for the Policy to be reviewed and updated and pat test training for the health and safety officer were also to be undertaken

Governor question – Who is the Health and safety officer? **KH** – It is HD who works in finance, she has sat and passed neobosh training and is qualified to undertake this role.

Governor comment – previously there was someone exceptional who wrote very good reports, we haven't had this since, I was shocked when I read this and I could see beneath this, it is evident that we are short of money so things aren't being done. This is not acceptable.

KH – this is why this audit went ahead and was prioritised. KH explained the staffing situation including the agreement under the FoH that would have seen a site supervisor and health and safety expert attend 1 day per month. KH then explained that now staff contact KH to look at issues with estates. It is now for the site supervisors to open, with two on in a morning in case one is absent to ensure that the College is open and with a security contracting company now also with a set of keys who for a fee can come in and open up. KH provided details of present staffing issues in estates, agreeing that the College needs someone capable and willing and at present the situation is reactive, agreeing that there was a shortfall. **The Governor commented** further that it was evident people are being stretched in areas we do not want to be stretched in.

MC concluded that this has been looked at in depth to ensure compliance is being maintained whilst continuing to balance a tight budget with nothing available to invest, acknowledging that there were issues to address but nothing fundamental.

A Governor commented that underlying this is not just the funding position and the issues identified in the report but the evidence of extra stress and pressure on staff. KH confirmed that she was hopeful that with the restructure this will be addressed.

Governor Question – who is on the health and safety committee? **KH** – H&S officer, HR, nursery, KH, science, reprographics and IT. **Comment** – governor attendance should be considered.

Governor Question – Do students attend? **KH** – no, we put it out to them but no interest was returned

KH confirmed that a critical friend in a governor would be useful. The committee agreed that if there was not a governor available to be the link governor, a member of the committee could attend as a representative to feedback on progress

Action – Board to be asked for link governor to be appointed to look at H&S. If a governor cannot be appointed, audit committee members should be invited to attend H&S committee meetings.

Item 6 – Resolved: The committee noted details of the reports with an action to invite a governor to attend committee meetings.

ITEM 7 – ANY OTHER BUSINESS

GH confirmed that he had tendered his resignation at the end of September and was due to leave at the end of January, advising it was likely that Charlene Lancaster would take over and whilst the Liverpool office may close, Chris will still be available.

MC confirmed that he too was due to leave the committee as he wished to be considered for the position of chair of the Board.

All were thanked for their time with best wishes to those moving into different roles.

The meeting closed at 6.15pm