



ST MARY'S COLLEGE BOARD OF GOVERNORS

Minutes of the Meeting of the Audit Committee Held On Thursday 25th June 2020 2.30pm

Present: Fthr Noel Wynn (Nominated as Chair for the final meeting of 19/20)
Paul Case
Claudia McLean

In attendance: Mr M. Conboy (Board Chair 19/20)
Mrs L Farnhill (Clerk)
Mrs K Hollern (Business Manager)

Apologies: Mr M. Vizzard (Foundation Governor)

OPEN AND WELCOME

Fthr Wynn opened the meeting in prayer ahead of the Clerk confirming the decision recommended by the BMAC and approved by the Board during the meetings of 13th February that Fthr Noel Wynn would Chair the meetings until new members have the opportunity to conclude their full induction and training and consider the post. Fthr Wynn confirmed he was happy to take the position, with the proposal seconded by P. Case and supported by all in attendance. It was agreed that the post of Vice Chair be deferred until the committee membership is more stable.

Approved: That Fthr N. Wynn is the Chair of the Committee for the remainder of the 19/20 academic year with the position of Vice Chair left open.

ITEM 1 – APOLOGIES

The clerk confirmed that MV continued to send his apologies, and having discussed his imminent return at the beginning of lockdown, his health had since deteriorated making a return unlikely. The clerk added that it was now expected that a resignation was imminent with a need for further members to be recruited to the committee.

Resolved: The apologies of MV were accepted by the Committee

ITEM 2 – DECLARATION OF INTERESTS

C. Mclean declared an interest based on her role at Liverpool Hope University.

Resolved: The interest was noted

MINUTES OF THE MEETINGS OF 21st NOVEMBER AND 16TH DECEMBER

It was confirmed that actions of the November meeting had been reviewed ahead of December and all actions from December had been completed. The minutes were approved by the Committee, with signing deferred until face to face meetings resume.

Resolved: The minutes of the meetings of the 21st November 2019 and 16th December 2019 were approved to be signed once face to face meetings resume

ITEM 4 – INTERNAL AUDIT UPDATE

KH advised the Committee that TIAA, the internal auditors had been in touch to arrange follow-up reviews to ensure that their recommendations had been followed for the 4 audits completed in 18/19 which were necessary to complete their annual report. KH stated that TIAA also wanted to complete one further piece of work based on their original proposal, however, with the support of EB and MC, it was decided the scheduled work was no longer relevant or a duplication of earlier work, with a need to now focus on what would be useful and relevant in relation to the SPA therefore further work has been deferred.

A governor asked where there were a number of recommendations, was a consolidated table created. KH confirmed that this was on each individual report with an annual summary in the annual report from TIAA.

MC, as former Committee Chair confirmed that they worked through and closed down each piece of work with no longstanding actions, although agreed that a rolling list would be beneficial.

The clerk confirmed this had been an action of the November meeting but on reflection had not been considered beneficial as each report had the information within it and matters arising within meetings detailed as actions and followed up at the next meeting.

Upon further discussion and reflection, with consideration for the fluid committee membership, it was agreed that this should be undertaken with an **action** noted for this to be completed for future meetings. KH agreed to take this action forwards, adding that the final report for the year would provide assurance with a sign off for works undertaken and actions recommended.

The clerk confirmed that within the papers, an internal audit report on GDPR had been included. This Audit was conducted after the last meeting of the Audit Committee but ahead of the Board meeting, therefore verbal feedback had been provided directly to the Board due to the cancellation of the March Audit Committee meeting, with the report now available and included for information. **In response to a question,** the clerk confirmed this was not itemised on the agenda for discussion due to the absence of the auditors and need to review only urgent items, however, as DPO, the Clerk asked the Committee if they had any questions regarding the report. **A governor asked** if the recommendations had been followed up, with the Clerk confirming all were completed, many undertaken prior to the auditor concluding their two da inspection.

Resolved: The Committee noted the details of the verbal report.

ACTION – start a rolling action summary for internal audit recommendations.

ITEM 5 – EXTERNAL AUDIT UPDATE

KH advised the Committee that there had been considerable changes within the teams at Mazars, with Chris Whittingham, the previous audit partner now reassigned to SMC. KH advised the committee of a significant price increases across the industry, with additional work now necessary following a number of high profile companies becoming insolvent, resulting in a price increase of £6500 which had been discussed with MC in his capacity of Chair of the Board.

MC confirmed that they had reviewed the options, including remaining with Mazars, going out to tender or approaching other companies, including that of the previous audit partner who had worked with SMC for a number of years and was fully aware of the present situation and was now working for a different provider. MC stated that the price rise was across the industry, with KH confirming that she had been alerted by the Clerk following network discussions regarding significant price increases being notified to other colleges prior to Mazars having confirmed their price rise to SMC. MC concluded that given the present situation with the SPA process and imminent structural solution, it was considered logical to stay with those known to the College as their assistance will be needed during the SPA process, with the history being beneficial, although contended that the known element was now limited with the auditor and senior partner having both recently left, leaving only one member of the team known to the College. KH confirmed that this was a return to the team that had previously audited the College, although the account manager was now on paternity leave which is why the memorandum was not available for approval today.

A governor asked what percentage the represented with KH confirming that the fee the previous year was £15,000, with a **governor commenting** that this rise in the region of 40% seemed excessive considering this would only be in relation to labour costs.

KH confirmed that additional work would also be needed in relation to SMC as a going concern, highlighting additional costs that would be incurred in moving to a new provider, including the need to review the previous year, with prices likely to reflect the inability to offer a three year contract due to the imminent structural solution.

A governor asked if the SPA was driving the increase based on it being likely that this would be their last year, with KH stating that this was unlikely with information provided from other colleges provided by the clerk demonstrating similar increases. MC added that SMC had not yet agreed to the terms and would be meeting with them in late July and would look at whether there could be any flexibility in the pricing.

A governor asked if they needed to undertake additional work, with KH confirming that there was a piece of work on teachers pensions, with this fee set at £1200 plus VAT being unchanged from the previous year, with only the main body of the audit having increased in cost, with the price given as the overall cost including the teaches pension work.

Resolved – The Committee noted the update with matters arising to be followed up at the next meeting:

- KH and MC to meet with the auditors and review the pricing
- Audit memorandum to be approved in late August/ early September

ITEM 6 – THE RISK REGISTER

KH advised that there was no report available due to the volume of work currently being undertaken by the person responsible for writing the report. **A governor asked** if LH could provide a verbal

update including highlighting changes in risk ratings, which KH confirmed she was able to provide, giving the following detailed information relating to each risk:

1 – KH confirmed that the 1st risk was a new addition, relating to the Covid-19 College closure. KH confirmed that the College was advised to close in March and informed the Committee that following preparations to reopen in early June, the College was advised by BwD that the local risk remained too high therefore the schedule of planned one to one meetings were maintained but carried out through virtual pathways. **Governors asked** if the high point score was accurate given that the college has not reopened and would not be reopening this academic year, with KH confirming that this now reflects the risks present in reopening the College in September, which is heightened as this would be a full reopening of the College, not a partial reopening as was intended in June.

KH advised that the nurseries had also planned to reopen on 8th June, however deferred on the advice of the Local Authority, successfully reopening on 22nd June following a full risk assessment. **A governor asked** how many children were attending, with KH stating that there were 60 children although they were not full time, resulting in less children on site each day, with exact figures unavailable and that this was increasing daily as parents became more confident in the safety measures. KH confirmed that the risk assessment was still in draft and not yet available, advising that the risk register was also still in draft.

2 – KH advised that following the receipt of a 'good' Ofsted inspection, this had been downgraded from impact 5 and probability 3 to impact 5 and probability 2, adding that the College continues to be Ofsted ready, however due to the pause in inspections it was unlikely a visit would be imminent.

3 – KH informed the Committee of considerable training undertaken in relation to the new EIF, noting that the 3rd term updates were not fully completed due to covid-19.

4 – KH confirmed that the structural review had taken place alongside a redundancy programme with some staff redeployed. KH confirmed that the impact of Covid-19 had meant the SPA had paused, however would restart in July, with completion expected by late August, and with the support of the FEC team, the score was changed from impact 5 and probability 5 to impact 4 and probability 4 due to the SPA process providing options for a sustainable future, with MC adding that the original plan to defer to September was now replaced with an accelerated programme to bring the process back on track with EOI and proposals in by end of July, providing an earlier picture of what the outcome will be, supporting the reduced risk rating.

5 – KH confirmed the reduction in the rate from impact 5 and probability 4 to impact 5 and probability 3 as the SMC and Marist relationship was coming to an end, reducing this risk of reputational damage from this association.

6 – KH advised that retention reports now go to SLT, Quality Committee and the Full Board, with actions detailed confirming that the rating was kept the same.

7 – KH confirmed that outcomes and intervention received thorough interrogation, with the introduction of the Quality Committee which increased scrutiny and support, with additional contact with the chair of the Committee as mitigating factors, with the risk rating being maintained.

8 – KH advised that the rating for the publication of the FEC report had been reduced from impact 5 and probability 4 to impact 5 and probability 3 as the local press had not publicised the document, with minimal national interest raised in sector related articles with little impact felt locally.

9 - KH advised that the rating for quality of teaching stayed the same, with considerable work undertaken to improve the quality of teaching and learning.

10 – KH informed the Committee that the risks relating to the effective curriculum plan should be cross referenced with risk 4, advising that some courses were withdrawn with more relevant courses introduced and staff redeployed. KH added that the Covid -19 situation meant that contracts cannot be reduced, with MS having reviewed the plan, commenting that it was tight with staff well utilised and agreeing that there was no spare capacity.

11 – KH advised that staff development and quality improvement stayed the same and actions were linked to risk 9.

12 – KH confirmed that the risk relating to recruitment stayed the same, however a new marketing strategy had been launched, providing details of the new campaigns.

13 – KH confirmed that the risks relating to HE recruitment were unaltered, with good working relationships with providers and regular financial, quality and recruitment reports to Committees and consistent communication with the universities.

14 – KH confirmed that the risk relating to the financial notice to improve had not changed, with the college remaining in official intervention, with regular visits, case conferences and stock takes taking place. The IFMC submitted in February showed the college remained inadequate, with the financial situation static, with declines anticipated due to the new lease and costs associated with Covid-19

15 –HE funding was included in the financial plan reflecting reduced targets, working closely with providers to understand the offer available to improve marketing with the risk rating remaining the same.

16 – KH advised that loan covenants had been breached in 18/19 and would be breached again this year, with the bank aware and the risk remaining the same. The bank issued a letter of comfort in July 2019 and continued to be supportive remaining in regular contact

17 – KH advised that this new risk relating to the Bank charge over the lease was considered to be a high risk. KH confirmed that the bank was aware of the College's intention to move away from Trustees, with the FEC team speaking to the Bank with MC and KH regarding this issue.

18 – KH advised that risk 18 had increased from impact 5 and probability 4 to maximum scores of impact 5 and probability 5 as the cash position posed a significant risk due to the new lease and impact of the pandemic resulting in cash running out by October or November, with the previous budget enabling the College to get through to March before there would be an issue, by which time it was hoped the merger would have concluded. KH confirmed that the ESFA were aware.

MC outlined the process of going to the funding department to ask for assistance, advising that a re-profile would not be sufficient, having previously considered that a re-profile would have been enough, however, additional support going in to the next academic year was now needed. MC confirmed that they were talking weekly to the ESFA, with the new forecast delivered and dealing with questions throughout the process, but added that the going concern was the biggest issue for the audit committee.

KH confirmed that the ESFA had been through the budget line by line (in draft form) which was due to go to the Full Board in the coming weeks. KH advised that this risk now represented the highest risk rating with, having previously been impact 5, probability 4.

19 – KH confirmed that the risk relating to insolvency had been downgraded despite the financial position due to the support of the FEC team and the SPA process presenting viable options for the future of SMC.

20 – KH advised that Committee that the risks relating to the MIS issues identified by the internal audit had been immediately actioned with a consultant brought in followed by an audit by the ESFA providing further assurance. KH confirmed that TIAA was due to complete a follow up with a review of their recommendations; therefore the score remained the same until this concludes.

21 – KH advised that following an internal audit offering reasonable assurance with minimum recommendations, the risk rating of GDPR was downgraded. KH advised that home working and online working policies had been updated to reflect the present situation and were being continually updated to reflect changes in guidelines and working practices for both students and staff.

KH invited final questions with a **governor asking if** the increased audit costs had been included in the revised budget with KH confirming that they had, stating the budget document that would be distributed shortly offered clear identification of increased costs or variations related to Covid-19, the lease or other issues.

KH added that shielding, staff costs and transport costs were identified as increasing with MC confirming that additional audit costs were minimal when compared to the other additional costs. MC added that it was hard to judge the on-going impact of Covid-19 including further staff absences and other impacts, stating that it was expected to have a significant impact for some time to come.

A further question was asked in relation to risk 18, the need for financial assistance, asking for clarification that it was expected this was now likely to be actual assistance rather than a re-profile, with KH confirming that a re-profile would not be enough. KH explained how the sector was effectively underfunded by February by 7% and confirming that she has highlighted this as a possible area of need in the past, having only required the support once in 2017, initiating the financial notice to improve, concluding that this year that would not be enough and cash assistance would be necessary.

A further question was asked about the plans in place and impact on the budget should there be a second wave of Covid-19 resulting in a second lockdown period with KH advising that it was anticipated that this would not affect the budget as the plans were already in place for online learning, with a strong online delivery programme developed with other colleges. MC added that the SMT had ensured that education had continued uninterrupted whilst maintaining high standards by extending the use of the VLE PearlTrees, agreeing that an additional period of lockdown would not impact the quality of learning, with good student engagement which would be supported through a comprehensive timetable of 1:1 support and wellbeing measures. **It was asked if this** would impact cash further, with KH confirming that the additional costs were in relation to the onsite delivery including transport and cleaning as well as an additional cost built into to the budget for staff shielding.

The Chair confirmed that there were no further questions, thanking KH for a comprehensive update which alleviated some of the concerns over what had appeared to be considerable levels of risk.

Resolved: The Committee noted the details of the draft report. The approval was deferred to the Full Board as the register presented was presented in draft format.

ITEM 7 – THE REVIEW OF THE EFFECTIVENESS OF THE COMMITTEE

The clerk confirmed that the longstanding issue of shifting membership prevented the ability to self-evaluate, and as in 2017/18 the committee self-reflection would not be completed as the membership had not been stable, with present members unable to reflect on their performance over the past 12 months having not been in the committee throughout the year. The clerk advised the Committee that in 18/19 this was overcome through a 360 degree appraisal, including reflection from attendees and the Board, with input from the auditors, Board Chair and Principal, however, with changes to the Principal and auditors as well as 3 Board Chairs in this time, this would also be ineffective. The Committee agreed to defer this activity.

Deferred: The self-assessment of the audit committee would be deferred until members have been in place for twelve months.

ITEM 8 – REVIEW OF THE COMMITTEES TERMS OF REFERENCE

The clerk confirmed that the delegated authority and standing orders of the committee would normally be reviewed at the last meeting of the year, however, due to the need to focus on urgent business only and the impending update to the constitution, this would be deferred. **A governor asked** if this was in relation to the SPA process and the clerk confirmed that the imminent removal of the Marist Fathers as trustees would impact the constitution, forcing a full review of the Board and Committee structures, membership and delegated authority, therefore, it was recommended that the existing terms of reference are maintained with a full review taking place alongside the updated constitution.

Deferred – The review of the terms of reference would be deferred until details of the updated constitution were available, with the Committee recommending to the Board that the existing terms of reference are maintained.

ITEM 9 – ANY OTHER BUSINESS

No other business items were raised, with the Chair closing by thanking members and attendees for their time, in particular passing thanks to former Audit Committee Chair, MC, for supporting the meeting and providing insight from the close support and monitoring of College business that he had undertaken during the College closure.

The meeting closed at 3.30pm.

ACTION SUMMARY

- a rolling action summary for internal audit recommendations to be created and presented as a standing item
- KH and MC to meet with the auditors and review the pricing
- Audit memorandum to be approved in late August/ early September
- The risk register will be presented to the board for approval once finalised

Matters arising/deferred items:

- The post of Vice Chair will remain open until a time when membership is more static
- The terms of reference will be reviewed in line with the updated constitution
- The Committee self-reflection will take place once members have been in post for twelve months