

**ST MARY'S COLLEGE  
BOARD OF GOVERNORS**

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE  
HELD ON WEDNESDAY 6 JUNE 2018**

Present: Mr M Conboy (Chair)  
Mr C Beesley  
Mr J Brown

In attendance: Mr G Hitchmough (Mazars LLP)  
Ms K Hollern (Finance Manager)  
Mr M Lenaghan (Director of Finance & Resources – Cheadle & Marple College)  
Mrs L Farnhill (Clerk)

Apologies: Ms J Singleton

Absent: Mr P Reynolds

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|                  | <p>Open and welcome – Chair Mark Conboy extended a welcome to Chris Beesley as a new appointed Foundation Governor elected to the Audit Committee.<br/>It was also noted that this was the first Audit meeting of Jeff Brown.</p>   |
|                  | <p>1: Apologies</p> <p>The apologies above were acknowledged and accepted. It was noted that neither the Chair nor Clerk had heard from Paul Reynolds.</p>  |
|                  | <p>2: DECLARATION OF INTEREST</p> <p>No declarations of interest were received</p>  |
|                  | <p>3: MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 22 NOVEMBER 2017</p> <p>Minutes of the Meeting of the Audit Committee held on 22<sup>nd</sup> November had been circulated prior to the meeting. It was noted that with the exception of some typing errors, the minutes were an accurate reflection of the meeting</p>   |
| <b>Resolved:</b> | <p><b>That the Minutes of the Audit Committee Meeting held on 22 November 2017 be accepted as a correct record</b></p>  |
|                  | <p>4: MATTERS ARISING</p> <p>4.1: APPOINTMENT OF A VICE CHAIR<br/>In light of the level of responsibility afforded to the role of Chair and Vice Chair of the Audit Committee, it was agreed to defer the appointment as both members present were new to the committee. An overview of the role was discussed and the Chair indicated that item 10, review of the Terms of Reference would give further insight. Both members were invited to discuss the role further outside of the meeting.</p> |

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| <p><b>Deferred</b></p>  | <p><b>That the appointment of Vice Chair of the Audit Committee be postponed to the next meeting</b></p> <p>4.2 <u>Internal Audit Strategy</u><br/> Following the agreement that it was agreed that internal audit is essential for the College, ML has produced a comprehensive overview including a 5 year plan based on the model used by CMC, where IA is used in an advisory capacity and to provide insight, and adapted to incorporate the unique priorities of SMC. The proposed structure is not fixed and the timings can be amended in line with shifting priorities. JS has already reviewed and altered some of the timings to highlight areas of priority. If approved, an invite to tender can be drafted. Whilst separate TOR will be drafted for each college, it is foreseen that should the restructure go ahead in September, where possible, economies of scale will be used across the colleges. ML advised that the cost had been built into the financial plan which has been shared with the ESFA.</p> <p><b><u>In response</u></b> Chair MC commented that the IA had not ever been cancelled, rather deferred as a cost saving measure with the intention for it to be resumed as soon as feasibly possible. ML responded that they had agreed that only one member of staff having in depth knowledge of some aspects of the finances in particular ILR had been a particular risk requiring addressing. The assurances provided by the IA should lead to it paying for itself.</p> <p><b><u>In response to a comment from Chair MC</u></b> that it was difficult to oppose a plan that had already been created by, reviewed and approved by ML &amp; JS. ML advised that objective scrutiny by JS had seen items moved to prioritise the immediate needs of SMC. The plan, further developed than that of CMC, broken down into areas of risk creates a structured framework.</p> <p><b><u>In response to a question from Chair MC</u></b> regarding security and IT, ML responded that a separate piece of work has already been completed by the IT staff of another college, looking at both SMC and CMC. GH (Mazars) also added that other colleges he works with utilise alternate strategies for H&amp;S including using insurance companies to carry out this work. He agreed that bringing back IA is a positive step.</p> <p><b><u>Chair MC agreed</u></b> that the plan was well rounded with suitable focus and that the ESFA would agree that it strengthens the position of SMC. He invited questions and comments. None raised and draft approved</p> |
| <p><b>Resolved</b></p>  | <p><b>That the Internal Audit Strategy be approved.</b></p>   |
| <p><b>Resolved:</b></p> | <p>5: AUDIT COMMITTEE SELF ASSESSMENT</p> <p>It was agreed that the newly drafted SAR provided greater clarity and opportunity for influence in developing individual members and the Committee as a whole. This was done in response to the ESFA feedback on governance and will be adapted for each committee and the Board</p> <p><b>That the SAR is approved and distributed for completion ahead of the Board meeting in July</b></p>  |
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| <p><b>Resolved:</b></p> | <p>6: EXTERNAL AUDIT PLANNING – Gareth Hitchmough – Mazars</p> <p>Gareth gave a comprehensive explanation of the auditing process including the responsibilities of the Auditors, College and the Audit Committee for the benefit of the new members of the committee. He informed the committee that the team at Mazars had been largely stable and the only exception would be next year with Chris Barstow moving after November.</p> <p>Attention was drawn to areas of increased risk, those identified which were seen as a key risk for all clients and those specific to SMC as detailed within the document provided. Gareth explained that SMC provided assumptions, specialists reviewed the tolerance and end of year adjustments will be made.</p> <p>An inflationary increase in fees was noted. He highlighted their independence and assured the committee that they (Mazar’s) were available for support and can communicate outside of the meetings and actively encouraged this.</p> <p>Gareth drew attention to the TPA Audit following on from small errors in individual pension contributions not being flagged. The terms of reference of this piece of work has not yet been agreed.</p> <p>The Chair invited questions and comments of which there were none from the committee, Gareth (Mazar’s) added that an additional comment may be needed regarding the legal status should the SMC Federation be approved.</p> <p><b>That the External Audit Strategy and fees be recommended to the Board for approval</b></p> |
| <p><b>Resolved:</b></p> | <p>7: FINANCIAL SITUATION OF THE COLLEGE – Matt Lenaghan</p> <p>MC (Chair) provided a summary of the current financial situation and the proposed innovative and ground-breaking federated approach to new member CB.</p> <p>ML advised the committee that there had been continual dialogue with the ESFA. If SMC were to operate in isolation, cash flow deteriorates quickly. The combined benefit of collaborative working offers a 3 year benefit across the two colleges of 1.67m, of this, 1.1m is the benefit accrued by SMC. This sum is accumulated through the support of LHU and economies of scale, working collaboratively with CMC. There are a series of clarification questions, which responses have been drafted and once approved, will be submitted this week.</p> <p>The financial plans assessed by ESFA to take effect from September with SMC reaching ‘good’ by 2021. There are no concerns from the ESFA about the financial plan. Figures used have been conservative and there should not be a need to reprofile for 3-5 years.</p> <p>A meeting has taken place with the FE commissioner, the initial outcome appears favourable however JS is awaiting a letter regarding formal approval.</p> <p><b>That the update be noted</b></p>  |
|                         | <p>8: RISK REGISTER – Matt Lenaghan</p> <p>Verbal report offered by ML. – approved the overarching plan, draft Risk Register in November with work to be completed over the summer incorporating formal arrangements for SMC and CMC to work formally together. A new risk register will be generated in line with the internal and external audit with some work done across the two colleges.</p> <p>Chair, MC asked for additional meeting with the Finance Team to go through</p>   |

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| <p><b>Resolved:</b></p> | <p>this and the results of the SAR</p> <p><b>That the Finance Team will meet with Chair, Mark Conboy to analyse the risk register and SAR results.</b></p>   |
| <p><b>Resolved:</b></p> | <p>9: ESFA CORRESPONDENCE – Mark Conboy</p> <p>The Chair highlighted the shift in mindset of what is within the remit of the Audit committee with clarity and assurance being provided by the Code of Practice. ML commented that the internal audit strategy will address any issues and ensure that we are compliant and the approval of the internal and external audit strategies places SMC in a good position</p> <p><b>ESFA documents were noted</b></p>  |
| <p><b>Resolved:</b></p> | <p>10: REVIEW OF THE TERMS OF REFERENCE – Mark Conboy/ Lisa Farnhill</p> <p>The proposed amendments were welcomed by the committee.</p> <p><b><u>In response to a question from a member</u></b> regarding the incorporation of additional members to the committee to avoid cancellation due to lack of quoracy, the Chair advised that it is difficult to recruit members to the board and to the committee who have the relevant skill set. Levels of educational understanding has improved, however, members with significant financial skills and knowledge are needed rather than increased numbers that lack the relevant experience. ML commented that the SAR will help in addressing the specific skills gaps of the committee and the Board overall.</p> <p><b><u>In response to a comment from the</u></b> Chair, that he had not seen the results of the Board Skills assessment, the Clerk advised that these would be available at the next meeting of the BMAC and discussed at the next full meeting of the Board</p> <p><b>That the Terms of Reference be recommended to the Board for Approval</b></p>   |
|                         | <p>11: AOB – GDPR UPDATE – Matt Lenaghan</p> <p>ML gave a brief overview of the information provided by the SMC focus group, highlighting that the most widely overlooked group in most companies in the roll out of GDPR has been the data relating to staff. SMC has addressed this with whole staff training. Marketing process and forms are being updated as images and promotion are the only area requiring express consent. Application forms have been updated for students and staff and the privacy statement updated. Internal work documenting data flow including FOI act and right to be forgotten are being put in place.</p> <p><b><u>GH advised that care needs to be taken interpreting the legislation,</u></b> with particular concern over student destination data – incorporating the name of a student representing a breach of the legislation. The full understanding of the legislation is very much still evolving, and likely to be tested under case law.</p> <p><b><u>In response</u></b> ML advised that the legislation has ensured that all irrelevant questions and requests for information on application forms are removed and greater clarity on what information is being obtained and why is given. GH agreed that the legislation is not new, more affirmation of what should</p> |

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|  | already be happening to protect data with clarity around breaches.  |
|  | <p>11 ANY OTHER BUSINESS</p> <p>The Chair invited any further questions or comments from the committee and thanked members and attendees for their time</p> |
|  | <p>DATE OF NEXT MEETING</p> <p>To be confirmed</p>  |

Signed .....

Name .....

Date .....