



ST MARY'S COLLEGE BOARD OF GOVERNORS

Minutes of the Meeting of the Audit Committee Held On Tuesday 8th December 2020 at 9.30am

- Present: Fthr Noel Wynn (Committee Chair for 20/21) (NW)
Paul Case (PC)
Claudia McLean (CMC)
- In attendance: Mark Conboy (Board Chair 20/21) (MC)
Lisa Farnhill (Clerk) (LF)
Katrina Hollern (Business Manager) (KH)
Nicola Wakefield (Mazars) (NWa)
- Invited to be
in attendance: Chris Beesley (Board member due to take over from Mike Vizzard on the
Committee) (Invited but **not** in attendance)
Jane Butterfield (TIAA) (JB) (Invited but **not** in attendance)
- Apologies: Mr M. Vizzard (Foundation Governor)

OPEN AND WELCOME

Fthr Wynn formally opened the meeting by welcoming Nicola Wakefield as the audit account partner and thanking co-opted member CMC for continuing to support the College by giving up her time.

ITEM 1 – APOLOGIES

The clerk confirmed the standing apologies for MV and confirmed that JB from TIAA would not be attending as there was only the rolling actions from internal audits to be covered relating to internal audit.

Item 1 – Noted: The apologies detailed above were noted and accepted.

ITEM 2 - DECLARATION OF INTEREST

Claudia Mclean declared an interest relating to her role at Liverpool Hope University, working closely with the College through the Network of Hope.

Item 2 – Noted: The declaration detailed above was noted.

ITEM 3 - MINUTES OF THE MEETING OF THE AUDIT COMMITTEE ON THURSDAY 10TH SEPTEMBER 2020 (FOR APPROVAL)

The chair asked the Clerk if the minutes had been previously approved, with the clerk confirming that they were circulated after the meeting with no comments or corrections returned, with this being their first presentation for approval. With no further comments or questions, the minutes were approved.

Item 3 – Approved: The minutes of the meeting of the 10th September 2020 were approved as a true record of the meeting.

ITEM 4 - MATTER ARISING FROM THE MEETING OF THE AUDIT COMMITTEE ON THURSDAY 10TH SEPTEMBER

The clerk confirmed that all actions were undertaken as detailed on the report, with the financial regulations and whistleblowing policy to be reviewed within the meeting under item 6. The clerk asked if any further matters were identified within the minutes, none were raised.

Item 4 – Noted: The committee noted the details of the report.

ITEM 5 – AUDIT COMMITTEE SELF-ASSESSMENT REPORT

The clerk confirmed that following a review by the committee Chair, the document detailing the self-assessment had been circulated to members for comments ahead of inclusion in the papers. The clerk now asked for approval of the content to be included in the annual report of the Committee to be finalised following the meeting. **A member asked** if under point 5, it should be 'Committee Chair approves the agendas' rather than 'approved' with the clerk considering the change in tense, however, concluding that as a reflection on the previous year, the tense was correct. With no further questions or comments, the self-assessment was approved for inclusion in the annual report of the Audit Committee.

Item 5 - Approved: The committee approved the self-assessment report

ITEM 6 - FINANCIAL REGULATIONS INCLUDING ANTI-FRAUD AND WHISTLEBLOWING

KH highlighted the changes to the policy which included updating job roles to those now relevant within the staffing structure, noting that there had been an interim statement included in the previous year to redeploy responsibilities where posts were not filled.

Item 6 - Approved: The committee approved the policy for recommendation to the Board for approval.

ITEM 7 - REGULARITY SELF-ASSESSMENT QUESTIONNAIRE (RSAQ) INCLUDING COVID-19 SUPPLEMENTARY SHEET

The clerk highlighted the changes to the types of questions in the updated RSAQ, with KH confirming that there was now a requirement for detail rather than confirmation. The clerk highlighted how the frequency of meetings due to the financial position of the College and changing faith status had supported the compiling of evidence, which had been difficult for Colleges that had suspended meetings during the pandemic. **An attendee commented** on the comprehensive detail included within the document, with **a member asking** who had compiled the information. KH confirmed that it had been drawn up by the Clerk and herself, with the Committee Chair asking for appreciation to be noted within the minutes.

Board Chair MC confirmed that he had been through the document and was impressed with how comprehensive it was, adding that under the recommendation of the Committee and following Board approval, he would be happy to sign this off, reiterating the quality of the information provided. The Committee offered unanimous approval and the clerk confirmed that the approval extended to the supplementary questionnaire which members confirmed was also approved.

Item 7 - Approved: The RSAQ and supplementary COVID-19 questionnaire were to be recommended to the Board for approval.

ITEM 8 – APPROVAL OF THE ANNUAL ACCOUNTS

The following items were discussed together prior to requesting individual approval:

- 8.1 – Financial Statements
- 8.2 – Draft Audit Completion Report
- 8.3 – Corporate Governance Extract from the Financial Statements
- 8.4 – Management Letter and draft Management Representation Letter

NWa opened by expressing her thanks to MC and KH for being helpful, informative and constructive throughout the audit, highlighting the difficulties and complexities faced by the College, noting that to be in a position to have something available to sign was a huge achievement, not achieved by Colleges operating in less restrictive circumstances, commending staff, in particular KH for her hard work and cooperation.

Board Chair MC and KH returned the compliment, asking for their gratitude to be passed on to the team at Mazar's.

NWa stated that the team felt there was a reasonable basis for supporting the going concern statement, noting the consistent transparency with disclosures throughout, stating Mazar's were comfortable that SMC have prepared the statements on that basis. NWa, indicated the need to draw attention to the breach of bank covenants, with a considered assumption that on-going dialogue and assurances from the bank represent a reduced risk of them taking action, with Mazar's agreeing that action by Barclays would be unlikely as there would be no reason whilst payments continue to be met by the emergency funding.

A member asked NWa if she was aware of examples of banks acting upon breaches within the College sector with NWa stating it was common in other sectors including housing, where the banks had something to gain but they remained comfortable that based on disclosures and assurances, with the College being clear and honest and with the support of the ESFA funding agreement, there

was a reasonable basis for the going concern assumption however, there remained some uncertainty, with the report highlighting this.

A member stated that in their field of work this would be a red flag when dealing with a business under those circumstances and there would be concern around this, **asking** if the status of the College as a provider of education gave it a level of protection. NWA indicated that assurances came from transparency and open dialogue with stakeholders, including the ESFA and bank, adding that it would only be an issue if the College was seeking additional funding or had not disclosed the information.,

An attendee asked KH if the College received credit, with KH advising it was not common, although, if the College was asked to change their position to making payments upfront, the funding agreement would allow for this.

NWA advised the Committee that due to the additional risk relating to the covenant, the report would be reviewed by a second team and this may cause delays, preventing the College from completing the sign off of the accounts on Friday 11th December. KH advised that with the revised January deadline, this would not cause any issues in relation to signing, providing the Board could approve them in principle on Thursday 10th December with NWA advising that this would be clarified on Wednesday 9th December.

NWA summarised other significant risks including:

- pension liability: informing the Committee that Mazar's own team of actuaries had reviewed the assumptions ahead of offering reasonable assurance.
- valuation of assets: NWA advised that this concern was discussed with the Interim Principal, and although not impacting the period reviewed, would impact significantly the following year and therefore had been disclosed.

A member asked if there was a legal requirement to highlight the asset impairment, with NWA advising that the decision to close the College was not made within the review period, with the likely outcome at year end being a merger, therefore there had been no impact on the depreciation, however, with the decision to close in 2022 made ahead of the signing of the accounts, it was considered appropriate to include as a note to ensure transparency.

NWA summarised by advising of a small adjustment relating to the enhanced pension scheme, complimenting KH on a clean set of accounts, which had enabled the auditors to focus on the higher level issues, which had been commendable given the challenging circumstances.

Committee Chair NW confirmed that the hard work of KH needed to be recorded, extending his gratitude on behalf of the Committee. This was reiterated by members and attendees.

NW invited KH to provide any additional information ahead of asking for the relevant documents under Item 8 being approved. KH provided assurance around the figures included in the financial statements, advising of minimal adjustments relating to accruals and payments made after the presentation of period 12 management accounts, providing a summary of these.

NWa highlighted the 'non-standard' wording within the management representation letter, relating to the going concern position and assets, with the committee acknowledging their approval of these.

A member asked about the date of appointment included within the Financial Statements with the clerk confirming that the date presented was the date of reappointment for Governors serving more than one term.

With no further questions or comments, Chair, NW asked the Committee for their approval of:

- 8.1 – Financial Statements
- 8.2 – Draft Audit Completion Report
- 8.3 – Corporate Governance Extract from the Financial Statements
- 8.4 – Management Letter and draft Management Representation Letter

This was given unanimously.

Item 8 - Approved: The Committee offered their approval of all items presented under item 8 and resolved to recommend to the Board for approval the Financial Statements, Draft Audit Completion Report (subject to any minor alterations of wording required by a second team due to the increased risk relating to the bank covenant), the Corporate Governance Extract and the Management Letter and draft Management Representation Letter.

ITEM 9 -DRAFT ANNUAL REPORT OF THE AUDIT COMMITTEE TO THE GOVERNING BODY (FOR RECOMMENDATION TO THE BOARD)

The clerk asked for tentative approval in principal of the report based on the content of the Self-Assessment Report. This would be compiled into the standard report format now the Committee had received the recommendation of the Auditors and given their approval of the Financial Statements. The final report would be circulated later in the day, with members asked to raise any issues with the report ahead of it being circulated to the Board ahead of Thursday's meeting.

Item 9 - Approved: The Committee offered tentative approval of the report based on the information presented and approved during the meeting. The final report would be circulated for member comments ahead of being presented to the Board for approval.

ITEM 10 - INTERNAL AUDIT UPDATE

KH advised that there had been a draft plan created for Internal Audit for 2020/2021, however, under the increased scrutiny of the FEC team and the ESFA and following the announcement of the teach out plan, this had been revised and now audit work would be allocated on a needs basis. KH confirmed that the only work included within the plan and for approval was a review of the emergency funding request procedure. KH advised that this would commence once a few applications had been made, with the first having been submitted for December and approved on the day it was made.

KH summarised the funding request process to the Committee, with rolling cash flow prepared to the end of July with the profile of what is needed until July already identified, with this process discussed with TIAA as internal auditor with an indication that this would be the first internal audit

of 2020/21. The Committee confirmed that they were happy to recommend IA on a needs basis for the coming year.

KH then summarised the detail of the rolling action summary circulated, noting that although actions had since been completed, these would remain on the summary until KH had seen details of the actions undertaken within the report to TIAA.

Item - Approved: The Committee noted the details of the verbal update and approved the piece of work recommended for the 20/21 year and noted the details of the rolling summary report.

ITEM 11 - RISK REGISTER INCLUDING THE RISK MANAGEMENT REPORT

KH provided a detailed review of the contents of the risk register and risk management report, highlighting new and amended risks inclusive of the rationale for any changes and drawing attention to actions to mitigate the risks. KH summarised each risk and asked for comments and questions.

A member commented on the impressive way in which the COVID-19 risks had been mitigated, noting the increased infection rates locally with comparably low infections within the college **and asked for** the thanks of the Committee to be passed on to staff.

A member highlighted that it was evident from other information that the IT manager had left **asking** if a replacement had been appointed and the impact of this on the blended learning program. KH confirmed the replacement would start on January 4th 2021, although highlighting minimal impact on the delivery of online teaching as the responsibility for supervision and support of this was undertaken by an E-Learning Manager with significant ICT experience, supporting staff with training and practical teaching support and advice, leading this area in collaboration with the Director of Teaching and Learning. KH clarified that the IT manager that had left was responsible for technical aspects, inclusive of the network, equipment and systems, which continued to be supported by the IT technician.

A member asked if there had been a significant number of learners requesting to transfer to other Colleges since the announcement of the closure, with KH advising that there had not, with it being considered too late in the year to transfer as considerable course content had already been delivered. KH reassured the Committee that this was being closely monitored on a weekly and monthly basis with a separate report to the ESFA detailing the number of all students or staff that leave, inclusive of reasons, noting the differing impact of year 12 or 13 students leaving.

A member commented on the comprehensive detail and ease of identification for changing risk levels within the report and highlighting of new risks, again thanking KH for her time and efforts in this area.

Item 11 - Noted: Members noted the comprehensive detail of the risk register and risk management report.

ITEM 12 - GDPR REPORT

The clerk as DPO provided a summary of the detail of the report, commending the IT technician for his support in the time since the IT manager had left post, indicating that it had been a seamless transition from a GDPR perspective. The clerk confirmed that all recommendations from the audit in February had been completed, with the latest being the CCTV DPIA completed with IT technician MJ as data controller for the CCTV system. The clerk indicated the intention to change training package provider with the previous having been initiated under the federation, with the intention being to use BwD LA training services where possible, to be confirmed in the new year once the IT manager was in post.

Item 12 - Noted: The Committee noted the detail of the report.

ITEM 13 - ANY OTHER BUSINESS

KH summarised the detail of the IBR conducted by RSM, noting how well it had gone with the first stage of the review almost complete.

A member asked for an update on the CIF bid which had been detailed under AOB at the last meeting of the Committee, asking for the Committee to consider whether this should be detailed as a risk in the risk register. KH confirmed that the scope of work had been reduced with a request from the bid team for the fascia material to be updated from aluminium to UPVC. This had been submitted and now they were waiting for the final sign off from the CIF team, with the intention being for the builders to start in January and KH agreed to chase the CIF team sign off today.

NW indicated that the Committee papers had made it clear what the role of the Committee would be in presenting items for approval at the Board meeting and confirmed that following today's meeting, final amendments would be made to the report to incorporate the key elements, of the auditors opinion, financial statements, self-assessment and performance of the committee from the year and this would be distributed for approval. Members were asked to confirm their approval of the report ahead of it being distributed to the Board, which the Clerk confirmed she would complete after the meeting.

The meeting closed with confirmation of the next meeting being on 9th March 2021 and thanks given to all members and attendees.

Item 13 - Noted: The Committee noted the details of the verbal updates and agreed to review the report ahead of circulation to the Board having approved the individual elements within the meeting.

The meeting closed at 10.30.