



## ST MARY'S COLLEGE BOARD OF GOVERNORS

### Minutes of the Meeting of the Audit Committee Held On Thursday 10<sup>th</sup> September 2020 9.15am

Present: Fthr Noel Wynn (Nominated as Chair for 20/21) (NW)  
Paul Case (PC)  
Claudia McLean (CMC)

In attendance: Mark Conboy (Board Chair 19/20) (MC)  
Lisa Farnhill (Clerk) (LF)  
Katrina Hollern (Business Manager) (KH)  
Nicola Wakefield (Mazars) (NWA)  
Jane Butterfield (TIAA) (JB)

Apologies: Mr M. Vizzard (Foundation Governor)

#### **ITEM 1 – APPOINTMENT OF THE CHAIR AND VICE CHAIR**

The Clerk advised that as per the final meeting of the 19/20 academic year, Fthr Noel Wynn had offered to step forward as Chair of the Committee, with the clerk confirming that members were willing to approve this appointment, which was offered unanimously. The clerk then confirmed that the Committee wished to continue to defer the position of Vice Chair until members had more opportunity to experience the work of the committee ahead of putting themselves forward for the position of Vice Chair. This was also approved.

**Item 1 – Approved:** Father Noel Wynn was appointed Chair of the Audit Committee for the 20/21 academic year and the position of Vice Chair was to remain vacant.

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#### **OPEN AND WELCOME**

Fthr Wynn formally opened the meeting by welcoming Nicola Wakefield as the new audit account manager for Mazars and welcoming back Jane Butterfield who represented TIAA, the internal auditors.

#### **ITEM 2 - APOLOGIES**

The standing apologies of MV were detailed and accepted

**Item 2 – Resolved:** The apologies detailed above were noted and accepted.

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#### **ITEM 3 - DECLARATION OF INTEREST**

Fthr Wynn declared his interest as a member of the Society of Mary, the present Trustees of the College, highlighting the importance of this interest due to the present position of the College.

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

**Item 3 – Resolved:** The declarations detailed above were noted.

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#### **ITEM 4 - EXTERNAL AUDIT PLAN (MAZARS LLP)**

NW confirmed that the agenda had been amended to enable NWA to present the external audit plan ahead of her attendance at another meeting, expressing thanks to her for being in attendance.

NWA introduced herself as the new audit partner, thanking the Committee for rescheduling the timing to enable her to be present. In confirming that members had received the plan and had the opportunity to review the content, NWA drew members' attention to key points within the plan:

- Audit team – NWA outlined the roles and experience of members of the audit team, highlighting the need for relevant experience due to the challenges the College was progressing through.
- Audit Scope – NWA detailed the audit scope and approach, indicating that additional work may be necessary in line with the OfS requirements relating to access and participation plans.
- Time table – details of the dates for planning and field work were outlined, highlighting how this reflected the previous year, adding that the accounts and merger may affect the timeline but this would be continually reviewed and communicated, with the initial intention to work towards a standard time table.
- Risks and key judgement areas – NWA highlighted the two standard risks of Management override of controls and income recognition, with the latter of key importance for audit teams when reviewing college accounts. NWA detailed the addition of the impact of covid-19 which had been discussed at length with KH and MC, indicating that the accounts would not be prepared on a going concern basis, which NWA suggested would be easier than trying to prepare them with SMC as a going concern.

**Question** – A member asked what additional information would need to be produced if the accounts are not being prepared on a going concern basis to which NWA advised that at this stage they would not request anything further until the route the College will be taking is finalised due to the impact this would have on the drafting of the accounts and the audit work.

- Key judgement areas continued – NWA outlined the work to be undertaken in relation to the pension scheme and assumptions, covid-19 and other issues including actuarial issues, highlighting significant increases for colleges for this year.
- Bad debts - NWA advised that this area might be affected by the current climate.

**A comment was** made in relation to the complexities around the assets and the surrender of the lease which could cause issues with depreciation.

NWA ended by thanking KH and MC for their contributions during the planning call which was described as helpful in allowing the team to prepare the document. NWA asked for contact to be

maintained as the merger discussions progress, advising that this was likely to be a more fluid audit than both parties would normally be used to.

**Action –** KH was asked to arrange a call to update the auditors the following week.

With no further comments or questions NWA left the meeting and the document was approved.

**Item 4 – Approved:** The committee agreed to recommend the audit memorandum for the approval of the full Board of Governors.

**Action –** KH would arrange a call to update the auditors the following week.

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**ITEM 5 – MINUTES OF THE MEETING OF THE AUDIT COMMITTEE ON THURSDAY 25TH JUNE 2020 (FOR APPROVAL)**

The Chair invited the Clerk to make any comments regarding the minutes, with the clerk confirming that all matters arising were detailed under item 6. The minutes were approved by the Committee, with signing deferred until face to face meetings resume.

**Item 5 - Approved:** The minutes of the meeting of the 25<sup>th</sup> June 2020 were approved to be signed once face to face meetings resume.

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**ITEM 6 - MATTER ARISING FROM THE MEETING OF THE AUDIT COMMITTEE ON THURSDAY 25TH JUNE**

The clerk confirmed that all matters arising were detailed on the document with actions highlighted in bold, stating all items were covered within the agenda with the exception of the rolling audit actions which would be developed as a continuation form the document produced by TIAA for this meeting.

**Item 6 - Resolved:** The details of the actions undertaken were noted.

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**ITEM 7 - INTERNAL AUDIT UPDATE**

JB confirmed that the report distributed was a summary of the follow up review conducted on audits conducted in 18/19. JB confirmed that of the 29 recommendations made, only 3 were outstanding and 1 considered but not implemented due to cost implications, which was considered a good implementation rate.

JB confirmed the outstanding actions had been delayed due to the College closure and had a revised implementation date of 30<sup>th</sup> September, advising that the recommendation considered but not implemented was around the rolling programme of DBS renewals, which would incur significant costs.

**A member asked** if this level of implementation was not always expected, with JN confirming that some colleges do keep rolling recommendations forward.

**Comments were** made expressing thanks to KH and the staff for dealing swiftly with the recommendations alongside all the other issues that the College has been facing.

**KH added that** the virtual audit conducted over 2 days, had worked surprisingly well, with the gathering and submitting of evidence and information working effectively. KH also confirmed actions undertaken against the three 3 outstanding recommendations, including the support now being received through the Blackburn With Darwen Health and Safety and Wellbeing Service, enabling the College to adopt their policies, and confirming that the training had only been deferred due to the college closure.

With no further questions or comments, JB left the meeting after this item.

**Item 7 - Resolved:** The details of the internal audit report were noted.

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## **ITEM 8 – FINANCIAL SITUATION OF THE COLLEGE**

KH advised that since the meeting of the Board, there were no significant updates. KH advised that the final management accounts required significant additional work, with closing items and adjustments and therefore would not be ready until mid-September, adding that both the audit and Board meetings were earlier than usual but the management accounts would be presented to the Board at the meeting on September 17<sup>th</sup>.

KH informed the committee that the revised budget had been constantly kept up to date to ensure that there were no huge surprises, with the pension report having been received on Tuesday which could now be incorporated into the financial statements and p12 management accounts. KH indicated that some costs remained as estimates, including the contingency built in for covid-19 related staff cover and all changes would be reviewed with the ESFA today.

**A member asked** if KH could provide a brief summary of the details around the pension statement, to which KH informed the committee that there was a triennial valuation of the pension fund with annual valuations, with the previous year having been valued at £2.983m, with a valuation of liabilities this year being put forward as £5.169m, with the increase attributed to the impact Covid-19 has had on the stock market. **A member commented** that the timing was unfortunate with stock markets having begun to recover in August. KH confirmed that it was undertaken annually in July and that this figure would now be reflected on the balance sheet.

**A governor clarified** that the liability had increased and **asked** if there had been a similar in year cost increase with KH confirming that the in-year charge of £368k was similar to previous years but actuarial gain/loss of £1.8m was impacting the balance sheet.

With no further questions or comments, thanks were passed onto KH for the update.

**Item 8 – Resolved:** The Committee noted the verbal update.

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## **ITEM 9 – GDPR REPORT**

LF confirmed that the report distributed was for September 2020 having utilised a template from November 2019, apologising for failing to update the date within the title.

LF provided an overview of the content of the report, including the additional measures undertaken to safeguard data whilst staff were working from home. LF advised that with the exception of those like herself and KH who had previously worked from home, all staff had now returned to working at College, reducing the additional data security risks that had been present during the closure of the college.

LF confirmed that procedural recommendations from the GDPR audit had been carried out; however, she was waiting on the IT manager to upload the updated privacy notices to the website.

LF advised the Committee that the GDPR training which had been used, an external training package that summarised the responsibilities and regulations was being reviewed, to consider whether a more bespoke package delivered by the IT manager which integrated SMC policies and procedures would be more beneficial, generating a cost saving although presenting an additional pressure on the time of the IT department.

LF confirmed that there had been no further SAR requests, or requests for information and advice since the last report and that there were no breaches recorded.

With no questions or comments, NW thanked LF for her summary.

**Item 9 – Resolved:** The Committee noted the details of the report.

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## **ITEM 10 RISK REGISTER AND RISK MANAGEMENT REPORT**

KH confirmed that the register was included as it was a standing item, however, it had not been updated since it was presented for approval as there had not been a meeting of the Executive Committee in July or August, with the College having fully reopened to staff in August and students in September, advising that the register and report would be updated later in the month, with an update to the committee to follow.

**A member asked** if risk 17 – rag rating on Barclays regarding the charge had been on in June, with KH confirming that it had, however the supporting report had only been verbal due to time restraints, presented as a written report for approval to the Board in July.

**CMC commented** that it was interesting to see that the risks represented at SMC were similar to those at LHU, adding that the report and register were clear and well written.

**Item 10 – Resolved:** The Committee noted the details of the report.

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## **ITEM 11 - AUDIT COMMITTEE SELF-ASSESSMENT**

The clerk confirmed that within the terms of reference for the committee was the requirement for the committee to reflect on its performance and the outcome of this needed to be included within the committee report to the Board, which was a statutory requirement, however, for members that had not been a part of that cycle to self-reflect presented difficulties, therefore the clerk invited suggestions to ensure the requirement was met whilst utilising the members and resources available.

Attendee and Board Chair, MC commented that the committee had focused on the necessary areas of risk, developing the internal audit framework, with other responsibilities having been taken on by the Board, with limited work having been conducted in relation to the external audit due to the time of year.

MC commented that with the introduction of PC and CMC, the committee had the right calibre of members and was in a strong position to fulfil its responsibilities. MC observed that questioning was effective and relevant and that with the approach of the critical phase of the committees work in preparing the accounts for approval, this was essential. MC confirmed his attendance was only in a supportive capacity to ensure that the committee felt supported during his transition from him being a member to Board Chair and to ensure that the committee had all relevant information relating to the merger and withdrawal of the Trustees and he needed to make sure that the committee was comfortable with the going concern position. MC confirmed that having the relevant skills and experience on the committee was valuable, with the business expertise brought by PC and the valuable accounting insight from CMC.

**Chair, NW agreed** with the point of MC, stating that he felt that both the College and Committee were fortunate to have member contributions, which he appreciated under the mounting time pressures, adding his gratitude.

**CMC responded** by confirming that the opportunity was mutually beneficial in her own self-development, and was looking forward to the opportunity to come into college to work more closely with KH once the social distancing restrictions were eased.

LF suggested that a report based on minutes, compliance with the terms of reference and feedback from MC as Board Chair could be utilised to generate a form of self-reflection which she could create for committee approval. This was agreed and noted as an **action**.

**Item 11 – Resolved:** The committee would review a report on its adherence to the TOR at the next meeting.

**Action** – The clerk would compile and distribute a draft of the report

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## **ITEM 12 – TERMS OF REFERENCE**

LF confirmed that there was only a small change recommended to the TOR, to highlight and make it clearer that the committee could co-opt non Board members with specific skills onto the Committee to enable it to carry out its responsibilities. LF confirmed that a full review of committee

membership, delegated authority and terms of reference would be undertaken as part of the Trustees withdrawal which would complete in the coming weeks.

Board Chair, MC, added that the constitution had been drafted, having originally intended to be approved and in place by the end of August, however, due to the delays with drafting the lease, the constitution had also been put on hold to be implemented simultaneously. MC stated that the next step would be to review this further with the clerk in the coming week, ahead of presenting this to the BMAC for recommendation and approval.

The clerk clarified that the Committee were happy to approve the Terms of Reference. This was unanimously agreed.

**Item 12 - Approved:** The Committee agreed to recommend the terms of reference to the Board for approval.

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### **ITEM 13 - WHISTLE BLOWING POLICY AND FINANCIAL REGULATIONS INCLUDING COUNTER FRAUD STRATEGY**

KH advised the Committee that the documents were not yet available for approval due to a delay in the ACOP being released and the early meeting of the Audit Committee, asking to present the policies at the next meeting of the Committee. The Clerk advised that the next meeting was not scheduled until December, the meeting at which the accounts would be presented for approval and clarified that approval was not necessary ahead the accounts being signed, to which KH stated that she did not think that this was necessary, however, agreed to confirm this with the auditors (**action**).

**Item 13 – Deferred:** The approval of the whistle blowing policy and financial regulations was deferred.

**Action –** KH to confirm with the auditors that the whistle blowing policy and financial regulations including counter fraud strategy did not require approval ahead of the signing of the accounts.

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### **ANY OTHER BUSINESS**

The clerk advised that an additional month had been granted for the uploading of the signed accounts and asked if the Committee wished to utilise this or maintain the existing timeframe, with the Committee agreeing to work toward the original date, with **comments** made that the information would aid the merger process and delaying could cause unnecessary issues and delays with the merger. The clerk reiterated that this early meeting was a combination of both the June approval of the external audit memorandum and the October business and asked if the committee felt that another meeting would be necessary ahead of the signing of the accounts, to which the committee felt that there would not be the need for any additional meeting ahead of December.

KH also provided the Committee with an update of the CIF bid under AOB:

### **CIF BID UPDATE**

For the benefit of new members, KH provided an overview of the College's CIF bids for roof repairs which had been rejected over the previous years, advising that the roof had deteriorated to a point that parts of the building were no longer accessible on health and safety grounds. KH advised that the summer CIF bid had been rejected in June, however, additional funding became available and this bid had now been approved.

KH indicated that this was welcomed news, due to the significant repairs required, however, confirmed that the timeframe for the full repair meant that this could not commence until March 2021, raising health and safety concerns in bad weather and risking further decay over the winter months.

MC advised that he had supported KH with conversations with the surveyor that had prepared the bid to discuss scaling back the bid to focus on essential repairs which could be completed ahead of winter to prevent further deterioration and to ensure that the full site could be utilised.

KH advised that whilst in the past the site could be sectioned off to prevent access to the areas that became unsafe, the pandemic and Covid 19 restrictions with the necessary one way system and separate entrances meant that the whole site needed to be accessible.

MC confirmed that the ESFA were in support of the scaling back of the bid which had been awarded in full, and would see around £25,000 of repairs commence at the earliest opportunity.

**A member commented** that essential repairs must be carried out in the autumn to prevent a new roof being needed after winter, with MC confirming that some of the work budgeted for was preventative and improvements rather than essential maintenance and repairs, to prevent further damage or deterioration and improve the poor quality of the existing work, with KH adding that the full bid was for £450,000 with a **member asking** how many bids had been submitted. KH confirmed that there had been two which had been reviewed by the Board ahead of submission. KH advised that the bids were created with the support of a chartered surveyor with significant experience of managing cif bids and the award had been a significant sum.

MC advised that the team that were in place to do the work had an emergency cover team that were available to cover any teams that needed to isolate due to localised coronavirus outbreaks and that team could do the remedial work providing they are not needed imminently, to which a **member commented** that a considerable number of firms appeared to have capacity to undertake work at present, having utilised a number for work related projects and been surprised at the immediate availability of many contractors.

With no further questions, comments or items to be raised under AOB, the meeting closed at 10.30.