

Tuesday 7<sup>th</sup> May 2019, 5.30pm

**DRAFT MINUTES**

**PRESENT:**

Mr N Sheta, Foundation Governor, Chair  
Mr S Ebele, Foundation Governor  
Mrs B Meier, Foundation Governor  
Mr R Vianello, Foundation Governor, from 6.44pm

**IN ATTENDANCE:**

Mr K Mistry, Audit Manager, Buzzacott LLP  
Ms L Raynes, Audit Manager, RSM Risk Assurance Services LLP (IAS)  
Mrs S Flannery, Principal  
Mr A Taylor, Strategic Director, Financial and Physical Resources  
Mrs M Searle, Head of Finance  
Mrs E Lewis, Clerk to the Governors

**The meeting was opened at 5.30pm by Mr Sheta. It was quorate throughout.**

1. **Opening Prayer:** offered by Mrs Flannery
2. **Apologies** not applicable
3. **Declarations of interest:** there were none
4. **Committee time with Auditors:** Committee members confirmed this was not necessary
5. **Minutes of meeting held on 5<sup>th</sup> March 2019:** Circulated 13<sup>th</sup> March 2019 and included in the papers were agreed as a true and accurate record and were duly signed by Mr Sheta.
6. **Matters arising, not covered by agenda items:** there were none
7. **Action points from previous meeting, not covered by agenda items**
  - 7.1. **Re item 11.2.9:** Mr Taylor confirmed that college data is only held in the UK not stored / held in the EU – this had been verified by Tribal
  - 7.2. **Re item 14.1 and 14.2:** It was noted that continued appointment of both audit firms (RSM and Buzzacott) had been approved by the Governing Body on 19<sup>th</sup> March 2019. Performance indicators confirmed as unchanged for the next performance review.
  - 7.3. **Re item 16:** It was acknowledged that the two policies “Anti fraud, corruption, bribery, malpractice” and “Confidential Reporting” had been duly reviewed, updated and subsequently approved by the Governing Body on 19<sup>th</sup> March 2019. The next scheduled routine review would be due in March 2021.
8. **Regularity and Financial Statements Audits:** Mr Kunal Mistry, Audit Manager, Buzzacott representing Mrs Catherine Biscoe, Engagement Partner (Senior Strategy Auditor) and Mr David Wallis, Engagement Manager presented the “External Audit Strategy” plan setting out the arrangements and services to be provided for the audits of year ending 31<sup>st</sup> July 2019.

The committee was advised of the main changes in the 2018/19 Accounts Direction which includes a requirement to disclose whether the AoC voluntary *Colleges Senior Staff*

*Remuneration Code* had been adopted; new banding for disclosure of higher paid staff and key management salaries and justification of how remuneration of key management is set. Mr Mistry outlined the regularity assurance work drawing attention to key changes in the guidance in respect of the ESFA insolvency Regime and mitigation of fraud. He cross-referenced the anti-fraud checklist<sup>1</sup> and agreed to share a checklist of potential fraud indicators<sup>2</sup> both compiled by the ESFA.

Issues of audit significance which had been identified at the pre-audit planning meeting were reviewed and noted to include that “going concern” had been identified as a risk as a result of under-recruitment of students.

Mr Sheta confirmed the committee’s developing understanding of the Insolvency Regime and welcomed news of a publication being prepared by Buzzacott on the matter.

Proposed fees for the audit were noted to be £18,290 (excluding VAT) compared with £17,825 the previous year.

Appendices to the strategy were reviewed.

Mrs Flannery enquired about the source of evidence for a statement “an increasing number of 16-18 year olds no longer staying in education” which was attributed to an AoC report in September 2018 quoted under “Funding Pressures”. Mr Mistry agreed to check the source.

[Mr Vianello joined the meeting]

Mr Taylor reminded the committee of the need to keep in mind the impact of the increased employer contributory rate for the Teachers' Pension Scheme. Mr Sheta asked what the audit of the teachers pensions comprised and was advised accordingly. Mrs Searle sought clarification of whether the audit would be on the April or academic year. Mr Mistry would provide the guidance to confirm that it would be on the academic year.

Mr Mistry confirmed that he would provide responses to the queries raised and left the meeting at 5.49pm.

## 9. Risk Management:

9.1. The committee received the full risk register and action plan updated for the summer term 2019 and the risk management policy. Changes had been highlighted. Mr Taylor confirmed that the order of risk was unchanged with Funding remaining at the top, Student Recruitment second and Quality third. No change was proposed to the risk management policy.

9.2. Mr Taylor and Mrs Flannery reported on the key active internal controls mitigating the risks on the register:

9.2.1. **Funding:** Mr Taylor reviewed the cumulative £1m impact of two successive years of under-recruitment of students. He confirmed that the financial plan had been re-written mid-year and was being monitored by the Governors’ Finance & Resources Committee. The review of curriculum and the staff severance and redundancy programmes were ongoing and, as set out in the financial plan, would continue into the next academic year. Mr Vianello confirmed that the £491k funding shortfall was the loss of grant income resulting from under recruitment in the current year and did not include any redundancy costs.

It was noted that there had been an investment in new marketing strategies to boost student recruitment.

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<sup>1</sup> Post-16 audit code of practice 2018 to 2019

<sup>2</sup> <https://www.gov.uk/government/publications/indicators-of-potential-fraud-learning-institutions/indicators-for-potential-fraud-a-generic-checklist-for-education-providers>

The extent of downsizing staffing and the importance of minimising the impact on quality and standards of service explicit in the risk register was acknowledged. Mr Sheta asked whether redundancies were voluntary and heard from Mrs Flannery that thus far the settlements had been voluntarily agreed. She anticipated the likelihood of some compulsory redundancies amongst non-teaching staff. Mr Sheta enquired about the impact on morale. Mrs Flannery described the process and rationale being applied to curriculum (subject) review including student recruitment and performance.

**9.2.2. Student Recruitment / Competition:** The relationship between funding and student recruitment was emphasised. Mrs Flannery reviewed the techniques and strategies that had been introduced to generate increased interest and attract and track applications. A consultant marketing manager had been contracted to devise a robust more cohesive marketing plan and digital marketing strategy. The gap between the number of acceptances this year compared with the previous year was closing and Mrs Flannery confirmed that pressure would be maintained to achieve the target recruitment number of 1211.

The danger of further under recruitment of students was highlighted in the context of the Insolvency Regime and the need to maintain resilient financial viability. Mr Taylor outlined the ongoing review and monitoring of assumptions in the financial plan which he emphasised was robust but premised on the recruitment of 1211 students for the coming year. A current year end position and forecast would be submitted to the ESFA in July. He drew attention to the change in financial health banding and renaming of “satisfactory” to “requires improvement” which the DfE had instigated<sup>3</sup> as an alert to governing bodies to the level of risk being in that category was to the financial health of their college. Mr Taylor announced the introduction of a new return to be made to the ESFA from 2020 which would compare enrolments (quantified from the census count in mid-October) against assumptions in the financial plan, to facilitate closer monitoring and tracking from earlier on in the year.

**9.2.3. Quality:** The role of the Governors’ Curriculum Standards Quality (CSQ) committee in monitoring the quality of education and improvement was acknowledged. The high ranking of quality on the risk register was affirmed. Mrs Flannery and Mr Taylor reported ongoing work with students and departmental heads to maximise potential achievement. The development of T Levels and attendant challenges of the provision with expansion of work placements was discussed.

Mr Vianello asked how the provision of enrichment activities was being affected by cuts. Mrs Flannery described how opportunities were being built into the curriculum and commended the positive response from staff in this and gave examples of the development of outreach. Mr Taylor reflected on the scale of downsizing of the enrichment programme since 2012 – 13 when it was funded.

**9.2.4. HR: Staff Recruitment & Retention; Employer Relations:** The internal audit assignment would complete the review of the Staff handbook. It was reported that the teachers’ pay award had been settled since the register was updated. The band of 1% to 3% would fall within budget. Mrs Flannery commented on the increase in teacher migration into schools which used to be unusual but was not more common because the salary rates are higher.

**9.2.5. Reputation:** There had been little change in risk in this area

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<sup>3</sup> “College Oversight: Support and Intervention” April 2019

- 9.2.6. **Catholic Ethos:** Mrs Flannery reported developments in Section 48 inspections projected for implementation in 2020 but likely to be implemented in some Dioceses before then.
- 9.2.7. **Non-core Activity:** Mr Taylor confirmed that the planned stripping back of any non-profitable activity had been implemented for the coming year. He reported good unplanned profit from the new MUGA pitch. The income stream from non-core work was on a sound footing.
- 9.2.8. **Health and Safety:** Mr Taylor reported that the insurers appointed by the brokers (Hettle Andrews) who had taken on the college contract this year were engaging in risk based assessments to underpin the cover. Travelers Insurance providing the education cover had conducted a review in January 2019 and Allianz covering the engineering plant would conduct a review the following week. Mr Taylor said that the added assurance provided by the reports was valuable and the January feedback had shown that the estate and its attendant risks to health and safety were in good order.
- 9.2.9. **MIS / IT:** The addition of cyber cover to the insurance meant that the area had been the subject of review providing further assurance.
- 9.2.10. **Estates and Plant:** Mr Taylor explained why the most recent bid for a CIF grant to upgrade water, ventilation and toilet systems had not been successful but would be re-worked for submission again next year. Mr Taylor reviewed the college's recent previous successes in securing funding through CIF for Mr Ebele including the roofing repairs and security turnstiles. He announced that the tender process for construction of a new art block was nearing completion and a decision on its affordability would follow in consultation with the F&R committee. The condition of the estate was currently rated as B with nothing remaining classified as D

Mr Taylor concluded with an assurance that the remainder of the risks on the register were also subject to periodic audit reviews and should be taken into account when prioritising the internal audit plan. He cautioned that the risks being faced by the college should not be underestimated

Mrs Flannery commended the RSM risk register publication included in the papers and noted that it was closely aligned with the college risk register.

Mr Sheta reflected on the depth of knowledge of reporting against the risk register that Mr Taylor had brought to this committee and how important that had been. He asked how aspects of his role would be handed on and what plans were in place for the induction and integration of his successor. He was assured that dates had been agreed for a thorough hand over and briefing and that blueprints for reporting would be left for her to work with.

## 10. IAS (Internal Audit Service): Ms Lorna Raynes, RSM UK

- 10.1. **Internal Audit Strategy / Plan for 2019 – 20:** Ms Raynes introduced herself and outlined the strategy scope which had been included in the papers and which set out the plan of assignments for the coming year based on 9½ days audit time agreed in the strategy plan at the previous meeting. The committee reviewed the plan and rationale for review of Learner Number Systems and Bursary Fund. One day unassigned contingency and management time had been included. Mr Ebele discussed with Ms Raynes how the findings of the audit would be captured in the assignment report. The assignment visit would take place in early 2020. The fee to deliver the *agreed upon procedures plan* would be £5,776 (excl VAT) – a daily rate of

£608 excl VAT representing 2.5% increase on 2018 -19.

**For recommendation to full Governing Body on 3<sup>rd</sup> July 2019.**

11. **Internal Audit Action Report:** Mrs Searle introduced the report which had been included in the papers for reference and monitoring. It noted the aspect of the HR audit outstanding for the current year was a review of the Staff Handbook due for completion in the summer term, 2019.
12. **Board Assurance Framework:**
  - 12.1. The committee reviewed the updated BAF included in the papers for the meeting and confirmed that it was presented in a useful format that showed governors where, what and how adequate the controls are and the cycle of assurance reviews are effective in order to give the appropriate assurance to the Board prior to end of year financial statements audit.
13. **Committee business:**
  - 13.1. **Timetable of meetings for 2019 – 20:** A draft schedule included in the papers for the meeting was accepted.
  - 13.2. **Review of effectiveness and membership:** A questionnaire had been included in the papers for completion individually by members to feed into overall assessment of the effectiveness of governance. **ACTION: for completion and return to the Clerk by 24<sup>th</sup> May 2019.**
14. **Any other business:** There was none.
15. **Date of next meeting:** Agreed under item 13.1 would be Tuesday 19<sup>th</sup> November 2019. The committee accepted apologies in advance from Mrs Meier.

The meeting closed with a warm tribute and expression of thanks from the chair to Mr Taylor which was endorsed by the committee.

**The meeting closed at 6.50pm.**

**DISTRIBUTION:**

Mr N Sheta  
RSM UK

Mr R Vianello  
Buzzacott

Mr S Ebele  
Mrs S Flannery

Mr A Taylor

Mrs B Meier  
Mrs M Searle

Clerk