

Thursday 22nd November 2018 in Conference Room (Staff Room)
5pm

MINUTES

PRESENT:

Mr N Sheta, foundation governor, Chair
Mr Vianello, foundation governor, Vice-Chair

In attendance:

Mrs S Flannery, Principal (at request of committee)
Mr A Taylor, Strategic Director Financial & Physical Resources (at request of committee)
Mrs M Searle, Head of Finance (at request of committee)
Mr T Lo, Audit Manager, RSM Risk Assurance LLP (5.15pm)
Mr D Wallis, Audit Manager, Buzzacott LLP for item 17
Mrs E Lewis, Clerk to the Governors

The meeting opened at 5pm and was quorate throughout.

1. **Opening Prayer:** offered by Mrs Flannery
2. **Apologies:** Mr S Ebele
3. **Introductions:** n/a
4. **Declarations of Interest:** there were none
5. **Election of Chair and Vice Chair of Committee.** With the Clerk in the chair, Mr Sheta was re-elected as Chair of the Committee and Mr Vianello was re-elected as Vice Chair of the Committee both to two year terms of office from the date of this meeting.
Mr Sheta took the chair.
6. **Committee time with Auditors if required:** No auditors were present at this point in the meeting. The committee was agreed that time with them was not required.
7. **Minutes of meeting held on 8th May 2018:** Previously circulated on 28th May 2018 and reported to full Board, 10th July 2018 were agreed to be a true and accurate record and duly signed by Mr Sheta.
8. **Action Points from previous meeting:** there were none
9. **Matters Arising, not covered by agenda items:** there were none
10. **Regularity Audit Self-Assessment 2017 - 18:** The committee received formally the final version of the completed and signed Regularity Audit Self-Assessment 2017 – 18 Questionnaire as submitted to the auditors. This version, included in the papers for the meeting, had been signed following consultation with, and approval by, Audit committee members by email 10th - 17th September 2018.
11. **Risk Management:**
 - 11.1. The updated risk register and policy had been included in the papers for the meeting. Mr Taylor introduced the register and policy and confirmed that the risk ranking was unchanged. Changes in the text had been highlighted.

11.2. Mr Taylor and Mrs Flannery gave a verbal commentary on the key internal controls and mitigation of risks.

11.2.1. **FUNDING:** Mr Taylor outlined how the shortfall in funding was being managed including ongoing downsizing of staffing. He noted the under-recruitment of students for the second successive year and described the pressure this put on finances. The government budget had not delivered any relief and there had been no increase in the funding rate or significant income change. The funding situation therefore remained bleak. Mr Taylor estimated that the reduction in grant funding would be £427k in 2019 – 20. Under-recruitment had triggered a re-write of the financial plan - student numbers was a key assumption which had changed. The register recorded the needs for further redundancies to achieve the reduction staffing numbers.

11.2.2. **STUDENT RECRUITMENT:** Noted to be the main cause of the funding problem. Whilst the shortfall against target was as far under as the previous year there had been an over recruitment of over 18 year olds with a per capita rate of £700 less. The committee discussed the reasons for under-recruitment with Mrs Flannery including demographic factors which were having a significant impact. Mrs Flannery confirmed changes being made to recruitment and communication strategies in response to the tracking down of numbers. She reported that Open Day for 2019 entrants had been postponed and the efforts being put into place to mitigate the impact of the deferment of that event. Mrs Flannery explained that the majority of Sixth Form Colleges in London were reporting the same tough situation with student recruitment.

Mr Taylor summarised action that was being taken to improve engagement with applicants including the development of a new website and simplification of the online application system. Contact with schools including attendance at progression events had been stepped up.

Mr Sheta questioned the long term impact of the cut backs in grant funding. Mr Taylor responded with an outline of option discussions that were underway including the need to continue to reduce staffing. He warned that further under-recruitment might trigger consideration of whether the college could continue as a stand-alone institution. Recruitment of 2019 entrants would need to be at least the same as this current year. He said the college was currently a going concern. Mrs Flannery said that there was a possibility of some collaborative work with another college subject to agreement with the ESFA. She commented on the barrier current statute presented to any opportunity Academisation might offer. A situation the DfE is aware of.

Mr Taylor confirmed that financial health is strong supported by the ongoing programme of downsizing. Mrs Flannery said that there were currently some small classes at present. The balance would be to protect the breadth of provision essential to attracting students.

It was noted that English and Maths GCSE numbers had over-recruited.

COMPETITION: Mr Taylor discussed the tension between the viability of school sixth forms and the lack of a central mandate to control them. School sixth forms also face funding, capacity and staff recruitment challenges. Mrs Flannery commented on concerns parents have about youngsters travelling in London. It was concluded that the risk of competition is not lessening.

11.2.3. **QUALITY:** A good inspection outcome and good results in the summer were acknowledged to mitigate the risk of quality. A successful £135k award of SCIF

money would enable the college to build on the improvements in quality in partnership with St Dominic's Sixth Form College in Harrow.

- 11.2.4. **HR: STAFF RECRUITMENT & RETENTION; EMPLOYER RELATIONS:** Had held its rank position due to the ongoing negotiations around staff pay. Audit resource had been invested into compliance in this area for January 2019.
- 11.2.5. **REPUTATION:** Recent events outside college were discussed. Reputational risk was not wholly student related. Other factors could affect reputation such as the risk of non-compliance with eg GDPR. Mrs Flannery reported good attendance at progress review evening the previous week. Construction of the floodlit MUGA would enhance facilities for students and other users. Strategies and facilities to keep the college safe were recognised
- 11.2.6. **CATHOLIC ETHOS:** The number of Catholic students remained at approximately 30%. Mrs Flannery reported on a lively programme of activity in the chaplaincy and RE department.
- 11.2.7. **NON-CORE ACTIVITY:** Mr Taylor confirmed the end of the apprenticeship programme and reported plans to shift the nature of community education to a lettings basis as a means to reduce costs. The trading subsidiary was noted to be profitable.
- 11.2.8. **HEALTH & SAFETY:** Mr Taylor advised that there had been a full risk assessment as part of the insurance broker review earlier in 2018 which encompassed Health & Safety. Nothing had arisen to change the risk ranking. Recent CIF bids had addressed roof works and other maintenance. Future plans would bid for funds to improve toilet facilities. These externally funded investments mitigated the risks to health and safety.
- 11.2.9. **MIS / IT:** Cyber (and terrorism) insurance now in place.
- 11.2.10. **ESTATES / PLANT:** Maintenance and works undertaken through successful CIF bids and agreed annual plan of works

The committee concurred that funding, student recruitment and competition were the areas of focus and agreed the ranking of risks on the register. Mrs Lewis added that significant delay in the appointment and re-appointment of foundation governors by the diocesan offices posed a worrying risk to good governance and the willingness of volunteers to stand for service.

12. **Internal Audit Service: Mr Tim Lo, Audit Manager, RSM UK.** The Audit Strategy / Plan for 2018 – 19 approved by the full Governing Body on 10th July 2018 had been included in the papers for the meeting. The committee had commissioned Mr Lo to provide a more detailed scope of the 3-day HR Policies and Procedures review in the audit plan. 1.5 days had been allowed in the plan to follow up the GDPR preparedness review which had taken place in w/c 21st May 2018. There had been no recommendations arising from the GDPR review - this outcome had been reported to the full Governing Body on 10th July 2018. Mr Sheta confirmed with Mr Taylor and Mr Lo that the GDPR follow up would not, therefore, be needed in the audit plan for 2018 – 19. It was agreed that this time should be invested in the HR review. An audit of GDPR compliance would be included in a future audit strategy.

Mr Lo presented the objectives and scope of the proposed HR Audit which had been included in the papers for the meeting. The proposal had been drafted to show how the scope could be extended to utilise the additional 1.5 days. Mr Vianello recommended that a review of the redundancy procedures / process should be included and this was agreed.

The 4.5-day HR Audit assignment was approved to take place in January 2019 for report to the committee on 5th March 2019.

13. **Internal Audit: College Action Report:** Mrs Searle presented the college action report reviewing the two medium grade recommendations arising from the IAS Learner Numbers System (LNS) audit in January 2018. The committee noted that all aspects of the two recommendations had been implemented. Audit of LNS is on a two-year cycle
14. **Board Assurance Framework:** To confirm that the framework reviewed in Summer 2018, approved by the Governing Body provides assurance in conjunction with the IAS assignments for end of year financial statements 2017 – 18. The committee noted that the BAF is overhauled in the summer term and confirmed that, in conjunction with the IAS assignments, it recorded adequate assurance in place to mitigate / account for risk. **BAF confirmed.**
15. **Audit Committee Annual Report to Governors for 2017 – 18:** A draft report was in circulation amongst member of the committee and would be finalised by email ready for presentation to the full Governing Body at its meeting on 6th December 2018. Members were considering specifically whether the report reflected all the activities that the committee had carried out during the year including the audit assignments and levels of assurance in place. The report would be filed with the ESFA. There was no annual opinion from IAS. Compilation of the report would also be a review of effectiveness of the committee. **ACTION: Committee to confirm final report.**
16. **Any other business:** Mr Taylor referred to an insolvency regime article in the Autumn 2018 edition of the RSM publication “FE Emerging issues” which had been included in the papers for information. Mr Taylor asked Mr Lo whether there would be anything further the committee should be aware of in its work once the insolvency regime became enacted. Mr Lo advised that governors should take decisions on sound rationale supported by evidence. Mr Taylor referenced very recent updated guidance which articulated the audit committee responsibility for advising the governing body on risks of insolvency. In this respect, Mr Taylor suggested, the work and reports of auditors would be crucial. He asked whether the committee might expect a change in the way auditors would work and whether there was any more that an audit could provide. **ACTION: Mr Lo would consult Mr Cheetham and report back.**

This part of the meeting concluded at 5.45pm

Members¹ of the Finance & Resources Committee (F&RC) joined the meeting at 6.06pm along with Mr David Wallis, Audit Manager, Buzzacott LLP (Financial Statements Auditors).

Mr Sheta remained in the chair.

17. **End of year Financial Reports:** Introductions were made including Mr Wallis and Mr Lo.
 - 17.1. **FMCE²:** The completed (non-mandatory) self-evaluation for 2017 – 18 had been included in the papers and was introduced by Mr Taylor. He explained that completion of the questionnaire provided a useful checklist audit process for management. It had been compiled by himself, Mrs Searle and Mrs Lewis. He referred the committees to two key pages and explained the summary of grades in the areas of control noting the assessment to be good in all areas and outstanding for the

¹ Mr M Belfour, Mr C Garvey, Mrs J Town, Mr J Opara, Mrs S Flannery

² Financial Management Control Evaluation

internal control system. The overall self-assessed grade for the college's financial management and control arrangements was found to be "good". Mr Taylor outlined the improvement plan which contained three key areas for improvement including attendance of governors at Governors meetings and sub-committees; the expensive apprenticeship programme and the under-recruitment of learners.

The FMCE for 2017 – 18 "good" overall assessment and action plan for improvement were accepted.

17.2. Financial Statements for year ended 31st July 2018 presented by Mr David Wallis, Audit Manager, Buzzacott, Financial Statements Auditors:

17.2.1. Report & Financial Statements (Consolidated Accounts) for year ended 31st

July 2018: The draft report and statements had been included in the papers for the meeting. Mr Wallis introduced a high level review confirming that the accounts had been prepared in accordance with the 2018 Accounts Direction Handbook,

Mr Wallis reported the financial results:

The college had incurred an operating deficit in the year ended 31st July 2018 of £407k (£520k in 2016 – 17).

The report noted on page 5 that prior to the application of FRS 102 pension adjustment the result was a surplus of £388K. Prior to the meeting, Mr Belfour (Chair of F&RC, Vice Chair of Governors) had recommended that the wording be changed and a comparative amount added from the previous year to read "The operational surplus for 2017/18 was £388,000 (2016/17 - £171,000) after adjustments for FRS102 pension movements, depreciation and deferred capital grants". In discussion Mrs Searle and Mr Wallis agreed and this change was approved by the meeting. Mrs Searle confirmed that figures would be consistent with the post audit management report. **ACTION: Mr Wallis to update the wording in final version as provided to Mrs Searle in an email from Mr Belfour.**

In the Report of the Board of Governors, Mr Wallis noted a new requirement relating to Trade union facility time which had been included on page 11 in accordance with regulations which came into force in 2017.

From the Statement of Corporate Governance and Internal Control, Mr Wallis highlighted the declaration of internal control at the top of page 20 and drew attention to the statement of Regularity, Propriety and Compliance which he said was unchanged from the previous year.

The Going Concern statement was noted as a positive affirmation on page 21 which confirmed that the governing body continued to adopt the going concern basis in preparing the financial statements. The note recorded the intention to undertake a further staff restructuring process in response to lower than expected student recruitment in September 2018.

Mr Wallis referred to the Independent Auditor's Report to the Board of Governors (p24) which confirmed a clean opinion. The Reporting Accountant's Assurance Report (p27) on Regularity made to the Board of Governors and the DfE concluded that there was nothing irregular or improper to bring to attention.

Mr Wallis reviewed the Consolidated and College Statements of Comprehensive

income and Expenditure which showed the headline figure of £405k deficit compared with £520k deficit the previous year. A positive actuarial gain in respect of pensions schemes was shown. From the Consolidated and College Balance Sheets as at 31 July 2018 Mr Wallis confirmed a good cash balance.

Mr Wallis introduced the Notes to the Financial Statements.

Mrs Searle confirmed to Mr Belfour that the Auditors Remuneration in Note 7 on page 42 (Other operating expenses) had been corrected to so that internal audit would read £7k. She further confirmed that an additional line had been added for other services relating to the trading subsidiary..

Mr Belfour referred to note 6 on page 40 and proposed a change in terminology which would amend "Restructuring costs" to "Severance payments" in line with the Accounts Direction. This was accepted by Mr Wallis who also agreed Mr Belfour's recommendation that a sentence was required be added to disclose that costs had been approved by the governing body.

ACTION: Mr Wallis to apply the agreed changes to the final version of the Report and Financial Statements for the Year Ended 31 July 2018.

17.2.2. Post - audit Management Report for Year ended 31 July 2018: The report which incorporated the regularity audit had been included in the papers for the meeting and was introduced by Mr Wallis as the letter describing the work undertaken and findings.

The executive summary was noted to indicate a clean opinion on the financial statements audit of the college and its trading subsidiary and a clean regularity assurance conclusion.

Governors noted that signed letters of representation for the college and its subsidiary were required to complete the audit along with confirmation immediately prior to the financial statements being signed that no significant events had taken place since the audit that would impact on the balance sheet.

Mr Wallis explained the analysis of audited results on page 4 which confirmed the operational surplus for the year was £388k compared with £171 the previous year. Mrs Searle confirmed that this figure is consistent with the results reported to the ESFA used for the grading of financial health.

Mr Wallis took the committees through the report page by page. He highlighted the Key audit risks and outcomes section which included the area "Going concern and student recruitment" describing the issue highlighted during planning and response. Mr Belfour commented that being recognised as a going concern was a positive status. He cited a written record from the ESFA in October 2018 stating that the college had been rated "good" financial health.

It was noted from Appendix 2: Comparison of financial ratios that based on the ESFA financial health model, the statutory financial statements indicate that the College would be graded as "outstanding". The College had moderated this grading down to "good" which was agreed to be a more prudent reflection of the position. Mr Taylor added that this was also precautionary in the event that the right to light money is received as expected.

Mr Wallis confirmed that the Teachers' Pension Audit had been completed with the issue of an assurance report and end of year certificate.

Mr Wallis explained the appendices. He discussed the comparison of financial

ratios set out in Appendix 2 highlighting that the current ratio is very healthy compared with the sixth form college sector benchmarks. Mr Belfour commented that payroll costs continued to be higher than benchmark because there was no outsourcing by SFX but there was in other colleges included in the benchmark figures. **ACTION: Mr Wallis would check whether or not benchmarks include sixth form colleges that had academised in response to a query from Mrs Flannery.**

Sector developments set out in appendix 3 were noted and particularly the anticipated significant increase in the employers contribution to teachers' pensions schemes . The increase was expected to be 26.3%.

The post-audit management report was accepted.

It was unanimously agreed that, with the agreed amendments, the Report & Financial Statements (Consolidated Accounts) for year ended 31st July 2018 should be recommended to the Governing Body for approval and signing on 6th December 2018 and, following subsequent counter-signing by the auditors, submitted to the ESFA to meet the deadline of 31st December 2018.

17.2.3. **Letter of Representation:** Mr Wallis introduced the letter of representation template to be transcribed onto college headed paper for approval and signing at the Governing Body meeting at which the financial statements would be signed on 6th December 2018. Mr Wallis confirmed the letter to be standard apart from point 11 referring to "Right to light" income. Mr Belfour highlighted that the letter stated that it is the belief of the Governing Body that the financial statements should be prepared on a going concern basis - as in previous years.

17.2.4. **Letter of Engagement:** Two copies of an updated letter of engagement with Buzzacott were duly signed by Mr Sheta and one handed to Mr Wallis.

The meeting of the Audit Committee concluded at 6.35pm.

SIGNED: _____

DATE: _____

Distribution:

Mr N Sheta	Mr R Vianello	Mr S Ebele
Mr T Lo RSM		Mrs C Biscoe Buzzacott
Mrs M Searle	Mrs S Flannery Clerk	Mr A Taylor