

Tuesday 8th May 2018, 5.30pm

MINUTES

PRESENT:

Mr N Sheta, Foundation Governor, Chair
Mr S Ebele, Foundation Governor
Mrs S Spazzini, Foundation Governor
Mr R Vianello, Foundation Governor from 5.38pm

IN ATTENDANCE:

Mrs S Flannery, Principal
Mr A Taylor, Strategic Director Physical & Financial Resources
Mrs M Searle, Head of Finance
Mr T Lo, Audit Manager, RSM
Mr D Wallis, Audit Manager, Buzzacott
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:** there were none (all present)
3. **Declarations of interest**
4. **Committee time with Auditors:** The committee agreed that this was not required.
5. **Minutes of meetings held on 6th March 2018:** included in the papers and previously circulated 27th April 2018 were agreed as a true and accurate record and duly signed by Mr Sheta.
6. **Matters arising, not covered by agenda items:** there were none.
7. **Regularity and Financial Statements Audits:** Mr David Wallis Audit Manager, Buzzacott introduced the Audit Strategy for year ending 31st July 2018 for the audit of the financial statements of SFX and its subsidiary company, SFX Corporate Services Ltd, which had been included in the papers for the meeting. Mr Wallis confirmed that the plan had been drawn in consultation with Mr Taylor and Mrs Searle with whom he had met during the preparatory process.

Mr Wallis outlined the scope, extent and timetable of the audits and confirmed the assignment staff would be himself as manager and Katharine Patel as Senior Statutory Auditor.

Changes to the Regularity Assurance work were highlighted including a revised self-assessment questionnaire for 2017 – 18¹ which would be required to be ready for the September regularity audit field visit.

The key issues of audit significance had been identified at the pre-audit planning meeting,

¹ Published March 2018 alongside the Post-16 Audit Code of Practice

and were outlined by Mr Wallis as listed in the plan. “Going concern and student recruitment” was noted to carry an increased risk compared with last year. Mr Wallis confirmed that a separate audit would be undertaken in respect of the Trading Subsidiary.

Mr Wallis outlined the schedule of fees set out in the plan advising that, apart from the audit of the Teachers’ Pension Scheme (TPS), the fees had increased solely in line with inflation. The fee for the TPS had inflated more due to the increased scope of work required under new guidelines issued by Teachers’ Pensions. There would follow an updated engagement letter for the TPS. The total proposed fee (itemised in the plan) would be £17,825 excluding VAT.

Mr Wallis referenced the timetable set out in Appendix 1 which had been agreed with Mr Taylor and Mrs Searle and introduced the contents of the other three appendices (2. Terms of Engagement and ethics; 3. Nature and scope of work; 4. Sector developments).

Mr Ebele discussed with Mr Wallis what the level of materiality would be set at and at what point during the audit would the methodology be shared. Mr Wallis responded to explain that the actual materiality figure would not be disclosed but would be based on a percentage of turnover. He said the methodology could be shared towards the end of the audit cycle.

Mrs Lewis referred to four annexes to the 2018 Audit Code of Practice and enquired whether the letter of engagement would be re-issued to take account of the changes therein. Mr Wallis advised that (apart from the TPS update) the FE Technical Forum had determined that following the re-issue last year, the changes were not deemed to be significant enough to warrant an update this year.

Audit Strategy for year end 31st July 2018 agreed.

8. **To note new Post-16 Audit Code of Practice, published March 2018:** The committee received the revised code as referred to in discussion with Mr Wallis and which had been included in the papers for the meeting. The changes set out on page 4 were noted and it was acknowledged that staff governors should not be members of the Audit Committee.

Mr Wallis left the meeting at 5.47pm

9. Risk Management:

- 9.1. Updates to full register: the committee received the updated risk register & action plan and policy updated for the summer term 2017 – 18 which had been included in the papers for the meeting. Revisions since the previous meeting had been highlighted. It was noted that there had been no change in the ranked risk order since the spring term report. Funding remained the highest risk.
- 9.2. Mr Taylor and Mrs Flannery gave a verbal commentary on the key internal controls to mitigate the identified risks:
 - 9.2.1. **FUNDING:** Mr Taylor confirmed the funding shortfall would be £707k for the year 2018 – 19 as a result of lower recruitment of students. He said that actions were being implemented to ensure that the college could operate with the lower funding income. The programme of staffing reduction had moved from voluntary to compulsory redundancy. The process was being reported to the Governors Finance & Resources Committee and the Governance Committee. Mrs Flannery said that some reduction in staffing would be achieved by non-replacement of

leavers. A preliminary college budget for 2018 – 19 would be discussed with the F&R Committee at a extraordinary meeting on Monday 4th June 2018.

9.2.2.**STUDENT RECRUITMENT & COMPETITION:** Student recruitment had been under target by 119 for the current year and, Mr Taylor reported, continued to present a challenge and therefore an active risk for the current campaign due to demographics of the age group and over provision. The target for 2018 entry would be 1297. Mr Vianello explored the reasons for the current undershooting. Mrs Flannery highlighted a trend towards students selecting their sixth form place after they had received their GCSE results. Recruitment would therefore continue into the enrolment period.

Competition continued to be an ongoing risk with no signs of it easing up despite some providers announcing the closure of non-viable sixth forms. The development of Academies was a different strand of competition but currently Academisation is not yet open to Catholic Sixth Form Colleges pending an amendment to legislation.

Mrs Flannery said that the diploma route had grown as a result of schools offering predominantly A level packages. She explained that the college competes in that market with General FE. Mr Sheta commented that the demographic dip might be shown to be main driver and heard from Mrs Flannery that the prediction for reversal was from 2020 / 21 based on the bulge currently in primary / secondary schools.

9.2.3.**QUALITY:** Some funding had been awarded (£49,500)² to support the introduction of work placements for T-levels. The risks associated with not maintaining quality were acknowledged. The inspection report had rated outcomes for learners as requiring improvement and this would therefore be reviewed by Ofsted.

9.2.4.**HR: STAFF RECRUITMENT & RETENTION, EMPLOYER RELATIONS:** An increasing difficulty recruiting staff in London was reported. Cost of living salary increases had been agreed for teaching and support staff and it was anticipated that the teaching staff associations would press for higher settlements in the next academic year.

9.2.5.**REPUTATION:** The risks of inner London remain high and would be expected to remain so.

9.2.6.**CATHOLIC ETHOS:** The challenges of student recruitment are reflected in the proportion of Catholic students currently 30%. Considerable effort is put into the relationship with Catholic schools. The NOCN Religion and Philosophy course would continue. It provides a tangible connection with the Catholic ethos and mission of the college

9.2.7.**NON-CORE ACTIVITY:** Mr Taylor noted the decision had been taken to discontinue apprenticeships for financial reasons. He explained the arrangements being made for the six apprentices still on programme to return to John Ruskin College for the purpose of their final assessments. The Community Education provision would continue subject to viable recruitment and tutor costs at individual course level and the Nursery would similarly continue. will Nursery.

9.2.8.**HEALTH & SAFETY:** Mr Taylor reported the award of a CIF grant to fully fund the roof repair project.

9.2.9.**MIS / IT:** A comprehensive review of insurance including cyber and IT cover had been undertaken by a consultant in preparation for tendering of a new contract.

² Figure corrected in risk register from £49.5m to £49.5k

9.2.10. **ESTATES AND PLANT:** Mr Taylor outlined a commitment to keeping maintenance of the estate and plant up to date within a constrained budget and would continue to seek further opportunities to bids to supplement budgetary investment. He noted that a conditions survey would be undertaken next year.

Mr Vianello enquired about the latest position with the Nightingale Lane Retirement Home development and heard that this remains an outstanding issue as there was no formal settlement yet between the developers and the Diocese of the right to light claim although an agreement in principle was being processed. That amount, if realised, would fall short of the original amount estimated to be needed to replace the art blocks. Mr Taylor outlined the options and contingencies under consideration to provide alternative teaching space. He also raised with governors whether it would make good financial sense to spend all of the compensation on relocating the affected teaching accommodation. Mr Taylor reported the related status of the planning application for conversion of the outside courts into a floodlit MUGA³ which was still in progress with Wandsworth and the subject of objection from local residents.

10. IAS (Internal Audit Service): Mr Tim Lo, Audit Manager, RSM UK

Internal Audit Strategy / Plan for 2018 – 19: Scopes, reports and plans had been included in the papers for the meeting. Mr Lo introduced the draft scopes he had prepared for discussion on HT and Business Continuity. The discussion of the audit plan was also informed by the Education Risk Check output report which had been prepared by “Risk 2 Value” and assurance reports from Tribal on the database servers and offsite MIS back-up systems.

Following analysis of the scopes and with reference to the risk register, the committee directed that, in addition to the Key Financial Controls audit, Mr Lo should scope an internal audit strategy plan for 2018 – 19 to include HR (retention; training & development; redundancy treatment & policy and absence leave) and some contingency for follow up on the GDPR preparedness check taking place later in May.

Mrs Spazzini recalled the discussion at the previous meeting regarding the need for an expert review of marketing and recruitment. Mr Taylor confirmed that information had been gathered for a potential review outside of the internal audit plan which would be examined in further detail in the context of investment in this critical area.

11. Internal Audit Action Report: Mrs Searle introduced the action report included in the papers for reference and monitoring. One recommendation for action remained with an implementation date of July 2018.

12. Board Assurance Framework (BAF):

12.1. The committee received the BAF, noting that it mapped to the current risk register (summer term 2017 – 18) and had been upgraded with dates and more detail about the sources of assurance. The committee was satisfied that the controls are adequate and the cycle of assurance reviews are effective to give the appropriate assurance to the Board prior to end of year audit.

12.2. Assurance report from Tribal: The reports had been included in the papers for the meeting and reviewed during item 10.

13. Committee business:

³ Multi Use Games Area

- 13.1. **Routine review of terms of reference:** Revised terms of reference had been drafted taking account changes in the Audit Code of Practice and were agreed. **These would be recommended to the full Governing Body for approval at the next meeting on 10th July 2018 and would be reviewed again in March 2020.**
- 13.2. **Timetable of meetings for 2018 – 19:** A draft schedule had been included in the papers for the meeting and was agreed.
- 13.3. **Review of effectiveness and membership:** The committee discussed and completed the evaluation questionnaire which had been included in the papers for the meeting.
14. **Any other business:** there was none
15. **Farewell to Simona Spazzini.** Mr Sheta extended a vote of thanks to Mrs Spazzini for her service to the committee.
16. **Date of next meeting:** Agreed under item 13.2 to be Tuesday 20th November 2018.

The meeting closed at 6.33pm.

SIGNED: _____

DATE: _____