

HAVERING SIXTH FORM COLLEGE

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

**held on Thursday 24th November 2016
at 6.00 p.m.**

Present: Richard Bint, Tracy Edmonds, Joy Johnston, Nicola Lawrence, Brian Martin

Apologies: None

Attendance and quoracy: Meeting quorate. 5 out of 5 Members present (100%)

In attendance:	Paul Wakeling	Principal
	Paul Nutter	Deputy Principal
	Andrew Frater	Assistant Principal
	Sue Bannocks	Associate Principal
	Simon Tolaini	College Accountant
	Katharine Patel	Buzzacott
	Paul Goddard	Scrutton Bland
	Leisyen Keane	Scrutton Bland
	Cathy Horne	Clerk

In the Chair: Richard Bint

Richard Bint introduced himself as the new Chair of the Audit Committee and welcomed Scrutton Bland to their first meeting. All present then introduced themselves.		
A/16/34	Declarations of Interest No declarations were made.	
A/16/35	Minutes of the meeting held on 23rd June 2016 The minutes were approved.	
A/16/36	Matters Arising <i>A/16/19 – Internal Audit Assignment Reports</i> - The Assistant Principal confirmed that data back-up systems were in place and effective. He tabled two documents: 'website review and design: project initiation' and 'continuous improvement change control'. The Chair requested that Members read the documents and direct questions directly to the Assistant Principal or bring them back to the next meeting of the Committee.	
A/16/37	Internal Audit Service Annual Report for 2015-16 <i>Paper: Annual Internal Audit Service Report – year ended 31 July 2016</i> The Principal introduced the report, explaining that this was the last meeting at which RSM would be in attendance and thanking Dan Harris and his team for the work they had carried out for the College which had been thorough and helpful. In particular he thanked him for his support in the development of the risk assessment framework and added that all the recommendations made by RSM over the term of their appointment had been fully implemented and helpful. Referring to his report, Dan Harris of RSM explained that paragraph 1.1 on page 2 showed that the College has an adequate and effective framework for risk management, governance and internal control and was a positive opinion. He explained that there had been five audits carried out during the year of which 3 had received reasonable	

	<p>assurance and 2 substantial assurance. The follow up audit had shown reasonable progress had been made. The recommendations made consisted of 13 medium level and 10 low level and all had been agreed by management. He commented that the College had a good history of implementing recommendations. Referring to paragraph 1.4 on page 3 of the report, he explained that the main message was of an unqualified audit opinion with no significant weaknesses identified.</p> <p>A Member queried what governance framework was used for assessment purposes and was advised by the Principal and Clerk that the College had signed up to the Code of Good Governance. An action plan was brought to the Corporation each term for Members to assess themselves against the Code and track actions. Dan Harris added that Governance audits had covered a range of areas including Committee structure and terms of reference. For 2015-16, the Governance audit had looked at staff and student voice.</p> <p>The Assistant Principal thanked Tracy Edmonds for the assistance given throughout the tender and appointment process.</p> <p>The Chair thanked Dan Harris and RSM on behalf of the College and the Audit Committee. Dan responded by saying he would welcome the opportunity to work with the College again and that he was leaving in challenging times but that the College was in a good place.</p> <p>The Committee RECEIVED the report.</p>	
<p>6.10 pm Dan Harris left the meeting</p>		
<p>A/16/38</p>	<p>Risk Management Report <i>Papers: Strategic Risk Report; Board Assurance Framework; Risk Register; Risk Management Action Plan</i></p> <p>Introducing his report, the Principal explained that the Board Assurance Framework captured the identified risks and showed who was responsible, giving the Corporation confidence that risks were being managed. The Risk Register and the Action Plan gave more detail on the processes used to identify and manage risks. Referring to the cover page of the report, he informed Members that there were 9 amber or red risks and not 6 as shown.</p> <p>Referring to the Strategic Risk Report, the Principal drew Members attention to the risk profile and the risk radar on pages 3 and 4. He explained that there was a cluster of risks around student progress including 1.1 – students fail to make adequate progress; 1.2 – student success does not improve; and 1.4 – failure of underperforming courses to progress to good. Referring to the risk regarding an adverse inspection report (1.8) he explained that although the data had improved the likelihood of an inspection had increased and therefore it was still considered to be an amber risk. Curriculum reform (1.9) related to the introduction of linear A levels, external assessment of BTEC courses and increased attention on applied and technical courses. He confirmed that, currently, the majority of students studying BTEC qualifications were not externally assessed.</p> <p>The learner numbers target (3.6) remained a red risk. The Principal confirmed that the target of 2875 would not be achieved but added that the current financial forecasting exercises had used the new target of 2620.</p> <p>The risk relating to a loss of independence as a result of Area Based Reviews (4.13) had moved from red to green. It had been considered to be a high risk at the start of the process but the recommendation to stand alone had been secured.</p> <p>Referring to 4.14 Physical Disaster, the Principal commented that, following the data loss in 2014, actions had been put in place to resolve the identified issues. However there was still the potential of a risk in extreme circumstances such as fire or flood and it was still</p>	

	<p>considered to be an amber risk for this reason.</p> <p>Referring to the Risk Profile on page 5, the Principal explained that it showed progress made throughout the year and that the updated report would be brought to each Audit Committee. The slides on the following pages were produced by the relevant managers and presented to the Risk Management Group of which both the Principal and the Chair of the Corporation were members.</p> <p>Members were informed that student attendance was currently 1.5% higher than at the same point in the previous year and that early retention data was strong. Referring to the method of measuring progress, Members were informed that this was complicated due to the change to linear A levels and issues around target grade accuracy. It was therefore difficult to know if there was a significant dip which the data suggested or if this due to comparison against a different set of data. The Assistant Principal, Quality and Innovation, would bring a further report to the Corporation.</p> <p>The Chair commented that curriculum reform was an important area and asked what the College were doing. The Principal explained that there were various streams of work taking place including peer review with both Sacred Heart and Campion Schools and significant discussion with the London Sixth Form Colleges Group, which he chaired. Referring to the introduction of external assessment in BTEC, he explained that the NQF was being piloted on the single BTEC Business Certificate course. Responding to further questioning, he confirmed that it was a small pilot but that it changed the way in which the course was taught and introduced multiple choice questions which the students were being prepared for. The Chair commented that it was particularly important to prepare students and to track progress on the BTEC Business course and requested a further report at the next meeting.</p> <p>The Chair suggested that cyber security and data protection could be considered a risk as the College held sensitive information about both students and staff. The Assistant Principal explained that the College used JANET which was very secure but that there was a risk around cloud based systems. The Chair requested that the issue be reconsidered once the Internal Auditors had completed their audit. Referring to the draft Report and Accounts (agenda item 9), the Chair commented that on page 3 it stated that the College relied predominantly on the EFA for its income source and that the funding body provided 98% of its total income in 2015/16. He therefore suggested that it could be considered to be a risk should there be a decline in government funding. He suggested that risk 3.4 'Failure to maintain cost effectiveness' could be revisited to include the risk of declining Government funding over which one control was the policy of holding £2m in the bank. The Principal AGREED that he would request the Risk Management Group to consider both cyber security and Government funding and ensure that appropriate controls were in place.</p> <p>Responding to a question from a Member regarding risk 2.1 'Failure to plan and deliver the Newcourt replacement', which had been identified as red in the Risk Register, the Principal explained that this had initially been considered a major risk. However a survey had been completed and, although the building was old, it was not dangerous. A feasibility study had since been carried out and, whilst the College hoped to replace the building, it was no longer a high risk. The Assistant Principal commented that the risk related to the 'failure to plan'.</p> <p>The Chair commented that the risk of underperforming courses not improving (1.4) was an important issues although not included in the slides.</p> <p>The Committee RECEIVED the report.</p>	<p>JOC</p> <p>PGW</p> <p>PGW</p>
<p>A/16/39</p>	<p>Student Numbers <i>Paper: Report on Student Numbers</i></p> <p>Introducing her report, the Associate Principal informed Members that the enrolment</p>	

	<p>statistics for the 42nd day showed that there were 2590 students on roll compared to the target of 2734, a shortfall of 144 students and 5.3% below target. The key reasons for this included a decline in the year 11 population across Havering, Newham and Barking and Dagenham. Members were informed that 59% of students had come from Havering and that there was increasing competition for the more able students both in Havering and in Newham. She added that a range of actions had been taken to try to reach the target including working with gifted and talented students from local schools. Members were informed that of the 231 students who attended an Aiming High taster day, 70 had enrolled. She added that the Information Advice and Guidance (IAG) policy had been strict and more students were enrolled on the right courses. The average GCSE points score in the current year was 5.2 compare to 5.3 in the previous year, however there were 215 students with a point score of 6.1 or above. Referring to the students who were not retained, Paul Goddard of Scrutton Bland questioned where these students had gone. The Deputy Principal commented that students who left completed a leavers questionnaire which would be analysed but that the most likely reasons were to take up an apprenticeship or to change to a different programme of study at an alternative provider. He confirmed that the students 'on roll' but not attending had been removed from the data.</p> <p>The Associate Principal explained that there had been a decline in GCSE performance across the local Boroughs and that, as Level 2 provision applied mainly to Havering students, this had resulted in a drop in the number of out of Borough students coming to the College. Responding to questioning from the Chair, the Associate Principal confirmed that actions to inform Borough students about the Level 2 provision included a new leaflet and specific progression year talks at the open days. She added that there were misconceptions in the Borough about the need to have a certain number of GCSE's and that these were being addressed. The Deputy Principal commented that the strict IAG policy had resulted in students who might previously have been enrolled on Level 3 courses being enrolled on Level 2 programmes. As a result the calibre of Level 2 students had improved meaning that there was likely to be greater success and progression on to Level 3.</p> <p>Members were informed that it was likely that the move towards linear A levels would also enhance retention as students were signing up to a two year programme with no qualification after the first year. She added that 82% of students studying linear programmes in 2015-16 had progressed into the upper 6th compared to 72% overall.</p> <p>Referring to the need to improve quality in order to enhance the reputation of the College, the Associate Principal informed Members that 8 students had left the College as a result of early disciplinary action.</p> <p>Members were informed that upper and lower estimates of student numbers as well as internal and external data and qualitative factors had been analysed with the result that the proposed target for 2017-18 was 2620. The Associate Principal explained that it was expected that a higher number of Level 2 students were expected to progress and improved progression from lower 6th to upper 6th was expected due to the introduction of linear A levels. She added that the target was set at the upper end of current predictions and was an aspirational target. The proposed target would be brought to the Corporation on 13th December for final approval with the Audit Committee receiving monitoring reports throughout the year.</p> <p>The Committee RECEIVED the report and ACCEPTED the proposed target of 2620 subject to approval by the full Corporation on 13th December 2016.</p>	<p>PGW / SJB</p>
<p>A/16/40</p>	<p>Audit Committee Annual Report <i>Paper: Draft Annual Report of the Audit Committee for 2015-16</i></p> <p>Referring to the report, the College Accountant explained that it had been written with the Clerk and that, as colleges no longer had to obtain a full audit opinion from an Internal Audit Service, the annual report of the Audit Committee provided that opinion</p>	

	<p>which would be presented to the Corporation on 13th December before being submitted to the Education Funding Agency (EFA). He explained that the Annual Report of the Audit Committee included a summary of the findings of the Internal and the Financial Statements and Regularity Auditors as well as the work carried out by the Committee.</p> <p>The College Accountant commented that there had been 23 recommendations from the Internal Audit Service with no high level recommendations compared to 26 and 18 in the previous two years. There had been one recommendation arising from the Financial Statements Audit and relating to the Gifts and Hospitality Register. The report enabled Members to track progress over three years. The intention of the report was to demonstrate that effective processes were in place with regard to the adequacy and effectiveness of the College's internal controls and its arrangements for risk management, control and governance processes. The Committee were asked to consider the report and approve it prior to presentation to the Corporation.</p> <p>The Committee noted that both sets of Auditors had given unqualified opinions and agreed that the Audit Committee was able to give reasonable assurance as to the adequacy and effectiveness of the College's audit arrangements, its framework of governance, risk management and control and its processes for securing economy, efficiency and effectiveness.</p> <p>Paul Goddard of Scrutton Bland commented that the annual report was comprehensive adding that the "Committees Opinion to the Corporation" paragraph on page 6 included all three essential statements. He commented that he had not seen that at any of his other clients this autumn and so it was best practice.</p> <p>RESOLVED: The Audit Committee APPROVED the annual report of the Audit Committee and RECOMMENDS to the Corporation that it accepts the report and the opinions and assurances contained therein.</p>	
A/16/41	<p>Letters of Representation and Regularity Questionnaires – for Financial Statements and Regularity Auditors <i>Paper: Letter of representation from the College relating to the audit of the financial statements and the regularity audit</i></p> <p>Introducing the report, the College Accountant explained that the Letter of Representation had to be signed each year by the Chair of the Corporation. He added that it was a standard letter drafted by Buzzacott and was a statement from the Corporation to the Financial Statements and Regularity Auditors intended to give the auditors additional assurance on all aspects of the College's operations covered by the audit.</p> <p>Members were informed that the auditors had received self-assessment questionnaires from the College in relation to compliance with regulatory requirement and fraud. Both had been signed by the Principal and the Chair of the Corporation.</p> <p>Katharine Patel of Buzzacott confirmed that the Letter of Representation used standard wording and was similar to the previous years letter.</p> <p>Recommendation: The Corporation should APPROVE the Letter of Representation and request the Chair of the Corporation to sign it on its behalf.</p>	
A/16/42	<p>Draft Financial Statements and Regularity Auditors Report for the year ended 31 July 2016 and Post-Audit Management Letter (including item 13 – Review of the Accounting Policies) <i>Papers: Draft Financial Statements for the year ended 31 July 2016; Post-audit management report covering the financial statements and the regularity audits</i></p> <p>Introducing the report, the College Accountant explained that the draft Financial Statements and Regularity Auditors Report were presented to the Audit Committee for</p>	

	<p>recommendation to the Corporation and for signature by the Chair of the Corporation and the Principal.</p> <p>Drawing Members attention to the statement of comprehensive income on page 21 and the balance sheet on page 23, he explained that the Chair of the Corporation would be asked to sign page 23 to confirm that the Financial Statements were a true and accurate record. He explained that the way in which reporting was carried out had changed due to FRS102 particularly with regard to the Local Government Pension Scheme (LGPS), commenting that the 2014-15 figures had been restated. The statement on page 21 included the actuarial loss. Although there was an accounting deficit of £69k before actuarial loss on the pension, the cash had risen by £0.2 million to £3 million. A key college financial target was to have £2 million in the bank.</p> <p>Referring to the Post-Audit Management Report, Katharine Patel of Buzzacott thanked the College Accountant and Finance Manager for their assistance and co-operation throughout the audit. She confirmed that Buzzacott were issuing an unqualified opinion. Drawing Members attention to page 3 'Statement of Comprehensive Income' she commented that the operating position was £70,000 less due to pension scheme adjustment under FRS102. She added that the adjustments would previously have shown within reserves but were now shown within restated net assets.</p> <p>Katharine confirmed that the College had outstanding financial health and that the solvency of the College was the responsibility of the Corporation.</p> <p>Members noted that no significant deficiencies in the accounting and internal control systems had been found but that the audit had made one minor recommendation relating to the Gifts and Hospitality Register.</p> <p>Referring to page 9 Katharine confirmed that the audit work relating to SORP had found nothing of concern.</p> <p>The adjusted and unadjusted misstatements detailed on pages 16 and 17 had no significant impact and would not impact on the College's deficit for the year.</p> <p>Referring to page 19, Katharine stated that pension liabilities had increased, but benchmarking indicated that the increase in the deficit was lower than average. Havering Sixth Form's pension deficit as a percentage of income was 19.3% compared to Buzzacott's group sector average of 52.1%.</p> <p>The College Accountant explained that the Accounting Policies formed part of the Financial Statements and that the Audit Committee had delegated authority to approve these on behalf of the Corporation. Katharine Patel confirmed that there were no significant changes other than those relating to FRS102 an overview of which had been included in the Post Audit Management Report (item 9).</p> <p>The Chair queried the student numbers data on page 4 which stated that there had been 2711 students on roll in both 2014/15 and 2015/16. The College Accountant AGREED to check the figures and amend the report if necessary.</p> <p>Referring to the DfE's College Insolvency Consultation, the Chair asked the Principal if he would be arranging for Governors to receive training when the legislation had been finalised and was advised that this would be built into the Corporation training plan.</p> <p>RESOLVED: The Committee APPROVED the Accounting Policies for the preparation of the Financial Statements for the year ended 31 July 2016.</p> <p>RECOMMENDATION: The Corporation should ACCEPT the Financial Statements and Regularity Auditors Report and Post-Audit Management Letter, APPROVE the Financial Statements for the year ended 31 July 2016 and AUTHORISE the Chair to sign on its behalf.</p>	<p>SJT</p> <p>PGW/ CLH</p>
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A/16/43	<p>Internal Audit Service Plan for 2016-17 <i>Paper: Internal Audit: Assurance Strategy and Annual Plan</i></p> <p>The Principal began by welcoming Leisya Keane and Paul Goddard from Scrutton Bland. He explained that the Internal Audit Service Plan for 2016-17 had been put together by management and Scrutton Bland having taken account of the Risk Register. He drew Members attention to Appendix A which detailed the Plan, adding that the proposed schedule met the requirements of the College and could be delivered within budget. He requested that the Learner Funding Compliance Audit be carried out by May to fit in with College staff and timetables.</p> <p>Paul Goddard of Scrutton Bland informed the Committee that they were very pleased to have been appointed. He commented that the Audit Plan was currently in draft format and the Audit Committee were required to approve it, adding that the Committee could continue to reflect on the appropriateness of the Plan and make amendments if required at any stage.</p> <p>The Chair commented that the Student Recruitment and Retention review was important and asked for it to include arrangements to maximise progression from level 2 to level 3.</p> <p>Responding to a question from the Chair about the level of expertise provided by Scrutton Bland, Paul Goddard confirmed that staff with the relative expertise would undertake the audits.</p> <p>RESOLVED: The Audit Committee, on behalf of the Corporation, APPROVED the Internal Audit Plan for 2016/17.</p>	
A/16/44	<p>Implementation of Audit Recommendations – progress report <i>Paper: Register of Outstanding Audit Recommendations – November 2016</i></p> <p>Introducing the report, the Assistant Principal, Performance, Services and Resources, explained that it showed the actions and comments made since the last report to the Committee in June. He added that the outstanding actions were from the Health and Safety area which had been reviewed under the Internal Audit Plan for 2015/16. Members were informed that there were no high level recommendations and that the remaining actions would continue to be developed and reported to the next meeting.</p> <p>Commenting on the recommendation to enhance routine departmental inspections, the Chair expressed his view that this was particularly important to ensure nothing was missed. The Assistant Principal explained that the College used to have a shared Health and Safety service with Havering College of Further and Higher Education but that this ended with the appointment of the Premises Manager who had taken on responsibility for Health and Safety and was currently updating inspection documentation. Confirming that higher risk areas such as laboratories and art studios would be inspected as a priority, he AGREED to bring the calendar of events to the next meeting of the Committee.</p> <p>The Committee RECEIVED the report.</p>	ANF
A/16/45	<p>Review of Accounting Policies</p> <p>This item was dealt with as part of the Draft Financial Statements (see minute A/16/42).</p>	
A/16/46	<p>Annual Report on Gifts and Hospitality (including Register Entries) <i>Paper: Gifts and Hospitality Register and Policy</i></p> <p>Referring to the one entry for the current year, the Assistant Principal explained that the Queens Theatre was not a contractor or supplier and that the gift of two tickets had therefore been accepted by the member of staff. He informed Members that staff who had left the College were removed from the register following an audit recommendation.</p>	

	The Committee RECEIVED the annual Gifts and Hospitality report for 2015-16 and noted the entry for the current year.	
A/16/47	<p>Evaluation of Meeting <i>Paper: Evaluation of Audit Committee Meeting and Paper</i></p> <p>Members were asked to complete the evaluation forms individually and return them to the Clerk at the end of the meeting.</p>	
A/16/48	<p>Date of Next Meeting Tuesday 7th March 2017 at 6.00 pm.</p>	

The meeting ended at 7.30 p.m.

Chair _____

Date _____

CLH 28th November 2016