

# HAVERING SIXTH FORM COLLEGE

## MINUTES OF THE MEETING OF THE AUDIT COMMITTEE held on Tuesday 21<sup>st</sup> November 2017 at 6.05 p.m.

Present: Richard Bint, Rodney Eborn, Atul Vadher

Apologies: David Humber, Nicola Lawrence

Attendance and quoracy: Meeting quorate. 3 out of 5 Members present (60%)

In attendance:

Paul Wakeling	Principal
Paul Nutter	Deputy Principal
Andrew Frater	Assistant Principal
Sue Bannocks	Assistant Principal
Simon Tolaini	College Accountant
Carol Wall	Finance Manager
Mark Smith	Scrutton Bland
David Webster	Buzzacott
Cathy Horne	Clerk

In the Chair: Richard Bint

The Committee noted that Paul Goddard and Leisyen Keane had sent apologies but that Mark Smith was representing Scrutton Bland. Katherine Patel from Buzzacott had also sent apologies. The Chair informed Members that Rodney Eborn and David Humber had joined the Committee and that Joy Johnston was no longer a member of Audit but had moved to a different Committee		
<b>A/17/34</b>	<b>Declarations of Interest</b> The Principal declared an interest in item 17 - Annual Report on Gifts and Hospitality.	
<b>A/17/35</b>	<b>Minutes of the meeting held on 21<sup>st</sup> June 2017</b> The minutes were approved and signed by the Chair as a true record.	
<b>A/17/36</b>	<b>Matters Arising</b> The Chair informed Members that all of the actions highlighted in the minutes would either be referred to during the meeting or brought to the Committee at the appropriate time.	
<b>A/17/37</b>	<b>Exploration of Issues arising from contribution analysis and highlighted in minute A/17/30</b> <i>Paper: Contribution Analysis for 2017/18</i>  The Chair reminded Members that the Value for Money report brought to the last meeting had raised a question about the contribution analysis (for 2016/17) showing contribution and enrolments by faculty, which had been included for the first time, and management had been asked to bring a further report including information on class size. He <i>had</i> commented that SSB was the poorest performing Faculty but that it had the highest financial contribution and he was concerned that there may be a link. The 2017/18 data provided this time showed that the range of financial contribution per enrolment was much smaller, however SSB was still the highest contributor. Responding to the Chairs question, the College Accountant explained that an enrolment was a course of study and could be a single A Level, a triple BTEC or an enrichment such as the Duke of Edinburgh Scheme therefore analysis of contribution per enrolment should be viewed with caution.	

	<p>The Chair asked about class size and was informed by the Principal that the College had a strict class size policy. Unless there were very good reasons, the maximum class size was 24 and the average class size in the College was 17. He added that there was no published evidence that larger classes adversely affected grades but explained that the problem was more about room size with Newcourt classrooms not being large enough. The Chair asked for the list of classes over 24 to be brought to the next meeting of the Committee.</p> <p>A Member commented that it was helpful to see performance against profit and compare Faculties and the Assistant Principal pointed out that no actual money was made but that it provided an indication. The Chair asked if outcomes could be included in future reports. The Principal explained that there were a range of performance measures which would make comparisons difficult, however it would be possible to include a RAG rating, data on class size and outcomes and to compare year on year.</p> <p>In response to a Members question, the Assistant Principal explained that work was underway on refining the curriculum and revising the timetable as well as looking at teacher efficiency.</p> <p>The Committee <b>RECEIVED</b> the report.</p>	<p>PGW</p> <p>PGW</p>
<p>A/17/38</p>	<p><b>Risk Management Report</b>  <i>Papers: Strategic Risk Report; Board Assurance Framework; Risk Register; Risk Management Action Plan</i></p> <p>The Chair introduced the report, commenting that the format and layout would be referred to later in the meeting following a recommendation from the Internal Audit Service. The Principal explained that the Strategic Risk Report provided the summary with the Board Assurance Framework giving the Corporation confidence and evidence that Managers, and the Corporation itself, had identified and were managing risks. The Risk Management Group met regularly to consider risks and monitor actions and were considering adding GDPR to the list of major risks. Responding to a Members question as to how ready the College were for implementation of GDPR in May 2018, the Assistant Principal confirmed that a plan was in place. A consultant had already been into the College and had met with various key staff including the HR Manager, Finance Manager and the Clerk to the Corporation. He explained that the concern was around Capita and the records they held going back to 1999 but that actions were taking place. Responding to another Members question regarding staff holding personal data, the Assistant Principal confirmed that actions were in place. The Chair requested a report to the next meeting of the Audit Committee.</p> <p>The Principal informed Members that the internal audit had provided significant assurance with one medium level recommendation and one added value point. A Member commented that it was critical that the risks were monitored closely and mitigating actions put in place to maintain financial stability and improve quality and outcomes. The Chair commented that the Financial Plan would be brought to the Corporation in December and the Principal added that the Corporation received the management accounts regularly as well as the Financial Forecast. He reminded Members that the College had approved financial aims and had been financially outstanding in 2016/17.</p> <p>Referring to the strategic risk profile report, the Chair pointed out that risk 1.1 should be in the box above which the Principal agreed to look at. He also commented that it would be helpful for Governors to know how long individual courses had been on the 'at risk' list of underperforming courses and how many moved to good and after how long. The Principal drew his attention to the Risk Management action plan, commenting that this contained the actions in place and was drawn from the central College Plan which was a live document and allowed for a range of filters. He added that the Quality Improvement Plan, also drawn from the College Plan, contained actions and would be brought to the Corporation in December.</p>	<p>PGW</p> <p>PGW</p>

	The Committee <b>RECEIVED</b> the report.	
A/17/39	<p><b>Annual Review of the Effectiveness of the College’s Internal Control System and Review of Risk Management for 2016/17</b>  <i>Paper: Final Review of 2016-17 Risks</i></p> <p>The Principal informed Members that the Internal Audit of Risk Management had shown that the internal control system in place was effective, the processes for monitoring risks were appropriate and the Risk Management Policy was sufficiently detailed. Drawing Members attention to the paper showing the final review of 2016-17 risks, the Principal explained that there were nine red or amber risks around student progress and achievement, an adverse inspection report, curriculum reform, and student numbers. The paper showed how the risks had developed during the year. The Chair thanked the Principal for his report commenting that all of the risks had remained red or amber with some improvements identified in particular areas.</p> <p>The Committee <b>RECEIVED</b> the report.</p>	
A/17/40	<p><b>Student Applications Report and Learner Numbers Target</b>  <i>Paper: Student Numbers Report and Review of Recruitment; Draft Marketing Strategy</i></p> <p>The Principal confirmed that learner numbers were below the target of 2620 by approximately 290 students. The report provided an analysis and diagnosis of what had happened and where the shortfall lay. The proposed target for September 2018 was 2404 and was based on converting a higher number of applications. The draft Marketing Strategy was presented to the Committee for information and would be considered at Executive before coming to the Corporation in December.</p> <p>Responding to a question, the Principal stated that there was no intention to lower entry criteria but there was a need to consider the new GCSE grading and decide whether grade 4 or 5 was acceptable for entry onto Level 3 courses. The Assistant Principal, Recruitment, Marketing, Admissions and Alumni commented that she was working with the Assistant Principal, Quality and Improvement, on streamlining subjects, making them more comparable and coherent based on data about student progress. In response to a Members comment that the College could consider increasing entry requirements to improve quality, the Principal reminded Members that the College was rightly proud of its inclusive nature with open access for Havering students. The Chair agreed with this statement, commenting that the most important thing was to get students on the right courses.</p> <p>A Member commented that he had been disappointed with the final learner number, particularly given the high number of applications, and asked how realistic the new target of 2404 was and how Governors could make sure it was met. The Assistant Principal explained that the target was based on changes to conversion rates and that it was the job of the marketing team to achieve the target. She reminded Members that lagged funding allowed for actions to be put in place if the target was not met. Referring to Lower 6<sup>th</sup> to Upper 6<sup>th</sup> progression, she explained that a bespoke offer would be part of the new arrangements for students who were failing in one course. There were also proposed actions for progression from Level 2 to lower 6<sup>th</sup>, allowing students who had not passed Maths GCSE for example, the opportunity to progress. The Chair, referring to the proposed targets table on page 4 of the report, commented that the conversion rates were significantly higher than in 2017, adding that the proposed actions may not be sufficient to achieve the target which he considered to be very challenging. He also pointed out that the local demographic trend continued to decline whilst the new lower sixth intake was predicted to increase. The Assistant Principal stated that market share and historic conversions had been considered and that the target number of applications had been reduced. The strategy was based around a range of actions including a likely increase in students remaining on two year linear A levels. The Deputy Principal commented that fewer students had left due to disciplinary reasons during the first two months and that Coaches and Faculty Leaders were working with individual students to help them remain in College.</p>	

	<p>Responding to a comment that parents would look at results and Ofsted reports, the Assistant Principal commented that there was a link to the Ofsted page on the College website but that there was no evidence of visitors to the site going through to the Ofsted page.</p> <p>The Chair summarised the view on the numbers target that it was possible to achieve it but it would require all of the (very sensible) amendments to recruitment patterns and the enhancements in the marketing plan to have their desired effect and therefore it should be regarded as possible but very challenging.</p> <p>Referring to the draft Marketing Plan, a Member asked whether there was evidence of students recommending the College to others. The Principal commented that there was good evidence of siblings coming through the College and word of mouth recommendation.</p> <p>The Chair questioned whether the College would consider developing a formal link with a selective university so that the advertising campaign could include, for example, formal links, guaranteed places, summer schools and visiting lecturers. The Principal explained that the College had good links with several selective universities and preferred not to align to just one. The Assistant Principal informed the Committee that the College held an excellent HE day every year which was very popular and was also attended by either Oxford or Cambridge University. Local Year 10 Aiming High students were invited and the possibility of inviting parents to future events was being considered. The Principal commented that the CUBE was a high profile, impressive space with excellent staff adding that potential students and parents were invited to visit during open days.</p> <p>Members suggested emphasising the CUBE, the study space available and celebrating success as much as possible with coverage on local radio and newspapers.</p> <p>The Committee <b>RECEIVED</b> the report and <b>ACCEPTED</b> the learner numbers target of 2404 for September 2018 as described above.</p>	
A/17/41	<p><b>Review of the Financial Regulations</b>  <i>Paper: Revised Financial Regulations</i></p> <p>Introducing her paper, the Finance Manager informed Members that changes had been made to the Financial Regulations in order to save on costly security courier collections and to reflect best practice with regard to contracts. An ATM cash machine had been installed in Finance Services which would recycle cash received, providing a small income for the College and a saving on Securicor collections. Cash would also be recycled into the petty cash float. Responding to a question from a Member, the Finance Manager confirmed that credit and debit cards had been accepted for some time. She added that there was a small handling charge for credit card payments but that the benefit outweighed the cost.</p> <p>Referring to the changes in section 5 relating to contracts, she explained that the Financial Regulations now reflected best value in respect of whole life costs; included evaluation criteria in the tender exercise; a maximum contract period; and recording contracts on the contracts register. In response to the Chairs question, the Finance Manager stated that a proforma for contracts had not yet been drawn up but that it would be developed in line with the Financial Regulations.</p> <p>The Chair asked whether there were more detailed procedures behind the authorisation of invoices for payment (section 5.9) and was informed by the Finance Manager that there were Financial Procedures in place. With reference to point 14, the Clerk confirmed that the Audit Committee had delegated authority to approve the Financial Regulations and that there was no requirement for them to be approved by the Corporation.</p> <p><b>RESOLVED: The Audit Committee, on behalf of the Corporation, APPROVED the Financial Regulations for a period of two years' subject to the amendment of point 14.</b></p>	<p>Carol Wall</p> <p>Carol Wall</p>

<p><b>A/17/42</b></p>	<p><b>Review of the Accounting Policies including the Capitalisation of Fixed Assets</b>  <i>Paper: Cover Page (and reference to item 16, pages 33-37)</i></p> <p>The College Accountant informed Members that the Accounting Policies, which included the Capitalisation of Fixed Assets Policy, formed part of the Financial Statements and the Audit Committee had delegated authority to approve them. He explained that there were no significant changes to the Accounts Direction Handbook for the college sector, published by the AoC, and therefore there were no resulting changes to the College's Policies. However, as the College held funds for two partnerships – the Havering Secondary Learning Partnership and the London Sixth Form College Partnership – there was a minor change to the paragraph 'Agency Arrangements' on page 36.</p> <p><b>RESOLVED: The Committee, on behalf of the Corporation, APPROVED the Accounting Policies for the preparation of the Financial Statements for the year ended 31 July 2017.</b></p>	
<p><b>A/17/43</b></p>	<p><b>Annual Report of the Audit Committee</b>  <i>Paper: Draft Annual Report of the Audit Committee for 2016/17</i></p> <p>The College Accountant informed Members that he and the Clerk had written the draft annual report ready for approval by the Committee and presentation to the Corporation in December. The report would then be forwarded to the Education Funding Agency to provide an opinion and assurance as to the adequacy and effectiveness of the College's internal controls and its arrangements for risk management and governance processes. The number of recommendations from the Internal Audit Service had decreased from 23 in 2015/16 to 15 in 2016/17. The Financial Statements and Regularity Auditor had made three formal audit observations and recommendations compared to one in the previous year. In the view of the College Accountant and the Clerk, both auditors had given unqualified audit opinions.</p> <p>David Webster pointed out that the heading and references to the Regularity Audit on page 6 should be amended to Regularity Assurance Engagement.</p> <p><b>RESOLVED: The Committee APPROVED the Annual Report of the Audit Committee subject to the wording change detailed. The Committee RECOMMENDS that the Corporation accepts the report and the opinion and assurance stated therein and that it provides the same level of assurance and opinion to the funding body.</b></p>	<p>SJT / CLH</p>
<p><b>A/17/44</b></p>	<p><b>Implementation of Audit Recommendations – progress report</b>  <i>Paper: Risk and Assurance Recommendations 2016/17 – Scrutton Bland</i></p> <p>Introducing his report, the Assistant Principal, Performance, Services and Resources, informed Members that there had been good progress against the recommendations with 10 completed, 1 part completed and 2 recommendations in progress with revised dates. The three areas concerned were key financial controls, information management and student recruitment and retention. The Chair commented on the revised dates, adding that there were clear reasons why the actions had been delayed.</p> <p>Referring to recommendation 8 from the information management audit, the Assistant Principal explained that the College was working with the software provider, Capita, with regard to GDPR. It was also being considered by the Risk Management Group.</p> <p>Responding to a question relating to unmarked registers, the Assistant Principal confirmed that the action was complete and members of Executive were tasked with following up any unmarked registers with Faculty Leaders on a weekly basis.</p> <p>The Committee <b>RECEIVED</b> the report.</p>	
<p><b>A/17/45</b></p>	<p><b>Internal Audit Service Annual Report for 2016-17</b>  <i>Paper: Internal Audit Annual Report, year ended 31 July 2017</i></p> <p>Referring to the paper, Mark Smith informed Members that the opinion of Scrutton Bland was unqualified and that the College:</p>	

	<ul style="list-style-type: none"> <li>• Has adequate and effective risk management processes</li> <li>• Has adequate and effective governance processes</li> <li>• Has adequate and effective control processes, and</li> <li>• Has adequate and effective processes regarding efficiency and effectiveness</li> </ul> <p>He stated that six medium level recommendations had been raised within the audit reports during 2016/17. Of these four were from the audit on information management. The table in appendix A gave the number of recommendations, added value points and the overall level of assurance per audit.</p> <p>Members were informed that the external assessment referred to on page 6 had now taken place and that the performance indicators, detailed on page 7 had been met.</p> <p>Referring to Appendix B, Mark Smith explained that this showed benchmarking data across the 20 colleges for whom Scrutton Bland provided the Internal Audit Service.</p> <p>The Committee <b>RECEIVED</b> the report.</p>	
A/17/46	<p><b>Internal Audit Progress Report and Assignment Reports – Risk Management and Governance; and Safeguarding</b>  <i>Paper: Scrutton Bland Progress Report and Assignment Reports</i></p> <p>Introducing the report, Mark Smith of Scrutton Bland confirmed that two of the four planned Internal Audits had been completed and reports finalised. Significant assurance was provided for both. The remaining two audits would take place as planned in the spring term.</p> <p><u>Risk Management and Governance</u>  The Governance audit looked at ‘the risk that the College’s Governance framework does not comply with the Code of Good Governance for English Colleges, without these exceptions being identified’. Members were informed that the College was compliant with section 9 of the Code and a significant opinion had been given. There was one low level recommendation relating to Governors completing the Register of Interests form in a timely manner and four added value points. A best practice point had also been raised concerning the Governor training records which the auditor felt provided a good level of detail and transparency and represented best practice.</p> <p>The Risk Management audit looked at ‘the risk that unacceptable risks crystallise’. Mark Smith confirmed that the overall opinion was significant. One medium level recommendation had been raised and Members were informed that, as risk management was a continuously evolving process, low and medium level recommendations should be expected. In addition, there was one added value point.</p> <p>Referring to the recommendation that the Principal should identify information not required by Governors and remove it from the Strategic Risk Profile Report, a Member commented that Governors had asked for additional information and that this was in fact helpful. Mark Smith commented that Governors should be monitoring movement and asking for justification of the judgements made. The Principal commented that the Strategic Risk Report had already been shortened and that Members only received information relating to red and amber risks.</p> <p>The Chair drew Members attention to page 9 of the report which identified that controls and actions in place were not always included in the Risk Register and asked whether an additional column showing further actions would be helpful. He asked Mark Smith if Scrutton Bland would be working with management on developing the framework and was advised that they would. The Principal stated that Leisyen Keane had provided a document which would help with cross checking documents against each other but cautioned against altering the risk management plan significantly as it formed part of the overall College Plan which Ofsted had agreed worked. He informed Members that the paper brought to Corporation and Audit Committee focused on the Risk Register, the heat map and the document showing progress over time. Members agreed to consider at the next meeting whether this provided too much or too little information for Members. The Principal agreed to bring a version of the risk register and related</p>	PGW



	<p>and good references to financial health were not the same and the College Accountant agreed to investigate. The Chair asked about the additional 20 FTE referred to on page 7 and was informed by the College Accountant that the additional non-teaching staff were cleaners who had been transferred from the cleaning contractor. Referring to the recognition of income accounting policy on page 34, the Chair asked why the Wolfson grant referred to in the management letter was not being deferred. David Webster explained that Government grants were treated differently to those received from organisations such as Wolfson. However, he acknowledged that the Accounting Policy needed to be supplemented in order to explain this and agreed to include additional wording to take account of this. The College Accountant agreed with the Chair's comment that a figure for National Insurance should be added on page 39 where there was a new disclosure.</p> <p>David Webster presented his Post-Management Audit Report, commenting that there was an unqualified opinion on the accounts. Drawing Members attention to notes 1 and 2 on page 5, he stated that the grant from the Wolfson Foundation had been recognised in full in 2016/17. He also pointed out that learner support funds for bursaries had been included in the income and expenditure for the first time due to minor changes to the Accounts Direction publication. Referring to appendix 2 on page 14, he stated that there had been 3 recommendations arising from the fieldwork. He drew Members attention to Appendix 3 which stated that 'based on the financial health model, the statutory financial statements indicate that the college would be graded as <b>outstanding</b>'.</p> <p>A Member questioned from Appendix 1 why there were two large audit adjustments and was informed by David Webster that these were straightforward corrections to postings. The Member was concerned that similar errors were not made in the management accounts because of the importance of monitoring College finances accurately and understanding the College's financial position. David Webster stated that only one of the audit observations and recommendations relating to a £5000 balance would affect the management accounts and the management had accepted the recommendation. Another Member questioned the current ratio of 5.9 and David Webster recalculated it and agreed to amend it to 3.8.</p> <p><b>Recommendation: The Corporation should APPROVE the Annual Report and Financial Statements and ACCEPT the Post-Audit Management Report from Buzzacott subject to the amendments detailed above.</b></p>	<p>SJT</p> <p>David Webster</p> <p>David Webster</p>
<p>A/17/49</p>	<p><b>Annual Report on Gifts and Hospitality (including register entries)</b>  <i>Paper: Gifts and Hospitality Register; Gifts and Hospitality Policy</i></p> <p>The Assistant Principal confirmed that there had been no new entries since the June report to the Committee. For the year 2016-17 there were three register entries.</p> <p>The Committee <b>RECEIVED</b> the report.</p>	
<p>A/17/50</p>	<p><b>Internal Auditors Letter of Engagement</b>  <i>Papers: Cover letter from Scrutton Bland; Terms of Engagement; Internal Audit Charter</i></p> <p>Members were informed that the terms of engagement and charter for the College's internal auditors, Scrutton Bland, had been revised as the partnership had converted to a Limited Liability Partnership (LLP). The College Accountant confirmed that there were no other changes to the Letter of Engagement.</p> <p><b>RESOLVED: The Committee, on behalf of the Corporation, APPROVED the Terms of Engagement and Internal Audit Charter between the College and Scrutton Bland and AUTHORISED the Chair of the Committee to sign them on its behalf.</b></p>	
<p>A/17/51</p>	<p><b>Evaluation of Meeting</b>  <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/17/52	<b>Date of Next Meeting</b> Wednesday 7 <sup>th</sup> March 2018 at 6.00 pm.	
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*The meeting ended at 8.40 p.m.*

Chair \_\_\_\_\_

Date \_\_\_\_\_

CLH 24<sup>th</sup> November 2017