



The Henley College Corporation

MINUTES of the Meeting of the Audit Committee held on Monday 16th November 2015 at 9.00 am

Members present:

Simon White (Chair)
Stephen Forward
Jeni Wood
Charles Wiggin
Katharine Patel (Buzzacott LLP)

In attendance:

Kulbir Sethi, Director of Finance
Sarah Martin, PA to the Principal (Note Taker)

| Agenda item | Minute | Action by: |
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| 1.1 15/16 | <u>Opening of meeting</u> The meeting opened at 9:20 am. | |
| 1.2 15/16 | <u>Apologies for absence</u> Apologies for absence were received from Jayne Davis and Jim McCaffrey. | |
| 1.3 15/16 | <u>Declaration of interests</u> No interests were declared. | |
| 1.4 15/16 | <p><u>Minutes of the meeting of 8th June 2015</u></p> <p>SW explained that a summary of each committee's meeting would be provided to the Corporation. He noted that from the last minutes, the need for a better alignment between Risk Management and the Audit Committee dates had been identified. He understood that this had been a one-off mis alignment of the meetings. KSET confirmed that both the College's Risk Management and the Health & Safety meetings had both taken place recently prior to Audit.</p> <p>JW raised a query on point 3.8 14/15, pg. 3. It was agreed that this should read: 'Katherine Patel, from Buzzacott LLP presented the most recent report'.</p> <p><i>Action: Minutes to be revised accordingly.</i></p> <p>JW queried the phrasing of 3.9 on pg 6, bullet point 7 'Management controls to minimise possibility to manipulate'. KP</p> | Corp. Sec. |

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| | <p>confirmed that this relates to the risk which had been identified of the potential for management overrides. <i>Action: It was agreed that the minutes should be revised to read: 'Management controls designed to eliminate manipulation'.</i></p> | Corp. Sec. |
| <p>1.5 15/16</p> | <p><u>Matters arising</u> It was agreed that any matters arising were covered in the meeting's agenda.</p> | |
| <p>1.6 15/16 1.6(a) 15/16</p> | <p><u>Risk Management</u> <u>Risk Register Update</u> SW turned to the Risk Management documentation provided to the meeting. KSET and JW confirmed that they had both attended the recent Risk Management meeting and agreed that the minutes presented to the Committee were a fair reflection of that meeting. KSET explained that new risks had been identified, and JW confirmed that mostly the risks scores had been lowered. KSET explained that specifically the Area Review risk had been included and explained that an Area Review will now be taking place. SW suggested that the number one risk should be Area Reviews. JW confirmed that the risks had been identified prior to confirmation of the current Area Review.</p> <p>SW outlined further for the meeting the timing of the Area Review, which will take place between January and May 2016 with the likelihood that an Ofsted inspection will take place prior to then. He explained that both the Area Review and Ofsted inspection are linked to the Department of Education. He explained that the Area Review meeting itself will take place in January. He suggested that the Area Review Risk and Ofsted Risk should be together and the priority of the risks changed. <i>Action: Risk Management Group to relook at these risks and the priority of risks. KSET to discuss with Principal.</i></p> <p>SW welcomed the inclusion of compliance with Prevent duty. KSET explained that while the impact is high to this risk, the College has so much work going on within that area, that the likelihood is lower.</p> <p>SFOR raised the point that none of the risks include 'outcomes for students'. The one related to Ofsted relates to a risk to the reputation of the College. There should be a risk relating to students not achieving the education to meet their expectations. Teaching and Learning appears to be near the bottom of the number of risks overall. SW agreed that there should be a risk about how the College is serving its students. JW noted that it may have been in the past taken as a given that students would receive a good education. SFOR noted that with the lowering of results this needs to be reviewed.</p> | <p>Risk Management Group (RMG)</p> <p>RMG</p> |

Action: The committee agreed that there should be a risk regarding Teaching and Learning and outcomes for students.

SW underlined that this is in effect, the most important risk, with Marketing for example, being a secondary consideration. He noted that the Risk Management Group should have a mitigation strategy such as the one discussed at the Corporation in terms of intervention strategy. It was also agreed that it was important for Ofsted to see this.

Action: The Risk Management Group to look at these suggestions further.

It was agreed that one Teaching & Learning risk relating to severe weather was not sufficient. This also relates to not being able to teach, and a risk to the college results, rather than to students themselves. It was agreed that the Risk Register is essentially looking at risks to how the college is run, rather than the College's community. KSET agreed to go back to the Risk Management Group with these comments.

There was further discussion regarding the wording of the current Risk 2 regarding Ofsted and whether this provided sufficient detail in terms of learning outcomes. JW agreed it involves been more transparent in what is covered in the risks, with the best wording for categories and scores. CW noted that the risk register currently highlights, students' performance and funding, with the need to highlight further teaching and learning.

JW explained that the Risk Register was discussed in the Risk Management meeting. The Risk Register presented to Audit is the product of those discussions. KP agreed the need to think about re-wording the risks.

Action: Risk Management Group to look at rewording Risk 2, and making the risks clearer and re-categorising them in terms of priority and to consider Ofsted as a subset of that risk.

KSET confirmed that the scores in the Risk Register are now those of the re-stated model. The highest score is 25. CW noted that there are those risks that are already at that level.

SF stressed that impacts still need to be more clearly communicated. There was further discussion as to how best to request changes to be made. SF explained that he could attend the Risk Management Group. KSET suggested that a member of the Audit Committee could attend the termly meeting. SW confirmed that the Quality Improvement Plan will contain further information on student intake targets. JW noted that while a lot of PR working is going on in this area, she agreed that student intake targets should still be a risk.

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| <p>1.6b 15/16</p> | <p>CW noted that while it is useful to see the previous score, details of an internal trend would be useful. SF noted the need to add details of when it was last scored and what it relates to. JW questioned whether it would be useful to hold an additional Risk Management Meeting.</p> <p><i>Action: It was agreed to ask JDAV to consider holding an additional Risk Management meeting this term to revisit the Risk Register in light of the Areas Review and for SFOR to attend if available.</i></p> | <p><u>JDAV</u></p> |
| | <p>There was further discussion about whether the Risk Register and new risks should be raised with the Corporation.</p> <p><i>Action: Risk Register to be re-presented at the next Corporation Meeting on 10th December. Risk Management to meet prior to then to update.</i></p> | <p><u>Corp. Sec.</u> <u>RMG</u></p> |
| | <p>CW highlighted that he would like to understand the timings of issues such as student numbers and funding. SW confirmed that details are contained in the QIP. He explained that while the Risk Register will contain summary details, further action plan information will be contained in areas such as the QIP for teaching and learning; and the marketing plan for marketing related activities.</p> | |
| | <p><u>Risk Management Action Plan</u></p> <p>SW turned to the Risk Management Action Plan. KSET confirmed that each point on the action plan relates to a risk. SF raised the need to still have further details on impact. SW agreed that timelines and deliverables should be included.</p> <p><i>Action: The meeting agreed that while there may be a lot of documentation with good commentary, information is insufficiently sign-posted with the need for more milestones and figures, rather than 'what if' scenarios.</i></p> <p>CW queried whether forecasts are updated regularly e.g. per quarter. It was agreed that a plan is required to deal with the Government's policy to save money.</p> <p>SW asked KSET to outline what other plans are in place in terms of a financial plan. KSET confirmed that there is a deficit reduction plan in place, which is being presented to the Finance Committee which also addresses risks. It dovetails into the three-year plan. He warned the meeting that there is also an additional potential overall cut of 10% in government funding. He confirmed that this would have a major impact on the college and that it would effectively mean that it would no longer be a going concern. He confirmed that Risk Management could reconvene and ensure that the information is mapped so that Governors are able to understand it better and signposts to information are clearer. SW confirmed that a detailed deficit</p> | <p><u>RMG</u></p> |

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| | <p>reduction plan would not be needed by Audit but the top five actions that have to be taken and by when, would be useful in addition to what was achieved and if not, why it was not achieved. It will then be possible to measure progress at a macro level.</p> <p>KSET confirmed that it would be possible to work towards a presentation that helps quantify the impact in financial terms. SW suggested that it might be that the Risk Management Action Plan is no longer needed. JW raised however, that only one member of Audit sits on the Risk Management meeting. SW noted that no-one from Risk sits on Finance. He explained that Audit can oversee any aspect of what the College/Corporation does. JW confirmed that the Risk Management Committee while interesting, did not go into why certain actions are being taken. She agreed on SF's point about what information needs to be added in.</p> <p>CW highlighted that the Audit Committee's function has changed partially due to Government guidelines. It now has to flag financial problems. SW agreed although noted that it is also auditing other key areas.</p> <p>KSET confirmed that JDAV leads Risk Management and confirmed that the points regarding quantifying impact, and making changes to the presentation can be taken forward. He welcomed a Governor attending. SW also noted that the committee wants to understand the workings of the Risk Management Group and what it does on a day to day basis.</p> <p><i>Action: Risk Management Group to provide clearer detail of what it does on a day to day basis outside producing the documentation i.e. it needs to be clearer what work is going on with the College on this area.</i></p> <p><i>Overall, it was agreed that it needs to be clear that outputs are a key risk given the lower results this year, and that this aligns with why it is being discussed by the Corporation.</i></p> | <p><u>RMG</u></p> |
| <p>1.7 15/16</p> | <p><u>Health & Safety</u> <u>Health & Safety Annual Report</u></p> <p>KSET asked the meeting whether they had any questions on the Health and Safety Annual Report.</p> <p>JW raised a query on Item 1.7, pg. 2 under Security which appears to include an ambiguous reference to security. The main concern appears to be that 'it has become the norm for members of the public to walk through the site' but then references the acquisition of rights of way. JW noted that as far as she was aware having been in Henley for 40 years, the public have always walked through the area prior to it being a college. Conditions do appear to have been met that there is a right of way. SF queried whether any action has been taken to stop them. KSET explained that the</p> | |

College's reading of the situation is that the public have walked through the site without permission, which means that they can possibly acquire rights. The lawyer that the College has consulted, recommended that signage is immediately put in place which puts a marker in place that this is not acceptable. SW noted that even if the public have a right of way, this needs to be balanced with the security of the site. However, it is not possible to lock every possible point of entry. JW noted that her understanding was that if it is a public right of way, it is not possible to bar entry. KSET explained that the signs were at the lawyer's advice, prior to other options being considered. SW noted that if there is a right of way, it becomes the College's obligation to protect those that have access, so that if it is considered a dangerous site, access should be closed. He noted that there is no quick and easy solution to this matter, but if signs reduce traffic, that is beneficial.

JW noted that there have been a number of letters to the Henley Standard about this issue and possibly a statement to the Standard is needed, given the negative publicity. SW noted that while it is possible to point out that the College needs to tackle negative publicity, the access issue itself does not have a quick solution.

JW noted that the correspondence in the Henley Standard mostly focussed on the Sports Fields where there is an issue with people destroying fencing and allowing their dogs to roam unchecked. She suggested the need to send an additional letter to the paper outlining that the concern is the public's safety. SF confirmed that the tone should be about the balance of security and the protection of young people. KSET confirmed that the lawyer felt that the signs were the least damaging option, with another letter/announcement having drawbacks. SF noted that further mentions in the press might exacerbate the situation.

KSET explained that the next step will be for the lawyer to produce a report with options, having been provided with feedback on the draft he produced. Options will be serious and wide-ranging and will need to be approved by the Corporation. SW raised that they will need to be approved by a Governor committee prior to going to the Corporation, although the issue crosses a number of areas such as safeguarding, reputation and community relations. JW and SF noted that the best committee would potentially be Community Relations.

KSET confirmed that in terms of timing, the aim is to have the main report before Christmas. SW thanked KSET for tackling this matter.

JW noted that some of the reaction of the Henley residents may have been to an extent because the Henley community have always done something a certain way and they are used to living

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| | <p>in a safe environment. However, with so many students now on site, there is a need to reconsider this. SW noted that the issue relates to security generally, relations with the community and the financial impact for the college should it end up selling the site. Access issues would have an impact on the value of the site. The meeting agreed that it was very positive that this matter was being addressed.</p> <p>JW noted that many members of the public may also not be aware that the College students are in fact designated as children and are not adults. SW also noted that there are students who are vulnerable. He explained that there is a balance between the wider security issues, and being aware of what information is being provided about who is on site.</p> | |
| <p>1.8 15/16</p> | <p><u>Internal Audit Services - Buzzacott</u> <u>Proposal for 2015/16 Internal Audit Reviews</u> (Audit on sub-contracting and Henley training)</p> <p>KSET explained that discussions had been held internally and with Buzzacott regarding areas to audit. He informed the meeting that it is a requirement from the SFA that the college undertakes an audit on sub-contracting. This relates to apprenticeships currently delivered by third parties. This information needs to be provided by the end of January 2016. At the same time, the intention is to carry out an audit of Henley College Training, the commercial arm of the College, who also subcontract out. Buzzacott have agreed to both.</p> <p>KSET updated the meeting that the intention for the second subject, is to look at Value for Money (VfM) which would dovetail with the deficit reduction plan looking at areas such as purchasing and utilities. He explained the aim is to do this not only from the point of view of control but also in order to gain pointers on how to save money. This is likely to happen in March/April 2016.</p> <p>SW noted that on VfM while this is partly related to finance, there are other elements to consider because it relates to cost benefit. KP confirmed that the process would involve looking at procedures, processes, benchmarking and tendering and assessing cost benefit. It would be more on the financial side. KSET confirmed that the college would agree the scope of the review with Buzzacott. Areas to consider are for example, transport (cost £0.5 million), cleaning, stationery, catering, utilities. It will look at controls but also ways to save money for example, on better tendering, and ways to drive down costs. This information will help with the deficit reduction plan and Area Review.</p> <p>KP confirmed that Buzzacott are planning to undertake the subcontracting work in January, as long as it can be signed off by the end of January. With the aim to undertake VfM in March/April,</p> | |

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| | <p>she suggested that it might be useful to provide a draft of the scope of work to the committee prior to their March meeting. SW agreed noting that members on Corporation may also be interested, having different experiences of these type of exercises.</p> <p>SF queried whether any areas to invest in order to increase revenue generation, would be considered. KSET explained that the HCT review would look at income opportunities and the VfM piece would look more at costs. He confirmed that he would expect the Audit Committee to look at subjects such as setting up a coach company, and to make recommendations.</p> <p>CW queried the level of the detail the SFA required. KSET confirmed that they require a one page document from the college, detailing that an audit has been carried out and clarity that recommendations have been implemented. KP explained that it is basically ensuring that the SFA are clear that there are robust procedures in place for subcontractors. KP confirmed that subcontracting is deemed to be a risk. Other colleges, when they have been struggling for funding, have increased subcontracting. SW explained to the meeting that apprenticeships are subcontracted out around the country. By definition, subcontracting is seen as margin diluting.</p> <p><i>Action: It was agreed that the draft scope of the VfM review be provided to the Audit Committee. It is likely that the Corporation will also be interested in this information.</i></p> <p>KP confirmed that more colleges will be looking at reviews due to the funding issues in the sector. Previously, these have generally concentrated on asset reduction plans, rather than overall reviews. JW proposed that only two reviews are undertaken. SF seconded.</p> <p><i>Action: It was agreed unanimously that two reviews were sufficient.</i></p> <p>There was further discussion on the timing of the next Audit Committee in the light of Ofsted and Area Reviews. CW confirmed that he will be abroad the first two weeks of February 2016.</p> <p><i>Action: It was agreed that an additional Audit Committee meeting be held at the end of January, with the March meeting to be reviewed subsequently. Buzzacott to be provided with the date of the January meeting so that it can be booked in. SW to circulate dates.</i></p> | <p><u>Corp. Sec./KSET</u></p> <p><u>KSET to note</u></p> <p><u>Corp. Sec./Chair</u></p> |
| <p>1.9 15/16 1.9a 15/16</p> | <p><u>Financial Statements Auditors – Buzzacott Draft Report and Financial Statements 2014/15</u></p> <p>JWOO raised a query regarding the wording used on pg. 26 of the Draft Report and Financial Statements 2014/15. KP explained that previously in all college accounts, Buzzacott had issued a regularity opinion, deemed to be a positive opinion. However, in August this year, there has been a change under the code of</p> | |

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| <p>1.9 b 15/16</p> | <p>practice to a 'limited assurance'. This indicates that nothing has come to Buzzacott's attention during the work. SW noted that this essentially reduces their liability. KP explained that the same process had been followed as the previous year and that the regularity report was already being prepared when the change happened. JW clarified that a negative, means there are nil problems. KP confirmed that this was the case, with the negative linked to the limited assurance. She explained that the wording is from the EFA. It is still a clean conclusion for the College.</p> <p>JW turned to the provision detailed in pg. 30 and queried why the provisions for liabilities have dropped so much since 2014. KP explained that at the end of last year, provision had been made for staff restructuring and redundancy provisions. There was an additional £90,000 classed as 'other' for Paradise Road. All that has been carried forward is the restructuring.</p> <p>JW turned to pg. 48 and the bullet points at the top of the page and deficit figures. KP explained that there is an overall review of the teachers' pension scheme nationally. Teachers' pensions are paid out from what is paid in. SW informed the meeting that the Government does not invest in the pension scheme. KP explained that there is a monthly contribution from teachers and the college – there is no other liability reflected. This risk to the college is that contributions will go up in future years. CW noted that this is a concern given the aging population. KP confirmed that the local government pension scheme also has an estimated liability. Cashflow and costs depend on contributions. Colleges are being asked to increase contribution rates in order to catch up.</p> <p><u>Post Audit Management Letter 2014/15 (including Regularity Audit)</u></p> <p>KP explained that most key points are covered in the letter. The Post-Audit Management Report provided feedback from the external audit process. Key points are included on pg. 1 with the scope of working; a mention of the joint audit code of practice; and change on assurance. Pg. 2 indicates that the audit was smooth and KP thanked KSET and his team for their assistance.</p> <p>KP explained that in terms of financial results, Appendix 1 provides ratios. The disposal of the land leads to a profit of £1.3 million. With adjustments to areas such as the local government pension scheme, the operational deficit is £238,000. She confirmed that the land sale is exempt from capital gains tax as the college is a charity. KP turned to pg. 3 which indicates any main movements. Income has gone up with apprenticeships and money from the building condition improvement funds. Expenditure has gone up due to areas such as refurbishment. She underlined that the</p> | |
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| | <p>proceeds from the land sale have to be ring fenced to use on the College's estates.</p> <p>KP explained that pg. 3 outlines that there are no significant weaknesses. In Appendix 2 there is one main recommendation. KP turned to pg. 4 which indicates that there is nothing Governors need to be told. Pg. 5 indicates there are no areas for concern. Buzzacott are happy with the accounting policies and procedures.</p> <p>KP turned to pg. 6 where in the left-hand column, potential risks for the audit have been identified. The right hand column indicates the additional money received for apprenticeships. The final statement from the SFA is used to confirm those details, although no amendments are expected. KP indicated that pg. 7 details capital projects and the land sale, which completed on 31st July, leading it to being included in this year's accounts.</p> <p>KP explained that within Buzzacott's June Audit document, indication had been made that the College's 15/16 accounts need to comply with the new reporting framework. They are currently looking at the process and timing for this. Buzzacott's recommendation is that the College looks at this in advance of the next year end. CW queried whether a schematic of the changes would be available. KP confirmed that they are able to help with that. She suggested however, that the College wait for the SFA/EFA's model accounts. She explained that there will be a couple of areas that will need further consideration: at the year end the accrual of any untaken holiday benefit; and in terms of deferred capital grants, releasing them to the income in line with the depreciation change. That sum can be kept on the balance sheet but it will affect short and long-term creditors. Should the decision be to release all that income into the College's reserves, it will hit the operating position, so most colleges are choosing to keep it on the balance sheet. Few colleges are choosing to have a one-off re-evaluation of their property.</p> <p>KP explained that in Appendix 1 there is some financial ratio analysis to read. SF noted that the ratios are high and suggested that it might be possible to use that money in a better way. The College appears to have rich reserves which it cannot use. KP confirmed that the college should be looking at this area. While it is important not to lose the reserves in the operational deficit, consideration of investment needs to be made.</p> <p>KSET confirmed that this was not a concern in itself to the College currently. It is rather about considering how the money can be invested in order for the College to gain a return. SW noted that there is a real risk in terms of the Area Reviews to be in this position. SF noted the need to move to a 2.5/1 in order to get to a sector ratio. KP explained that it is possible to create a</p> | |
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| | <p>designated reserve. Ultimately, the college has a high value of cash.</p> <p>KSET confirmed the need to look at income generation, and ways to invest in order to gain a better return. The money from the land sale, can go back into the estate. SF and CW noted the need to agree a plan in advance of the Area Review. JW noted that councils are now ring-fencing money in order not to have it clawed back.</p> <p>CW noted that the operating deficit is at -3.2%. He queried the figures for 15/16. KSET explained that the three year plan (up to 2017/18), showed a £0.5 million deficit per year. About £100,000 related to pension adjustment. He explained the aim is to bring the deficit down in three years to break-even. CW underlined the need to be aware that forecasting is now increasingly difficult due to the speed of changes taking place. KSET explained that a specific plan had been identified in order to make savings and this will be monitored.</p> <p>CW noted that praise should be made of the College's previous role holders who enabled a £5 million cash reserve to be in place. KP raised the need to bear in mind the higher income expenditure reserve and current assets. SW noted the value of the land needs to be born in mind in terms of the Area Review.</p> <p>KP turned to pg. 17 which has one minor recommendation. She noted that the year-end process is currently quite a manual one. KSET confirmed that he is keen to find a solution, even if this involves upgrading the current version of the package used. CW suggested CaseWare. KP confirmed that they had trialled that system with academy clients but it had involved more work for them. She confirmed that they recommend to automate where possible and an upgrade may help. She explained that it is difficult to find a package that will automatically transfer figures into statutory accounts.</p> | |
| <p>1.10 15/16</p> | <p><u>Annual Assessment of Fraud</u></p> <p>KSET confirmed there had been no changes from the last meeting. Parent Pay has now been introduced. The College has not had fraudulent requests for information so controls are reasonably good, although staff need to remain vigilant. He confirmed two signatories are required for financial sign-off.</p> | |
| <p>1.11 15/16</p> | <p><u>Audit Committee Annual Report 2014/15</u></p> <p>SW thanked KSET for his work on this report. He suggested that the Audit Committee may want to consider what they would like to see in the report, which currently follows an historic format.</p> <p><i>Action: The Audit Committee to read the report and email any comments to the new Corporation Secretary, Jacky Gearey.</i></p> | <p>Audit Committee</p> |
| <p>1.12 15/16</p> | <p><u>Election of Chair and Vice Chair</u></p> | |

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| | SW noted the need for a Vice-Chair. He explained that the Vice-Chair role involves leading the meeting in the absence of the Chair. SF confirmed that he was happy to volunteer. <i>Action: SF was agreed as Vice-Chair.</i> | <u>Corp. Sec. to note</u> |
| 1.13 15/16 | <u>Any Other Business</u> None | |
| 1.14 15/16 | <u>Items to Take Forward to the Next Corporation Meeting</u> SW confirmed that the key points from the meeting would be taken to the Corporation: the Risk Register, Risk Management Group, Security and Audit Areas to focus on. JW noted thanks to Buzzacott for their work. | |
| 1.15 15/16 | <u>DATE & TIME OF THE NEXT MEETING</u> The next confirmed meeting is on Monday 7 th March 2016, time to be confirmed. However, an additional meeting in January was agreed. <i>Action: SW to send a round-robin email suggesting dates for a 6 pm January meeting.</i> | <u>Chair</u> |
| 1.16 15/16 | <u>Meeting closure</u> The meeting closed at 11.24 am. | |

MINUTES of the meeting held on Monday 16th November 2015 were agreed and accepted as a true and accurate record and signed by the Chair

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