

## The Henley College Corporation

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### MINUTES of the Meeting of the Audit Committee held on Monday 12 June 2017 at 09.00

<b>Members Present:</b> Stephen Forward Eva Rickett David Welch Jeni Wood Charles Wiggins  <b>In attendance:</b> Satwant Deol Jim McCaffrey Kulbir Sethi  Jacky Gearey	Independent Member/Chair Parent governor Independent Member Independent Member Associate Member  Principal Health & Safety Manager Director of Finance (DofF)  Corporation Secretary
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Agenda Item	Minutes	Action by
3.1	<b>Opening of meeting</b> The meeting opened at 09.10 am. The Chair welcomed everyone.	
3.2	<b>Apologies for Absence</b> Mohammed Khaliel – Ramadan DofF informed the committee that Katherine Patel from Buzzacott would not be attending and that he would go through the relevant reports.	
3.3	<b>Declaration of Interests</b>  No interests were declared.	
3.4	<b>Minutes of the Meeting of 20 March 2017</b>  <b>Resolved:</b> The Committee agreed that the Minutes were an accurate record of the meeting of 20 March 2017 and were signed by the Chair.	
3.5	<b>Matters Arising from Previous Meeting</b> Although there were no outstanding actions, the Chair of Audit referred to item 1.8 regarding the Governors strategic risk register and that that this initiative was dependent on receiving guidance and intentions regarding future College strategic plans from the Principal and Chair of the Corporation. The Corporation was therefore waiting to be informed of these elements before any work could be done on identifying strategic risks.	
	<b>3.5(i) Legal provision – The Head Partnership</b> At the previous meeting the Director of Finance had been asked to review the intermediate legal provision and report back to the committee. The letter attached to the agenda pack was an introduction to 'the Head Partnership' who were a local small law firm whose rates were competitive. The Chair asked for assurances that they would be more reactive and cheaper than the current arrangements. DofF confirmed that he would always get quotes to compare with the college's current	

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	<p>legal advisors, (Shakespeare Martineau LLP) should the need arise, and that the local firm would likely be used only for non-educational matters such as conveyancing and employment matters; Martineau would still likely be used for educational policy matters due to their experience. The committee was content that there are now three levels of legal representation as mentioned in previous minutes and that the use of 'the Head Partnership' was a sensible opportunity to provide a more reactive service for routine issues.</p>	
3.6	<p><b>Internal Audit Reports</b></p> <p>The DoF reported on Buzzacott's assurance report on subcontracting controls for 2016-17 at the College. The work was carried out in accordance with the Skills Funding Agency's guidance on 'Providing external assurance on subcontracting controls' – a copy of which had been given to the committee for reference.</p> <p>Apart from the observations mentioned below the report said that the College had complied with the requirements of the College's funding agreement and the funding rules for 2016-17 and the requisite certificate has now been sent to the SFA.</p> <p>Observations:</p> <ol style="list-style-type: none"> <li>1. All subcontracts to now fill in a declaration of interests.</li> <li>2. The latest financial statements to be reviewed by 31 July each year and a record maintained.</li> <li>3. The Supply Chain Fees and Charges Policy to be formally approved by the governing body and accounting officer at the October board meeting annually.</li> <li>4. The fee range and payment terms to be included in the Supply Chain Fees and Charges Policy.</li> </ol>	
3.7	<p><b>Internal Audit / Benchmarking Feedback</b></p> <p>A benchmarking assessment of The Henley College's 2015-16 audited accounts activity had been undertaken by Tribal Benchmarking. The project was a holistic assessment of the college's total income and expenditure activity, comparing profiles with St Brendan's College and Cirencester College, plus other Tribal benchmarks, on a normalised basis, to identify and understand the reasons for variances.</p> <p><b>Project Observations:</b></p> <ol style="list-style-type: none"> <li>1. A £0.66m deficit in 2015-16 which was driven by a proportionally high depreciation cost and a low core operational activities margin</li> <li>2. Core operational activity returned a £0.34m surplus. With the net cost of non-core activity in 2015-16, core operational activity needed to return a £1.0m surplus for the college to 'break even'. This would be in-line with the SFC benchmark</li> <li>3. The lower core operational margin was due to proportionally high pay costs. Pay expenditure at £6.92m, was equivalent to 75.1% of core operational income.</li> <li>4. Overall higher pay costs are due to higher teaching activity pay expenditure, which was a result of higher delivery costs, but was partially offset by lower teaching support (due to ALS) and senior management and administration.</li> <li>5. Teaching delivery costs were £0.41m higher than St. Brendan's College due to a 6.9% lower level of financial productivity (due to a lower level of average utilisation and a lower class size ratio) resulting in The Henley College using 8.0 more FTEs to deliver teaching. The Henley College had a higher overall average pay level due to a more established and more senior mix of staff, plus higher average pay levels across the delivery functions</li> </ol>	

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	<p>6. A lower class size ratio could be reflective of the proportionally higher apprenticeship delivery and higher average pay levels by function may relate to geography. If the college wishes to investigate opportunities to increase financial productivity, mindful that average pay levels by function may be difficult to affect, a review of the mix of delivery staff may allow the college to use a lower proportion of promoted posts and increase the use of non-established delivery FTEs</p> <p>7. Support costs of £3.89m were lower than both St. Brendan's College and Cirencester College, but £0.39m higher than the SFC benchmark. Non-pay expenditure generally appears lower than benchmarks, although, as is consistent with the other two colleges, The Henley College subsidises student travel, but the £0.18m subsidy is £0.31m lower than found at Cirencester College</p> <p>8. Student services pay costs were £0.59m (47.8%) lower than Cirencester College and used at least 7.0 fewer FTEs than either college in this area. Library costs were higher due to higher pay expenditure, albeit, the College had a lower overall staffing cost per open hour than St. Brendan's College and reflects the number of resources available to students. If the college was looking for opportunities for greater financial efficiency, an assessment of the multiple resources and student satisfaction may be worthwhile as there may be an opportunity for consolidation</p> <p>9. Central administration pay costs were in-line with the benchmarks, but there may be opportunities for greater financial efficiency within non-pay expenditure. Telecoms/internet/network costs were at least £0.05m (170%) higher than any benchmark, and contributed to non-pay expenditure in this area being £0.11m higher than the SFC benchmark</p> <p>10. The £55.23 per m<sup>2</sup> estates running cost was £5.15 per m<sup>2</sup> lower than St. Brendan's College, but £6.93 per m<sup>2</sup> higher than Cirencester College. Against both colleges, direct pay costs were higher due the College using more caretaking FTEs, but repairs and maintenance costs were significantly lower.</p> <p>The Chair said he had been expecting a more holistic view of the whole college and with contextual information on how THC might be at variance with the other benchmark colleges rather than one that was purely financially based. It seemed to the Chair that all that had been presented was financial figures without any observations on value for money or educational outcomes. Doff said that the cost for the audit was £6000 but that it was not an annual spend and confirmed that it was a summation of a much more detailed report albeit financially based. The Principal said that this was a good tool to use operationally within the college and had provided a very useful overview but that it did not tie with the college's financial results with Ofsted. The committee agreed that the information would have been better presented as a graphical comparison with the other benchmark colleges rather than simply as a set of figures. Although the full report was not available to the committee, and probably contained more useful information than the simple summary, the Chair said that the College should be cautious before embarking on any further benchmarking activities and should ensure that a holistic approach was taken in future.</p>	
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	<b>Resolved:</b> this report to be taken forward to the Corporation for information only; in doing so, the Chair asked for figures to be produced graphically for ease of comparison by Corporation members.	<b>Corp Sec</b>
3.8	<p><b>External audit needs-assessment, strategic plan and annual plan</b> The report provided by Buzzacott covered the following:</p> <p><b>(i) Logistics:</b> The financial statements are to be drafted in accordance with the 'Accounts Direction Handbook 2016/17' which sets out the requirements for the audit and preparation of the 2016/17 financial statements. Only a small number of changes to the existing reporting requirements have been introduced by the ESFA through the latest iteration of the Handbook.</p> <p>Main Audit scheduled to take place 9 October 2017. The Chair asked that the Buzzacott Report be available by end of October 2017 so that there was enough time for it to be digested and sent to Audit Committee members for the next meeting on 13 November..</p> <p><b>(ii) Regularity Assurance:</b> The regularity assurance process has remained in place for 2016/17 and will follow the 'Regularity Assurance Framework' guidance issued by the ESFA. Following the publication of the Post-16 Audit Code of Practice, the overall regularity framework has been updated to reflect areas of specific concern identified by the ESFA, namely Governance and Management.</p> <p><b>(iii) Teachers' Pension Scheme Audit:</b> As agreed, Buzzacott will undertake a separate visit to audit the TPA return on 10 July 2017. Deadline for filing is 30<sup>th</sup> September 2017.</p> <p><b>(iv) Income Recognition</b> There was an issue raised regarding lagged funding. The college wants to reflect its funding regarding any increase in student numbers as accrued income in that particular year rather than recognising it in the following year (as has been past practice). ESFA recognises lagged funding and pays in arrears which is in direct conflict with FRS 102 and general accounting practices which says that income should be accrued. Because FRS 102 is the higher authority, CW commented that further clarification needs to be sought to ascertain exactly what the college should do, and the DoF was asked to seek this.</p> <p>Resolved: DoF to seek clarification regarding FRS 102 compliance.</p> <p>The Audit fees were discussed and agreed as reasonable.</p>	<b>KS</b>
3.9	<p><b>Risk Management</b></p> <p>1. Review SLT Risk Management minutes The Chair had verbally briefed the committee last time on the March SLT risk meeting and the minutes of the Risk Management were received by the committee. Although an SLT risk meeting had as yet not taken place for this term, the Principal briefed the committee that she expected to include one additional risk - organisational restructure – which was about to be embarked upon. The Chair stated that, ex-committee, he had asked the Principal whether the College had reviewed its security policy in the light of recent national terrorist events (Manchester and London attacks) and the Principal had confirmed that</p>	

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	<p>this had been done and that the college had more security presence than most other colleges.</p> <p>2. SLT risk register update The SLT risk register was received by the committee having been updated for the previous Risk Management group meeting in March. In light of recent events (British Airways IT failure) it was noted that the college had no risk statement regarding cyber/IT infrastructure threat. It was agreed by the Principal that this was to be added to the risk register.</p> <p>3. Strategic Risk Register – Chair of Corporation and Principal to provide strategic guidance and intentions such that a strategic risk register could be compiled.</p> <p><b>Resolved:</b></p> <ol style="list-style-type: none"> <li>1. Principal to add 'Organisational Restructure' as an SLT risk.</li> <li>2. Principal to add 'Cyber/IT infrastructure' as an SLT risk.</li> <li>3. Chair of Corporation and Principal to provide strategic guidance and intentions such that a strategic risk register could be compiled.</li> </ol>	<b>Principal Principal Chair of Corporation and Principal</b>
3.10	<p><b>Health &amp; Safety Report</b></p> <p><b>(i) Report &amp; review of current H&amp;S issues</b></p> <p><b>Accidents:</b> The number of accidents that occurred during this period was 22 compared to last year's figure of 14. The bulk of accidents were minor injuries. There were and have been no reportable accident under Reporting of Injuries, Diseases &amp; Dangerous Occurrences Regulations, (RIDDOR) for the past 6 years.</p> <p><b>CCTV:</b> Following the security review the Deanfield CCTV system required upgrading due to its age, technology and recording capability. The Chair asked if there was a policy for use of CCTV on site and it was confirmed there was a policy and it satisfied the statutory requirements.</p> <p><b>(ii) Review site security plan progress</b></p> <p>Re the 1<sup>st</sup> phase security projects, the planning team have visited the college to inspect and discuss the College's reasons for installing the proposed physical solutions at nominated locations (D3 &amp; sport fields). They have requested further time to review and discuss with the Local Conversation Officer and Tree Preservation Officer any key information that might affect any approval.</p> <p><b>D3</b> – The Planning Department have said that the outline proposal is acceptable.</p> <p><b>Sports Fields</b> - The Planning Department have said the outline proposal appears to be broadly acceptable.</p> <p>The DoF said that the College was in the process of instructing consultants to assist in the planning applications and the procurement of the contractors, which will require a formal tender with an expected outcome of completing work in the summer of 2017 in readiness of the new term. The Chair commented that this security work was a vital part of our Duty of Care to the College's staff and students and that all efforts should be made to ensure that the Phase 1 work was completed before the start of the next academic year. ER reminded the committee that a communication plan should be a pro-active part of this work so that the local community understood why the changes were being made. DoF agreed, and undertook to ensure this was done.</p>	

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	<p>The Principal raised the issue about health and safety risk around the disused swimming pool on the estate and DoFF said that this will be addressed under the Estates Strategy.</p> <p><b>Resolved:</b></p> <p>DoFF to ensure that a local community engagement plan was communicated as part of the Phase 1 (and subsequent) security changes.</p>	<b>DoFF</b>
3.11	<p><b>Review letter from ESFA on good financial governance</b></p> <p>With effect from April 2017, the EFA and SFA merged to form a single body, the Education and Skills Funding Agency (ESFA).</p> <p>The Chief Executive of the ESFA wrote to colleges on 13 April 2017 in which he reiterated the importance of strong financial management and governance and to share some of the findings from their recent assurance work. This work highlighted that robust and accurate profiling of both long and short-term debt is key to institutions ability to deliver a sustainable offer to their students and achieve the best value for money.</p> <p>Key messages were:</p> <ol style="list-style-type: none"> <li>1. Put strong governance in place to hold the college leadership team and Principal to account.</li> <li>2. Provide clarity of direction</li> <li>3. Use high quality self-assessment and appropriate indent challenge to test the college's position.</li> </ol> <p>The committee needs to feel confident that the above messages are adhered to and the Chair asked whether the committee felt that there were appropriate and sufficient processes in place to ensure that financial underperformance in particular was highlighted at an early enough stage for the College to take early corrective action for example. The Committee was unsure that there were sufficient processes in place and this was taken up in later discussion regarding future Internal Audit topics 3.13).</p>	
3.12	<p><b>Review of committee Terms of Reference (ToRs) and Standing Agenda</b></p> <p>The ToRs were reviewed and apart from a minor grammatical point and reference to a vice chair (to be removed as it no longer applied), the ToRs were approved and did not need to be presented to the Corporation for further approval.</p> <p><b>Standing Agenda</b></p> <p>It was decided to add a committee self-assessment review in the Summer term</p> <p><b>Resolved:</b> All amendments and changes to be actioned by the Corporation Secretary. The Standing Agenda items to be put forward to the Corporation for final approval.</p> <p>The Chair led a discussion on the self-assessment of the committees' performance and asked all members to complete the form as soon as possible and send to the Corporation Secretary who would compile the responses for further discussion ex-committee.</p>	<b>Corporation Secretary</b>

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	<b>Resolved:</b> All committee members to complete the SAR form and send to the Corporation Secretary.	<b>All committee members</b>
3.13	<p><b>Any Other Business</b></p> <p>The Chair commented that the committee had to agree topics for Internal Audit in the forthcoming year. DoF said that 2 topics needed to be agreed, one per term in the Autumn and Spring terms. The Chair then proposed some topics and asked the committee for their views on which should be selected. In particular, he thought that Data management policy and procedures should be reviewed, Cyber/IT infrastructure ought to be reviewed in light of recent failures at BA, and he asked whether the College had a defined 'whistle blowing' Policy. The Corporation Secretary thought the college did have one but would confirm this. The Chair asked that this be sent to all committee members and for the Corporation Secretary to review the document.</p> <p>After a prolonged discussion, the Committee agreed that the following topics would be fruitful future internal audit items:</p> <ol style="list-style-type: none"> <li>1. Financial processes and procedures, to include integration of financial systems, College information and reports.</li> <li>2. Business continuity and incident response plans</li> <li>3. Data management and Cyber security</li> <li>4. Whistle blowing</li> <li>5. IT/digital strategy – integrated systems analysis and design</li> <li>6. ILR</li> </ol> <p>The DoF said that Buzzacott could cover points 1 and 6 as part of their audit. If another firm were to be engaged to look at point 6 then this will need to be signed off by the Chair of Audit. The Principal commented that a review of ILR was a priority, as far as she was concerned and DoF was asked to ascertain if any other companies other than Buzzacott can undertake point 6.</p> <p>The committee then agreed that the topics for next year's internal audit would be:</p> <ol style="list-style-type: none"> <li>1. Financial processes and procedures.</li> <li>2. ILR.</li> <li>3. College whistle-blowing policies.</li> </ol> <p>The 3<sup>rd</sup> topic would be conducted as an ex-committee activity by all committee members based on information provided by the Corporation Secretary.</p> <p><b>Resolved:</b></p> <ol style="list-style-type: none"> <li>1. DoF to engage with Buzzacott and an external agency to investigate options for conducting audits of 'Financial processes and procedures' and 'ILR' and report to the Chair with suitable letters of tasking for the firms chosen.</li> <li>2. All committee members to review and comment on whistle-blowing policy documents to be provided by the Corporation Secretary.</li> </ol>	<p><b>DofF</b></p> <p><b>All/Corporation Secretary</b></p>
3.14	<p><b>Items to be taken forward to next Corporation Meeting</b></p> <ol style="list-style-type: none"> <li>1. Bench Marking report</li> <li>2. Strategic Risk Register</li> </ol>	<b>Corporation Secretary</b>

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	3. Standing Agenda items for approval	
3.15	<b>Date and Time of Next Meeting</b> The next scheduled meeting is on Monday 13 November 2017 at 09.00	
3.16	<b>Meeting Closure</b> The meeting closed at 11.15	
	MINUTES of the meeting held on <b>Monday 12 June 2017</b> were agreed and accepted as a true and accurate record and signed by the Chair  .....  on .....	