

HILLS ROAD SIXTH FORM COLLEGE

Audit Committee Meeting

Minutes of the Meeting held on Wednesday 25 February 2015 at 6.00pm

Present:

Independent Chair Laragh Jeanroy

Corporation Members Hazel Borrett, Julie Taylor

Clerk to the Committee Robert Smith

Observers Jill Aberdour (Assistant Principal – Resources), Jonathan Creed (Icca: internal audit service)

Principal Business

<i>Item No.</i>	<i>Title</i>
7	Internal Audit Report: Fundamental Controls - Wisepay
8	Internal Audit Report: Financial Planning and Budgetary Control
9	Risk Registers

1. Apologies for Absence/Quoracy

Hazel Borrett was welcomed on the occasion of her first meeting of the Committee.

Apologies for absence had been received from Peter Brindle and David Secher.

The meeting was quorate.

2. Declaration of Interests

None.

3. Minutes of the Previous Meeting (19 November 2014)

The minutes were approved as a correct record of the business transacted, and *prima facie* evidence of the proceedings to which they relate.

4. Matters Arising from the Minutes

It was agreed that College management would attempt to explore with relevant guidance staff why twenty students had withdrawn from the College before the autumn census date (ref. Minute 6: first bullet point).

5. Terms of Reference of the Audit Committee (Paper A 14/14)

The proposed terms of reference prepared by the Clerk to the Corporation and making reference to the provisions of the Joint Audit Code of Practice (JACOP) Part II was received and recommended for approval by the Corporation at the meeting to be held on 25 March 2015.

6. Audit Committee Self-Assessment (Paper A 14/15)

A paper prepared by the Clerk to the Corporation was received and considered. The provisions contained in the JACOP Part II in relation to committee self-assessment were noted.

It was agreed that the Chair and Vice Chair of the Committee, together with the Clerk to the Corporation, should meet prior to the next meeting of the Committee to undertake a more detailed examination of the matter in order to arrive at firm proposals for members to consider.

7. Internal Audit Report: Fundamental Financial Controls – WisePay (Paper A 14/16)

A report prepared by the internal audit service was received and considered.

It was noted that as a result of the work carried out the internal audit service is able to provide management and the audit committee with Substantial Assurance that the aspects of the control environment tested during the audit are designed and operating effectively with no significant weaknesses. Three low priority recommendations were made, namely:

- the College should record its annual review and updates to the Financial Regulations and make specific reference to the WisePay system, at the same time developing a set of operating procedures to cover all of its aspects;
- until a change of details report can be run, all changes to user accounts should be logged and independently checked on a monthly basis;
- the College should ensure that all cash received is receipted and is securely held.

The first two recommendations have been accepted for implementation by College management. The third was discussed, and members agreed with the management's response. The report was recommended for acceptance by the Corporation.

8. Internal Audit Report: Financial Planning and Budgetary Control (Paper A 14/17)

A report prepared by the internal audit service was received and considered.

It was noted that as a result of the work carried out the internal audit service is able to provide management and the audit committee with Substantial Assurance that the aspects of the control environment tested during the audit are designed and operating effectively with no significant weaknesses. One medium priority recommendation was made, namely:

- because of the way in which the financial covenants relating to the secured loan facility with Barclays Bank plc for the Phase V capital project are structured and tested, such that if the College is found to be in breach of any covenant there is no opportunity to negotiate a 'waiver' with the Bank in advance of the breach, the College should develop a range of performance indicators for inclusion in the monthly management accounts which show both the current month and the forecast year-end projection against the financial covenants attached to the Barclays Term Loan.

It was observed that although the system is reliable its operation is dependent on the expert knowledge of a small number of staff. In response it was noted that succession planning for the bursary function is being undertaken.

The recommendation has been accepted for implementation by College management. The report was recommended for acceptance by the Corporation.

It was agreed that, at the relevant time, the capital project performance indicators will be disclosed in the management accounts made available on a monthly basis to the Corporation. The loan is not expected to be drawn down until the 2015-16 financial year.

9. Risk Management Registers (Paper A 14/18)

It was reported that the Chair of the Committee and Peter Brindle had attended the meeting of the College Strategy Team convened to discuss the latest iteration of the Risk Management Registers. Other members were strongly encouraged to participate similarly on future occasions.

Risk Registers, highlighted to record revisions, updates and deletions, were received for consideration in connection with the following activities: enterprise, estates, finances, governance, human resources, IT, leadership and management, support and guidance, and teaching.

The following risks which had increased in significance were particularly noted:

- *reduction of adult education contribution to College overheads* - it was noted that Spring Term recruitment had exceeded that of last year, and that increased fees and administrative savings yield an expectation that the 2014-15 target will be met;

- *failure to implement Phase V of the Property Strategy according to programme* – capital grant funding had been confirmed as secure, loan finance is in place, the contractor had been appointed, planning permission had been granted and the College is on schedule to discharge relevant planning conditions by the end of March 2015;
- *increased costs associated with the teaching and support pay structure* – the transitional costs in respect of a new pay framework for teaching staff (to be included in the Financial Forecast approved by the Corporation) will be just under £30,000, but could be phased;
- *PC replacement planning maintaining the College-wide PC age profile at a level fit for purpose* – a full survey had been completed considering age profile, location and usage which had yielded a six-year maximum age (equivalent to 150 machines purchased annually on a rolling basis);
- *reliance on a single staff member to undertake programming and maintenance of student information systems* – acquisition of off-the-shelf software has reduced this vulnerability;
- *changes in the College environment affecting individual and collective behaviour to the College's detriment* – active consideration is being given by the College Strategy Team to implementing the appraisal-based teachers' pay progression system approved at national level, including the formation of an appraisal working group, development of a data dashboard to provide objective evidence of teacher performance, a revised teacher job description and person specification to reflect the new standards and contractual changes. Staff will receive more detail at a meeting on 16 March, as well as during the summer staff development period later in the year. Consultation with staff and their representatives is continuing;
- *failure to preserve quality because of solvency considerations* – there is a risk that the College may lose a further £80,000 - £100,000 owing to features of the College's 2013-14 learner profile (which included for the last time 16-18 students studying on the Adult Education programme). The College had made proposals to the Education Funding Agency in this regard; *and*
- *failure to preserve the quality of educational experience for students because of the necessity to remain solvent* - a significant improvement in the College's valued added score to 0.22 is reported (contrasting with two thirds of sixth form colleges reporting negative value added).

The following new risks were also noted:

- *failure to implement modules of the new Human Resources system on time* – an action plan compiled to reflect the timing of work to be carried out to achieve deadlines (including those for the Self Service and Appraisal modules) is under pressure from the resignation of one of the HR officers effective 31 March;

- *failure to fulfil statutory requirements and best practice in respect of safeguarding* – the following improvement actions are being considered or undertaken:
 - shorter interim refreshers/updates delivered annually in the staff development period;
 - review of the physical environment to establish if further actions can be taken to improve site safety and security;
 - a disaster planning exercise on how to deal with a violent intruder on site (including its communication aspects);
 - review of the trips and visits procedures and increased training for relevant staff;
 - review of the Single Central Record (containing incidents of malpractice or allegations against staff members) to ensure its comprehensiveness; *and*
 - review of the content and breadth of the tutorial programme in terms of safeguarding issues (e.g. safe use of the internet and social media, cyber bullying, alcohol and drug abuse), particularly in relation to the new Ofsted framework's emphasis on the use of student focus groups for these purposes.

- *failure to respond adequately to the new Counter-Terrorism Duty for public sector bodies (i.e. the Prevent Strategy)* - the following improvement actions are being considered or undertaken:
 - establish contact with the local authority Prevent co-ordinator;
 - establish a single named point of contact for Prevent co-ordination with the College Strategy Team;
 - take proportionate and risk-aware steps to respond once it becomes part of the public sector duty; *and*
 - liaise with the co-ordinator of external speakers in Political and Social Sciences to outline the duty and make them aware of the College's responsibilities.

- *being unable to meet demand for support needs of all students given the changes in funding for high needs students, with a particular lack of systematic electronic monitoring* – research visits had been undertaken to exemplary providers and relevant training accessed. The needs of students are rising significantly in terms of their range and complexity, whilst funding to deal with them is being cut, leading to circumstances in which the College is fully stretched to meet them with very limited funds and out-of-date systems architecture; *and*

- *inability to meet increased social, emotional and mental health needs of students* – increased internal and, from September 2014, external counselling capacity has been engaged. Demand continues to rise, and the College has to respond within the resources available to it.

The following risks were proposed for deletion:

- *reduction in funding of courses by the SFA impacting on the viability of the Adult Education programme* – the risk had crystallised, but the programme remains viable;
- *reliance on the knowledge and expertise of one staff member in relation to producing College and Group year-end accounts* – all year-end accounts are now completed by the Director of Business and Finance;
- *inability to maintain high standard of UCAS applications owing to increased tutor workload* – adjustments to the tutorial system have sustained its continuing efficiency; *and*
- *inability to meet demand for study skills support following a staff retirement and reduced time resources for other staff* – a new manager and her team are managing the department with energy, enthusiasm and dedication, with a record proportion of College students accessing its services.

The registers, including the above deletions, were recommended for approval by the Corporation.

10. Financial Statements Audit Tender: Outcome (A 14/19)

A paper prepared by the Assistant Principal (Resources) was received.

It was agreed that the current financial statements auditor, MacIntyre Hudson, be recommended for appointment by the Corporation as financial statements auditor effective from the 2014-15 financial year for a minimum of three and a maximum of five years subject to annual review on the terms set out in the tender.

11. Business for the Corporation

Agenda 5 and 7-10 were approved as business for the Corporation meeting to be held on 25 March 2015.

12. Any Other Competent Business

None

13. Date and Time of Next Meeting

Wednesday 17 June 2015 (6.00pm)