

Present: Paul Cumming, Ben Kenwright and Ed Senior.

In Attendance: Barbara Clements (Finance Manager) Jo Payne (PA to the Principal/Clerk to the Governing Body)
Paul Oxtoby (RSM)

1. **Appointment of Chair:** Paul Cumming was elected Chair for the year.
2. **Apologies:** Paul Shewry and Abi Stephenson. The Committee **noted** that it was inquorate but determined that since it was an advisory Committee, it would proceed to consider the items on the agenda.
3. **Opening Standing Items:**
 - (i) No declarations of interests were received.
 - (ii) The confidential minute was identified as confidential to the Governing Body.
 - (iii) No items of urgent business were identified.

ITEMS FOR DECISION

4. **Minutes: 27th June 2018**

The minutes of the meeting held on 27th June 2018 were **approved** as a correct record and an update on the action points received.

The Principal reported that:

- The Data Protection Officer had not thought that the risk of a scam was high and was mitigated by correctly following retention and deletion policies;
- Two subject access requests had been received and the DPO would respond to these;
- Planned academisation and working with Hereford Sixth Form College (HSFC) as part of a MAT would provide a more sustainable model as they have a programmer who could work across both institutions.

(Barbara Clements joined the meeting at 5.40pm).

The Committee requested an update on academisation and the Principal reported that:

- It was still hoped that academisation would happen on 1st April 2019, although there had been some slippage in the proposal being considered by the Headteachers' Board which might cause delay;
- BJC had been in regular contact with the bank in relation to the loan;
- Due diligence was ongoing and formal consultation had been completed;

- It was likely to be in January, after the meeting of the Transactions Unit, that there would be any degree of certainty as to whether the proposal to academise had been successful.

The Committee **noted** the information provided.

5. Annual Statement 2017-18

(i) Finance Manager's Report

The Finance Manager outlined the key points in her report. The following points were made:

- The TPS submission was made at the end of September as required;
- The financial and regularity audit had been undertaken and the report received;
- Given the deficit last year, as much as possible had been taken into last year to assist with delivering a balanced budget this year;
- The next internal audit would take place in January;
- Cash collections would be reduced to fortnightly to reflect that 65% of payments were being made online. This would also bring about a saving of approximately £1,500 per year;
- Aged debtors had decreased from £36,000 in 2016-17 to £150 last academic year due to the work of the Assistant Management Accountant;
- Credit card statements were being reconciled monthly and the Finance Manager countersigning.

In response to questions, the Finance Manager reported that there was a difference between the staff costs in the accounts and management accounts due to pensions being absorbed in the stat accounts. This was an accounting adjustment only.

The Committee **noted** the information provided.

(ii) Draft Annual Report and Accounts 2017-18

The Committee scrutinised the summary of the Finance Manager and took into account the findings of the Annual Findings Report.

The Committee **agreed to recommend** that the Governing Body approve the annual report and accounts for 2017-18.

(iii) Draft Student Council Accounts 2017-18

The Finance Manager explained that the Student Council Accounts had to be reported separately from the main account. The Council were allocated 10% of the parental contribution to College Fund, but the amount had accumulated in recent years. The current Council were being more proactive and had spent some of the money this academic year.

The Committee **recommended** that the Student Council Accounts be approved by the Governing Body.

(iv) Financial Statements/Regularity Audit Management Letter 2017-18

On behalf of RSM, Paul Oxtoby presented the Audit Findings Report taking the Committee through each section and responding to questions raised by governors. He highlighted the following:

- The ongoing academisation plans did not impact on preparation of the accounts and was only referenced to say that discussions and approvals were ongoing;
- The focus of the audit had been income recognition and pension liabilities;
- The true pension deficit had not changed although the increase to contributions would be key to the College given the forthcoming increase to TPS contributions and uncertainty as to whether LGPS contributions would increase;
- The College had been classed as a going concern, but at the point of academisation the College ceases to be a going concern as it moves into the MAT;
- LGPS pension prepayment was released into expenditure for last year which was an accounting adjustment only;
- Data restoration back up was raised. The Principal confirmed that the IT Support Manager had agreed to do this termly.

In response to questions, the Finance Manager advised that:

- It would be a struggle to identify the location of some of the older items on the fixed asset register, but more recently all IT equipment and significant items were either tagged or location clearly noted;
- If the College becomes a 16-19 academy on 1st April, nothing would need to be done to be tax digital ready, but would need to act quickly if there was slippage in the date of conversion;
- The Purchase Ledger Clerk had been collating invoices ready to make a claim for VAT rebate post-academisation.

The Committee **received** RSM's Audit Findings Report 2018.

(v) Annual Risk Management Report 2017-18

The Principal presented his report and advised that no significant changes were proposed and reflect the change in management structure.

The Committee **approved** the Risk Management Report for 2017-18.

6. Auditor's Reports

(i) Annual Audit Report

The Finance Manager advised that the annual report had to be agreed by the Chair of the Committee and submitted with the annual accounts. The purpose of the report was to summarise the work undertaken by the Committee in the previous academic year.

The Committee **approved** the annual audit report and the Chair stated that he would be sign as required.

7. Risk

(i) Risk Register and Assurance Map

The Principal presented the current version of the Register/Map and advised that highlighted section reflected where changes had been made. He reported that:

- Commercial bus companies had reduced their service of cut routes entirely from some areas without consultation or notification that this would happen. Bus routes from Malvern, Pershore and Tewkesbury had been changed to the detriment of existing and potential students which was damaging for the College;

- The Principal had contacted Worcestershire County Council who advised that they were due to embark of more cuts as part of their cost savings. The University of Worcester were similarly frustrated by the cuts and there was potential for a collaborative approach in challenging the cuts;
- It was damaging that the government subsidised 3.5% pay increase for teachers did not extend to sixth form colleges, but does apply to 16-19 academies;
- The score of reduced operational effectiveness had been increased to reflect the over reliance on the IT Support Manager which had reached a critical point. There was some room for optimism in the medium term as the College had agreed to adopt HSFC's MIS system which would reduce the programming needs here. As part of the MAT, it was also possible to consider whether each institution required a DPO or whether there would be one across the Trust;
- Enrolments were down by approximately 17 which would impact on funding next year;
- The College continued to be monitored by the ESFA due to a satisfactory financial health score and low EBITDA ratio. Representatives from the ESFA had visited and been positive. The Finance Manager had to send monthly reports to the ESFA as part of this ongoing monitoring. As the academic year progressed Principal and Finance Manager were more confident that the College was on track to meet budget assumptions for a small surplus;
- The Head of Sport and Health/Quality Manager had completed Educational Visits Co-ordinator training and was undertaking the duties associated with this.

The Committee **noted** the information provided. The Committee expressed their dismay at the cuts to bus services which negatively impacted on young people who were most reliant on public transport and that the pay rise was not extended to sixth form college teachers.

(ii) Financial Risk Register

The Finance Manager advised that the finance risk register was a sub-register of the College's risk register and outlined the updates that had recently been made. She advised that:

- The College's insurance had been approved by Chair's Action given the need to ensure appropriate cover remained in place. The insurance would be with one broker and save £3,000 compared to the previous year;
- Reports were being run where there was a change of bank account details on the purchase ledger to ensure that the change was legitimate and not fraudulent;
- The financial handbook was reviewed annually to ensure that the Finance Manager was clear on any updates;
- Failure to academise had been added as a risk given the significant repercussions this would have.

Given the significance of the failure to academise, there was some discussion about this and the Principal reported that:

- Preparations needed to start to prepare for the possibility of not academising as it would be difficult to achieve further cost savings without the need for redundancies;
- If the College did not academise in April, it would then be too late to realise savings and put contingency plans in place, hence the need to start to consider what these would be.

The Committee **noted** the information provided.

(iii) GDPR Update Report

The Principal presented his update and reported that:

- There had been several requests from parents to view CCTV footage relating to incidents in the car park and a decision made a senior member of staff would report what was in the footage and only allow this to be viewed in College and not shared externally;
- There had been one concern in relation to sharing data with a third party prior to enrolment when the individual did not then come to College. The parent accepted the explanation that was offered for this;
- It had been questioned whether a teacher's individual targets on the front of the lesson observation form was appropriate under GDPR, however, the College's view was that it was for a legitimate cause.

The Committee **noted** the information provided.

8. Review of Auditors' Performance

(i) Learner Numbers Review

The Principal presented the Learner Numbers report and said that the recommendations in relation to transfers, start dates, attendance and PDSATS had all been implemented in response to the review.

The Committee **noted** the information provided.

9. Governance

(i) Register of gifts and hospitality

The Clerk reported that there had been three entries in the Register of Gifts and Hospitality during 2017-18, none of which had any significant intrinsic value.

10. Closing Standing Items

- (i) Risk Management: The Committee reflected upon the content of the meeting and agreed that academisation remained a key theme and the impact for an unsuccessful outcome was significant.
- (ii) Impact: The Committees challenge and scrutiny of the accounts was noted as having an impact.
- (iii) Any Urgent Business: No urgent business was identified.
- (iv) Date of Next Meeting: Wednesday 27th March 2019

The meeting finished at 6.47p.m.

Signed:
Paul Cumming (Chair)

Date:

AUDIT COMMITTEE: ACTION POINTS ARISING FROM MEETING OF 28TH NOVEMBER 2018

Report Reference	Action Point	Person Responsible	Completion	Check
AC/28.11.18/7(ii)	Begin contingency planning for cost savings if academisation not approved.	EYS	February 2019	

ACTION POINTS BROUGHT FORWARD

Report Reference	Action Point	Person Responsible	Completion	Check

ACTION POINTS COMPLETED

Report Reference	Action Point	Person Responsible	Completion	Check
AC/27.06.18/4(i)	Learner Number audit report to be presented to autumn term Committee meeting.	EYS	28.11.18	✓
AC/27.06.18/6(i)	Consult DPO about potential risk of data being planted as part of a scam.	EYS	28.11.18	✓
AC/27.06.18/6(ii)	Investigate the cost of an external contractor with programming experience.	EYS	28.11.18	✓
AC/29.11.17/5(ii)	Discuss testing of IT back-up restoration with IT Support Manager.	EYS	07.03.18	✓

* Denotes revised date.