

# STATES OF JERSEY

## Public Accounts Committee Hearing

**MONDAY, 14th JULY 2008**

**Panel:**

Deputy S.C. Ferguson of St. Brelade (Chairman)  
Deputy J.G. Reed of St. Ouen  
Deputy A. Breckon St. Saviour  
Connétable D.J. Murphy of Grouville  
Senator L. Norman  
Mr. M.P. Magee  
Mr. T. Grimes  
Advocate A. Ohlsson  
Mr. C. Evans  
Mr. R. Bignell

**Witnesses:**

Mr. E. Sallis (Principal, Highlands College)  
Mr. M. Lundy (Director, Education, Sport & Culture)  
Mr. P. Robinson (Finance Director, Education, Sport & Culture)

**Deputy S.C. Ferguson of St. Brelade (Chairman):**

If we go round the table.

**Connétable D.J. Murphy of Grouville:**

Dan Murphy, Constable of Grouville.

**Mr. R. Bignell:**

Richard Bignell, independent member.

**Deputy J.G. Reed of St. Ouen:**

James Reed, Deputy of St. Ouen.

**Advocate A. Ohlsson:**

Alex Ohlsson, independent member.

**Deputy S.C. Ferguson:**

Myself.

**Deputy A. Breckon of St. Saviour:**

Alan Breckon, member of the P.A.C. (Public Account Committee).

**Mr. C. Evans:**  
Chris Evans, independent.

**Senator L. Norman:**  
Len Norman.

**Mr. M.P. Magee:**  
Martin Magee, independent.

**Mr. T. Grimes:**  
Tony Grimes, independent.

**Deputy S.C. Ferguson:**  
If we can do just a bit of housekeeping first please because we have not met you before officially. So, if you could tell us when you were appointed to Highlands.

**Mr. E. Sallis (Principal, Highlands College):**  
November 1997.

**Deputy S.C. Ferguson:**  
Thank you very much. What is your professional background and qualifications?

**Mr. E. Sallis:**  
I am a lifelong educationalist, although I did start my working life as a tax inspector but sensibly gave it up for something that was more meaningful in my opinion. But I have been in further education, further and higher education for 36 years now

**Deputy S.C. Ferguson:**  
What is your particular subject?

**Mr. E. Sallis:**  
My particular subject is that I have taught economics and I have taught management in the past but I have not taught very much recently, but what I do is mainly now to teach on degree programmes and professional development programmes.

**Deputy S.C. Ferguson:**  
How would you describe the main sort of activities of Highlands and your own functions and responsibilities as principal?

**Mr. E. Sallis:**  
Highlands is a very wide-ranging institution. It touches probably the lives of most people in the Island at some point because we not only have 800 fulltime students on a very wide range of vocational programmes ranging from construction engineering, art, catering, business studies and so on, but also in any one year 6,000 or 7,000 people come and do a programme which might be part of a long term programme, a 4-year apprenticeship in construction or it might be a one day computer course. We have got, as you know, a very wide adult education programme, and so our age range goes very much from -- I was about to say 16 to, I think we had somebody of 92 last year, but because we did some budding chef's work I think it is now 11 to 92. So it is a pretty wide ranging programme. It is a constantly changing programme so that in any particular ... over a period of time things have changed and things have developed so we now do much more work with schools than when I came. We do much more higher education work. We have got a partnership with a wide range of organisations, some private,

some public in the U.K. (United Kingdom), universities in the main. What are my functions? Well, as well as overall management of the college, I suppose I spend more of my time dealing with things that are new than things that are steady state. So I take a leading role in a lot of our innovations, of which we have had a lot in recent years.

**Deputy S.C. Ferguson:**

Thank you very much. Martin.

**Mr. M.P. Magee:**

Just in terms of when you were appointed; what was your experience in terms of financial management when you moved into that role?

**Mr. E. Sallis:**

I suppose, probably like most people, I had grown up with it, in some senses. My previous responsibilities, I was at the City of Bristol College which is a very large institution, one of the largest in the country. It was mainly on the curriculum and quality assurance side, rather than on the financial side, but clearly I had had a pretty wide range of financial experience through running courses and programmes.

**Mr. M.P. Magee:**

Were you given any guidance when you moved into your new role on that particular dynamic because obviously it was something you had not had to deal with in the past?

**Mr. E. Sallis:**

I mean, I make certain I have a large amount of development in areas that I need to be involved with and so, yes, I have been on various courses looking after finances at colleges.

**The Deputy of St. Ouen:**

What systems do you have in discharging your responsibilities for managing the College finances?

**Mr. E. Sallis:**

I have a head of finance, a finance manager, and a small finance office because we do take a large amount of fee income because while we do not charge our fulltime students fees, our part-time students, a vast majority of them do pay fees, so there is a £2 million-£2.5 million a year that comes through that. Also we purchase a huge amount of things because of our range of programmes. But the financial systems we use are those of the States of Jersey, so those were our financial processes.

**The Deputy of St. Ouen:**

Do you see yourself as having overall accountability for the financial management of Highlands College?

**Mr. E. Sallis:**

Yes. Yes.

**The Deputy of St. Ouen:**

You would report to who?

**Mr. E. Sallis:**

I report to the director of E.S.C. (Education, Sport and Culture), Mario Lundy.

**Mr. M. Lundy (Director, Education, Sport and Culture):**

The accounting officer is responsible, obviously is accountable for the budget of Highlands College and Ed is accountable to me.

**The Deputy of St. Ouen:**

What interest is taken by the College's Board of Governors in the financial affairs of the College?

**Mr. E. Sallis:**

A very strong interest. We have the Board of Governors, which is constituted of independent people from business and other arrears of the community, has a Finance and Audit Committee that meets about 7 or 8 times a year and is chaired by a former bank manager who is now a banking director of the Jersey Financial Services Commission.

**The Deputy of St. Ouen:**

So a monthly report is submitted to that Finance Committee.

**Mr. E. Sallis:**

So they get monthly reports, yes.

**The Deputy of St. Ouen:**

They do get monthly reports?

**Mr. E. Sallis:**

Yes.

**The Deputy of St. Ouen:**

What checks, if any, are carried out by the Finance Department? What involvement does the Finance Department have in overseeing the financial controls?

**Mr. E. Sallis:**

This is my Finance Department or ...?

**The Deputy of St. Ouen:**

Your Finance Department.

**Mr. E. Sallis:**

My Finance Department. Well, my Finance Department have got the usual range of controls over income expenditures, over debtors and creditors, and there is the usual range of having proper signatories and counter signatories over -- depending on the amount of delegated authority that there is in that matter. Then they produce monthly statements of accounts and the like that go to the Governor's Finance and Audit Committee.

**The Deputy of St. Ouen:**

What is your expectation from the Finance Department? What do you expect them to deliver to you?

**Mr. E. Sallis:**

What I expect them to deliver to me is to make certain that the money that we have allocated and budgeted for is correctly spent; that if there is anything untoward they would let me know; that we invoice our students correctly; we invoice our employers correctly for fees; if there are refunds they are done in a proper manner. All the sorts of things that you might expect to happen.

**The Deputy of St. Ouen:**

Do you have regular meetings?

**Mr. E. Sallis:**

I have regular meetings. I have a resource meeting every Monday morning at 9.00 a.m. which includes the person responsible for finance, for the estates, my deputy principal and myself, and one of the items that stands on that agenda is finances. Then we also have regular meetings with Peter Robinson, who is the Finance Director at E.S.C. and, of course, we have the regular meetings with the Governor's Finance and Audit Committee.

**The Deputy of St. Ouen:**

Excuse my ignorance, but these weekly meetings, are they just of a general chat or is there -- I mean, would you receive regular detailed financial reports?

**Mr. E. Sallis:**

We always look at the month end reports on a monthly basis. Those meetings are a mixture of things that are currently going on but, yes, on the finance basis we look at the monthly reports.

**The Deputy of St. Ouen:**

One final word; how often do you report the financial position of the College to the Minister and, obviously, the Chief Officer?

**Mr. E. Sallis:**

Again, they are reported on a monthly basis because that is what we are required to do, but also there is then an annual report that is produced and which we publish in a way that is required by the Education Law.

**The Deputy of St. Ouen:**

So you produce an Annual Business Plan for the College?

**Mr. E. Sallis:**

I do produce an Annual Business Plan.

**Mr. P. Robinson (Finance Director, Education, Sport & Culture):**

Can I just add another thing there? On the reporting, I am responsible for preparing the monthly reports of the in and out for the whole of Education, Sport and Culture, and obviously Highlands form an important part of those forecasts. Every month I get together with the finance officer at Highlands, prepare a summary report and every quarter I prepare a report for Senator Vibert which ultimately goes to the Council of Ministers on our financial position as at a quarter end and also the forecast for the year end. So there is a formalised process of reporting.

**The Deputy of St. Ouen:**

Would you say that all the staff at the college that are involved in dealing with money and financial issues are aware of all the States policies and procedures relating to financial control?

**Mr. E. Sallis:**

I would -- that would be my expectation and we certainly do that. I mean, we do have the slight difficulty inasmuch as we are not connected to the States network, as you will probably see if you looked at the recent audit report, which means that we are reliant on getting paper copies of updates on financial directives, and that is something that I think does cause a bit of a problem in me replying that everybody can get first hand information documentation. That is partly a technical problem with our I.T. (information technology) system.

**The Deputy of St. Ouen:**

What efforts have you made to ensure that -- to get an assurance, if you like, that your staff are aware?

**Mr. E. Sallis:**

We have had meetings, we have had briefings with Peter, with my finance manager talks to all budget holders about the requirements on a regular basis when we are budgeting and planning, so we do what -- we have had quite a comprehensive programme of making certain that people understand their responsibilities.

**Deputy S.C. Ferguson:**

You have got a handbook on that, have you?

**Mr. E. Sallis:**

We use --

**Deputy S.C. Ferguson:**

Do you have a handbook that everybody has?

**Mr. E. Sallis:**

We do not have a separate handbook, but we have used the States handbook on financial directives and so on.

**Mr. P. Robinson:**

Can I just add something there? I joined the department at the beginning of 2007 and I set up some meetings with all budget holders throughout the department to give them an overview of the financial directions that obviously all States departments have to adhere to, and I also produce the budget holders financial guide which basically provides a fairly concise summary of several hundred pages worth of financial directions to make it a bit more understandable to a budget holder who might have an awareness of financial regulations in general. So, I update those every so often and I intend to re-run some workshops because over time you need to continue to reinforce financial regulations just to create a culture of financial awareness and efficiency and effectiveness basically.

**Deputy S.C. Ferguson:**

Presumably you will have to start rewriting them for G.A.A.P. (Generally Accepted Accounting Principles).

**Mr. P. Robinson:**

Probably. I am not sure that will be my role.

**The Connétable of Grouville:**

Presumably most of the College's income comes from the department?

**Mr. E. Sallis:**

Yes, it does.

**The Connétable of Grouville:**

Is there a formula in place which decides how much your income should be or is there a method of ...?

**Mr. E. Sallis:**

There is a formula which has been there since about the year 2000, and which is currently being looked

at again in terms of updating it, to bring it in line with the sorts of things that might be required through the States skills strategy. But, yes, it is a formula based budget for the income that comes from the States.

**The Connétable of Grouville:**

Is it based on a U.K.-type formula or is it something you made up yourselves?

**Mr. M. Lundy:**

The College is funded as if it were a provided school. It is based on the numbers of students who are studying at the college and the tier of study, level of study. So obviously 6th form students would -- you would have a higher allocation for 6th form students.

**The Connétable of Grouville:**

Okay, I understand.

**Mr. M. Lundy:**

Currently we are reviewing that policy with a view to implementing a new funding arrangement from 1st January 2009.

**The Connétable of Grouville:**

Presumably you have also charged fees for some courses?

**Mr. E. Sallis:**

We do, yes.

**The Connétable of Grouville:**

Which courses are made available on a fee paying basis? That is the first part of the question. The second part is; is there an allocation from the fees earned, is that money allocated separately or is it to go to the general pot?

**Mr. E. Sallis:**

The fees are charged in the main for part-time students. Very occasionally there is a fee for a fulltime student if, for example, they have come from outside of the Island and without having residential qualification. But, in the main, it is part-time students. The formula that we have has an expectation that I will receive from part-time courses that are supported by the States, a fee in the region of 25 per cent although I do not have to charge 25 per cent. I can vary it depending on ability to pay and for some programmes, such as those for people who are ... might have very poor English and need basic literacy skills, one is able not to charge for those and for other courses to charge rather more. But the aim is to have 25 per cent return on those programmes. Other programmes are charged at full cost, so there is an expectation that fees are there. The adult education programme pretty much covers the majority of its costs from fees. Where the fee income goes, is that it goes to provide the -- it is divided into ... it goes to budget holders to provide the income for the courses. So the majority, it will go back into whatever the budget required it for. So if it is a plumbing course and I have got a part-time lecturer then courses will have a costing sheet where we all work out what the fee is and if there is part-time lecturers or there is a need to buy new copper pipes or to install a new type of boiler, we need to show students that, then the fee income will go into that budgetary area to ...

**The Connétable of Grouville:**

So you use your fee income as the base for the course, then you top it up with funds from the central fund?

**Mr. E. Sallis:**

From the States, yes. What we have for each part-time course is a part of our financial controls, going back to Deputy Reed's question, is a series of course costing sheets whereby one tries to budget for those things in terms of what is the States' contribution to it and what is the fee income.

**The Connétable of Grouville:**

Thank you very much.

**The Deputy of St. Ouen:**

Can I just pitch in there? Obviously with regard to fees for courses, your total income from fees is dependent on decisions that somebody makes about the courses you operate. Who makes those decisions? How does that decision making process work?

**Mr. E. Sallis:**

It is a complicated process because it is very much a market driven or demand driven process. I mean some courses have been there for years and years and years, and regularly recruit. Other courses come and go depending on the needs of employers because what we are doing in the main with the vocational programme is to provide for the needs for employers. So it is often the discussion between employers. These are monitored through the governing body, where the governing body has a curriculum, a planning committee which looks at these areas. But there are a range of bodies, so for example the apprenticeship programme, the Apprenticeship Council is the body that makes decisions on those. Other decisions are being made in conjunction with E.S.C. or the Economic Development Department so there have been a range of decision making processes depending on what the course is.

**The Deputy of St. Ouen:**

Maybe I should rephrase my question. There is a relationship between course fees and overall income?

**Mr. E. Sallis:**

Yes.

**The Deputy of St. Ouen:**

You have explained to us, I believe, that different courses provide different sums of money. If I was wanting to be commercial I would go: "Well, right, I will focus in on the high earning courses."

**Mr. E. Sallis:**

Yes, that is right.

**The Deputy of St. Ouen:**

First of all, I suppose the question is, it is all very well that it is industry driven, how do you link that with the cost of a course and the provision of that course? In other words do you cover your cost with it?

**Mr. E. Sallis:**

You are right, it is a complicated process and as well as being commercial also it has a community aspect because it is about supporting the economic needs of the Island, the economic needs of employers, about providing skills for both young people, perhaps skills for people retraining in the economy. The way that one builds up to what is a fee and does this course -- will this course pay for itself, is a mixture of talking to employers, talking to people, looking historically at the demands, understanding what industry is about, trying to get a feel of how many people might enrol when the course starts, and then doing what any business would do, which is trying to understand the demand and the cost, and trying to work out how many students one needs to make that process break even.



**The Deputy of St. Ouen:**

You presumably have at your disposal for every course a sort of cost per course and an income related to it?

**Mr. E. Sallis:**

That is right.

**The Deputy of St. Ouen:**

So whether it is business management or plumbing one will be able to look down and say: "Right, yes, this is --", are there any areas where the fee income is less than the cost?

**Mr. E. Sallis:**

Yes, there are, and there are other areas where the fee income is greater than the cost.

**The Deputy of St. Ouen:**

Could you give an example of where the fee income is less?

**Mr. E. Sallis:**

I will give you an example where the fee income for a part-time course is zero, and therefore the cost is more, which is our adult basic skills. We do have programmes in the College to help people who have real severe difficulties in reading, writing and basic numeracy. Many of those people, by the very nature, often are on social security, have very low incomes and so on, so we have made it a policy for those programmes that we will provide those at no fee. So with those, clearly the costs are greater. Other courses it is possible to charge much higher fees because people, you know, they appeal to a different part of the community who have rather more money or we have a situation where we may say the course is likely to break even on 12 or 13 but we may enrol 17 or 18 people so that it makes a greater amount of money. What we try then to do is to use some of that to subsidise those courses where the fee income is less.

**The Deputy of St. Ouen:**

So when you are determining the cost of the course, are you just looking at the, what I call, vehicle costs or are you looking at overall cost?

**Mr. E. Sallis:**

We look at the overall cost. We look at the overall cost as well.

**The Deputy of St. Ouen:**

It might be useful if you could provide us with the figures that show the cost of courses.

**Mr. M. Lundy:**

This is one of the things that we have been working through in developing a new funding arrangement. The funding arrangement will provide 2 things. It will provide absolutely transparency as far as the cost of the courses are concerned, including all the overheads which will be allocated to any of us that take account of the true cost and obviously to influence the charges. The second thing that the new funding arrangement will do; it will enable us as part of a professional partnering arrangement to have a closer strategic relationship with the College, so the College at the moment really, and the principal of the College, is the main adviser on further education on the Island. With the development of the Skills Executive the opportunity to capture some real demand information and to channel the funding through to the College, there will be an expectation over a period of time, say, 3 to 5 years that the College will be able to adapt to make sure that it is absolutely befitting the skills needed on the Island. It is in most

areas at the moment.

**Mr. T. Grimes:**

My point is still around fees and seeing the Audit Report that the concern was to the accuracy of the costings; that is one issue. I presume what you were alluding to here is revisit that process because it has been in existence for some years.

**Mr. E. Sallis:**

One of the problems with the current one is that because it is a modified provided school system it probably needs to have -- it needs to reflect the difference in costs in vocational programmes rather more, and that is one of the reasons that matters.

**Mr. M. Lundy:**

The current funding arrangement does not do the job. It is okay, but it does not do the job for a college because it does not enable you to, without significant work, understand the true costs and also it does not therefore position you well to make sure that you are charging the right fees.

**Mr. T. Grimes:**

So really you would not know whether you break even or not?

**Mr. E. Sallis:**

We would, but it is a more complicated process. Where it is difficult from the States funding side is that it does not -- it provides me with a standard amount, whether it is a construction course or a childcare course, and construction courses tend to be more expensive because of smaller numbers of health and safety and the technician support and materials that you do not get, and therefore we are looking at a formula that redistributes it around the costs of the programmes, which would make it easier. Which is, I think, the point the auditors were making there.

**Mr. T. Grimes:**

You mentioned earlier there are courses which are run on a loss basis. What is the approval process for running a loss making course?

**Mr. E. Sallis:**

The approval process is that ultimately I would make that and I would want assurances from my team leaders, my budget holders, that there was something else in the programme that was doing that. But sometimes, of course, these loss making programmes can throw up through the nature. So, for example, if you have got a 4-year apprenticeship programme which might look perfectly healthy in year one and a number of the students emigrate during part of it you still have responsibilities to students who are on the course. Therefore the course could move from being one that was financially healthy to one that was not because of its nature, because it works over a 4-year period. So what I have to try and do is to make certain that I am aware of what is happening in my courses. Remember we do have something in the region of 1,200 to 1,500 courses a year, so it is quite a big range, and we try to make certain that we are having some balance against that. But it is quite a difficult process; it is also quite a difficult process to always ensure that you -- you cannot plan numbers exactly. You can talk to employers, you can get an idea that 15 people were going to enrol and actually 12 do.

**Mr. T. Grimes:**

There is a high degree of risk in the 2 and 3 year courses then?

**Mr. E. Sallis:**

Yes. There is a high degree of risk.

**Mr. T. Grimes:**

You could approve them year one on a break even basis. What is your position as a college when those courses go into significant reduced numbers and high costs?

**Mr. E. Sallis:**

We try to do 2 things. One is of course we do have a lot of historic data so you can get an idea of where these things are likely to happen. You can also, if there is a real issue with it, see if you can redesign the course in some way, to offer it on a more cost effective basis, and that happens. Sometimes you have 2 parallel courses running, you can combine them to make one. That is the simple way. It does not always happen that way. Other programmes you have to grin and bear it because we have always taken a policy as a college that you will not let people down once you have enrolled them for a programme. But we have on occasions had to find ways to trim a programme or to try to help the students do it in some other way. So it tends to be case by case. But you do have an idea of how you can balance these things. But in truth, part-time programmes are really quite interesting because we put our prospectus out and we do run programmes throughout the year, but the bulk of our students come in during September and you do not really know what your numbers are until about November, because sometimes people enrol, then they decide to drop out, then they want a refund, they have changed their jobs. Other people come along and so you do ... and historically our numbers have been quite consistent but there has been quite a change in what people do. Of course, that can give a problem with cost if you have got a member of staff who, for example, his numbers go down in a particular area and you have not got any other work for them then, of course, you have a significant cost which you cannot easily transfer to somewhere else because a plumber may not have the skills to teach childcare, which is one of the issues that we have around at the moment.

**Mr. T. Grimes:**

In the collection of the fees and the controls around it, who is responsible for that?

**Mr. E. Sallis:**

The collection of fees is done through our finance office. We have a finance office that collects fees, sends out invoices, for example, the income and expenditure of that, so they organise --

**Mr. T. Grimes:**

Do you have any debtors?

**Mr. E. Sallis:**

We do have a lot of debtors, yes. We do control debtors very carefully and certainly when I came it was one of those things I was particularly concerned about. I did find initially that we had some very longstanding debts but now we do have a process for collecting those. In fact, except in exceptional circumstances we will not let part-time students start unless we receive the money. But that is difficult on occasions, and sometimes it is difficult, particularly for small employers. So we do have instalment policies which, again, is another risk because, of course, if you have instalments and then somebody changes jobs then ... it is risky.

**Mr. P. Robinson:**

Can I just add; debtors and creditors are reported to the Finance and Audit Sub-Committee every month. So they are monitored at a high level.

**Deputy A. Breckon:**

We have seen a number of reports and background papers going back to when Education, Sport and Culture had their own audit committee and following on from that there was an internal audit of

Highlands College which identified some weaknesses. I wonder if you could tell us if you have identified anything there that you have worked into an action plan or follow up to correct those things.

**Mr. E. Sallis:**

When we have any audit reports we always do an action plan afterwards. There was certainly an audit report that said that we have not separated the functions properly within the finance office, which was quite difficult to do with a very small team, but we have done that now. We have been looking at the costing programmes and also, as the Director said, we have been looking at the actual funding methodology at the moment to try to make that far more consistent with the way we operate courses, which would lead to much greater transparency. So there has been quite a number of things that we have done over that period.

**Mr. P. Robinson:**

Can I just add from the department's point of view, Deputy, that all audit reports are reported to the senior management team and also the ministerial team at Education, Sport and Culture. We prepare templates which allocates the actions to specific officers with timescales, and then after 3 months we report back on service against any of the actions so that we monitor them until they are all implemented.

**Deputy A. Breckon:**

Are you satisfied then that you are ticking all the right boxes now? You are? You can give us that guarantee?

**Mr. P. Robinson:**

There are some recommendations which will obviously take more work than others, but we always follow up with audit reports to make sure that the recommendations are implemented.

**Deputy A. Breckon:**

So you would say that if anything had been identified in those audit reports that they are not in existence now?

**Mr. P. Robinson:**

It depends how recent the audit report is.

**Deputy S.C. Ferguson:**

Well, there was the management report after the annual audit where it did highlight a number of issues that had continued from the previous year.

**Mr. P. Robinson:**

Jason Turner, the Deputy Treasurer, sent an email out last week to all finance directors asking for an update on the recommendations, and I sent that in at the end of last week. Most of the recommendations are either implemented or in the process of being implemented.

**Deputy A. Breckon:**

Can I just pursue this a little further? Ed, I think you mentioned that you have a sort of manual or code that people would abide by, if you like, for signing off at a level of, say, of £1,000 for making sure things are witnessed and all that, and you have that, that staff are aware of and they are complying with that are they?

**Mr. E. Sallis:**

Yes.

**The Deputy of St. Ouen:**

Just come back to the courses for a minute; if I understood you correctly, certain courses, individuals are offered discounts; am I right?

**Mr. E. Sallis:**

We try to avoid discounts as a policy, that is a difficult route to go down, but we certainly -- there may be certain individuals from time to time who find it difficult to pay on expensive programmes so I do have a policy, and we have had a policy for some time, to see if we can find some ways of trying to support those people, perhaps maybe on social security and whatever and perhaps need to do a course to get themselves a job. One tries to find something of that nature.

**The Deputy of St. Ouen:**

Who is responsible for determining whether a discount is given?

**Mr. E. Sallis:**

We have different processes. In the end I would do that. But we do also have a process for trying to support some people on fulltime programmes sometimes who have difficulties, often adults with just some of the costs occasionally coming on a programme, for example, if you have got a catering programme we do ask people to buy chef's whites and knives and those sorts of things and sometimes people find that difficult. We do have a small committee in the college which looks at making provision for them for a short period of time until they can find the money.

**The Deputy of St. Ouen:**

Who monitors this discounting?

**Mr. E. Sallis:**

That would be monitored -- in the end that is monitored through the Finance and Audit Committee.

**The Deputy of St. Ouen:**

Everybody is aware of that process?

**Mr. E. Sallis:**

Yes.

**Deputy S.C. Ferguson:**

How do you decide whether a particular course has been good value for money?

**Mr. E. Sallis:**

The way that is done is --

**Deputy S.C. Ferguson:**

Good value even.

**Mr. E. Sallis:**

It is value for money. The way that happens is that the vast majority -- if you leave adult education aside for a moment, which I will come back to, the courses we offer are qualification programmes, by in large. Almost all our courses have a qualification attached to them. Qualifications which are nationally recognised and which employers are aware of in their particular industry. So, for example, the construction programme has been built -- a programme in a particular trade and all the rest of it. What we then look at, in terms of value for money, is 2 things. Firstly, what are our pass rates? How many people who actually pass the course. Also we look at a wider measure which we call success rates,

which is we look at past rates in terms of people enrolled because it is very easy, of course, if people have dropped out to have 100 per cent pass rate. But if you have a success rate which takes into account dropouts, that is people started, we can look at that. We also do survey questionnaires which we use an independent survey company to do the monitoring of. One that is based in the United Kingdom which does a range of standard surveys for further education programmes, so that we can not only get a measure of satisfaction on a whole range of measures but benchmark that against the other colleges which use that particular survey company, and we do surveys for students and employers and parents, where that is appropriate for those. So we have those. We then also, of course, have got the process which examination boards have of monitoring how well our courses meet their requirements because they have external examiners and verifiers who look at how our programmes go. To give you an example; our programmes from Ed-Excel, the old B.T.E.C. (Business and Technology Education Council) Board, has a programme called Centre Risk Assessment which goes through a whole range of measures about how well programmes are run, the students' experience and so on, and we had a risk assessment process last year where the External said that they had never seen programmes run as well as at Highlands College. In addition to that, if we are value for money, we have another benchmarking process we call Supported Self-Improvement whereby we have external experts that come into particular areas over periods of time and look at the student experience. The governing body has since 1999 employed a part-time external inspector which reports -- as well as the Finance and Audit Committee, they have a Standards Committee and that Standards Committee has appointed an external inspector. They have had 2 since I have been here. The first one was a former senior chief H.M.I. (Her Majesty's Inspector), Dr. Terry Melia. The current one is Dr. Maureen Banbury, who was the Deputy Director of Ofsted Post 16, when she was still employed by Ofsted. They would bring in experts who they choose and monitor programmes. So it is a mixture of success rates, past rates against dropouts, satisfaction surveys which can include employer surveys, employer programme. The process of the curriculum body itself, such as B.T.E.C., Ed-Excel risk assessment. We have external support itself in self-improvement, and then the governors have a Standards Committee which they monitor those particular aspects on a regular basis. That has always been chaired by the vice-chairman of Governors, currently Clive Jones who was the M.D. (Managing Director) at Citibank.

**Deputy S.C. Ferguson:**

Thank you very much.

**Mr. R. Bignell:**

You just touched on internal controls, but one of the points identified in the audit report was a lack of an adequate fixed asset register; is that now up to date?

**Mr. E. Sallis:**

Yes, that is up to date.

**Mr. R. Bignell:**

It has been done now?

**Mr. E. Sallis:**

Yes. With that, we have done a -- let us say it is up to date, we are just currently clearing our main building because it is having a major capital programme, so all the assets have currently been moved, so the asset register in terms of which room they are in will have to be done again shortly. So when I say it is up to date, it is in the process of being done again, but we do have it. In fact what we did, following that particular one, is we went and did a little bit of work to find a high tech means of computerising that particular fixed asset register because we do have a huge amount of stuff, because we are a vocational college. We have put more on our fixed asset register than is required by the financial directives, so that we can keep track of furniture and materials and so on, and the only way to do that was to have a bar

coding system which you could then feed into a computerised system. I know it has proved popular with other parts of the States, and other people have come and had a look at it.

**Mr. R. Bignell:**

You just assured us that all the internal audit recommendations have been implemented, or in the course of being implemented. How do you stop people slipping back into the bad ways and bad habits?

**Mr. E. Sallis:**

It is an interesting problem and it is just as Peter said, you have to make certain that you have regular updatings with people, that you make certain you get the right people to attend Governors' Committees when these are done, that you have updating sessions if those are necessary. You have to make certain that they are regularly on agendas for meetings so that these things are kept in the ... close to people so they continue to understand them.

**Mr. P. Robinson:**

What I liked about E.S.C., because it is such a wide ranging department obviously you have got all the primary schools, the secondary schools, et cetera, is every year, although I have only been there a year and a half, so I have only done it once, I sent out a compliance statement which is basically a one page summary of some of the essential controls that I think budget holders should be implementing. One of them is an asset register, so the head teacher of the school, for instance, will sign off the compliance statement, send it back to Mario as comfort that financial controls are as tight as they possibly can be within all areas of the service. Because ultimately my finance team is only 5 people so it is really difficult to carry out any formal visits to schools and budget holders. I more or less have to get some assurance every year that they are adhering to any financial directions.

**Mr. M. Lundy:**

I think it is fair to say it is not just Ed's responsibility. That is the accounting officer's responsibility to ensure that there is a culture of best value and financial prudence out there, tight financial control, and we have taken steps to enhance that this year, and to create a feeling that every budget holder is an accounting officer in their own right, and that the regulations and the expectations that apply to me as accounting officer are applied to each person who has responsibility for a budget in a service. So there is a culture that we are developing.

**Mr. R. Bignell:**

Do you back that up with training for people coming in?

**Mr. M. Lundy:**

It is backed up with training, absolutely. It is backed up by ensuring that there are proper formal communication mechanisms for reporting. For example, you will notice ...

**Deputy S.C. Ferguson:**

I hate to interrupt. Can we get on to the overall department one in your session? **[Laughter]** Unless you want to repeat yourself. Have you had an internal audit report this year?

**Mr. E. Sallis:**

Yes, this year we have just had one of the Jersey Business School ...

**Deputy S.C. Ferguson:**

No, I mean of Highlands?

**Mr. E. Sallis:**

Of Highlands? I believe it was done ... I am trying to think. It was just at the end of last year, was it, or was it early this year? Just trying to think of the dates ...

**Deputy S.C. Ferguson:**

I was just wondering what the grading was.

**Mr. E. Sallis:**

It was a fairly recent one. Of the college, it was a 3.

**Mr. P. Robinson:**

It was issued ... the final report was issued on 2nd January 2008.

**Deputy S.C. Ferguson:**

And it was a 3?

**Mr. E. Sallis:**

Yes.

**Deputy S.C. Ferguson:**

Fine. Sorry, Tony.

**Mr. T. Grimes:**

It was the same point, really. On the Jersey Business School internal audit report the rating was an adequate, 2. That is the 10th June report. Do you think that is a fair reflection of the status of internal controls at the school?

**Mr. E. Sallis:**

I think it is a 2 and they have given us a 3 for improving it. We have been working on it. I mean, I think a lot of the things we have already done and certainly when the auditors came they recognised that we had already seen where the issues were and were working on them, but obviously they have to audit to the date. But they did recognise that a lot had been done since that date.

**Advocate A. Ohlsson:**

Can I ask you some questions about the Jersey Business School? That would be helpful. Can you firstly explain its status and its relationship with the college?

**Mr. E. Sallis:**

Yes. It is a faculty of the college with a different brand. The other thing that is slightly different about it is that the programmes are all run on a cost recovery basis rather than having States support for the programmes.

**Advocate A. Ohlsson:**

Right, and how do you define its role or the remit of the brand?

**Mr. E. Sallis:**

Well, its role and its remit has changed that, in fact, the governing body have recently had a thorough review of it and are very likely to change that brand. They want to change the way it operates to make it far more consistent to work with the new Skills Jersey and the new Skills Executive. So it will be ... it will be a changing role. Initially, it was about financing ... focusing on the financing industry in the main, but over a period of time that has been ... particularly with management courses, it is very difficult to know, you know, somebody wants to come and we have had a lot of people come in from, for



example, the nursery sector as a result of needs for regulation and so on. So it has changed its role quite considerably and now what we are looking to do is properly to re-title it “Highlands for Business” and have a much wider role of being our sort of responsiveness arm to the needs of business and to link into the Skills Jersey and the Skills Executive as it comes along. That will be much more ... we have a student services function which looks after our fulltime students and so on, and Highlands for Business will be, in a sense, a mirror of that for employer links and employer liaison because we can see a need for much greater flexibility.

**Advocate A. Ohlsson:**

So it has the same management structure, then?

**Mr. E. Sallis:**

Well, it has a slightly different management structure. It has had a separate pay scale and so on, although that ... we may well change that over a period of time to bring it in line with the normal college States pay structure.

**Advocate A. Ohlsson:**

Do you have any other divisions or sort of sub-faculties?

**Mr. E. Sallis:**

Well, we do in a way but not quite as formal. Our adult education programme has a brand identity over the years that we have had as well, so that has a ... and again, that is a programme, although the funding of that is slightly different. The department does provide funding for the 2 administrative staff. Again, that is a programme where it has to ... it is cost recovery, so that has had a slightly different branding.

**Advocate A. Ohlsson:**

So the courses within the Jersey Business School, are they each meant to be self-funding or is it the collection?

**Mr. E. Sallis:**

The collection, that is how it is ...

**Advocate A. Ohlsson:**

Right, okay. That was one of the comments made in the audit report was that that is something you are looking at?

**Mr. E. Sallis:**

Yes. It is something we are looking at and it is all part of the review of the funding methodology and a review of the way that we are reacting to the skills agenda of the States. So we are doing a very thorough review of the college and the way it operates and the way it is funded. In very many ways partly because of the external world, partly because of the audit report, partly because we have realised that, like all organisations, from time to time you need to look at the way you are organised and managed and how you interact with people.

**Advocate A. Ohlsson:**

What is the staffing level within the business school?

**Mr. E. Sallis:**

It is very small. There is about 4 or 5 staff. I mean, so it is not a ... but a very large number of part-time lecturers. The teaching force is largely somebody else's employees who come along and teach for us during the day or in the evenings on what we have described as a visiting lecturer basis; that is that

people are on a contract, although some people who are self-employed do invoices for their services. Mind you, that is true of a lot of the rest of the college as well, that the majority of my staff in terms of sheer headcount are somebody else's employees coming to work for me, which I think is a healthy thing in terms of bringing expertise into the college.

**Advocate A. Ohlsson:**

Okay. There is one specific issue that has been raised or discussed between this Committee and the external auditors which I wonder if you can help us to clarify and get to the bottom of.

**Mr. E. Sallis:**

I think I can.

**Advocate A. Ohlsson:**

Okay. It relates to what we understand to be an ongoing investigation.

**Mr. E. Sallis:**

Well, it is actually not. I will clarify it. I think one of the things ... I mean, I explained the position, but I think one of the things I would like to change is when we have internal audit reports those reports are always discussed with me first and discussed with people and one has an opportunity to discuss them. External auditors' reports are not discussed with me. It is things like that which actually do not have any basis in fact get through because they have not been challenged. So, I mean, one of the changes I would want to see would be the audit(?) reports. If you want to know a bit of the background as to why it got there, I can do that.

**Advocate A. Ohlsson:**

Yes, please.

**Mr. E. Sallis:**

There is an ongoing disciplinary issue in the Jersey Business School and when that was investigated there was an accusation made of fraud in the use of purchase cards. I have no idea where the garden furniture came from; I have absolutely no idea what that is about at all. That was immediately ... that was picked up by the H.R. (Human Resources) Manager in E.S.C., who was doing the investigation. The then Director, Tom McKeon, asked my Finance Manager to do him an audit of purchase cards, which she did. She did not find anything untoward. We then had ... we have had subsequently 2 internal audits of income/expenditure. Remember the Jersey Business School process is exactly the same as the rest of the college. They have not mentioned them, nor has the recent Jersey Business School report. At the moment there is no ongoing investigation into fraud.

**Advocate A. Ohlsson:**

So, although there is an ongoing disciplinary matter ...?

**Mr. E. Sallis:**

There is an ongoing disciplinary matter, yes.

**Advocate A. Ohlsson:**

Which we do not need to get into, but insofar as there is an allegation as to the misuse of purchasing funds, that has been fully investigated and you are satisfied that there is nothing to ...?

**Mr. E. Sallis:**

I am fully satisfied because we have looked at it ourselves and then we have had 2 internal audit reports of income/expenditure, the general one which covered that and the other one, and the auditor who was in

charge of those audits discussed those matters with me and obviously, you know ...

**Advocate A. Ohlsson:**

They go back and cover the relevant period?

**Mr. E. Sallis:**

They go back and cover the relevant thing. So I think for me the point about it is that had I had a chance to look at or discuss the external audit report, then I would have been able to have explained the situation to the auditor and presumably that then would not have appeared in the report.

**Advocate A. Ohlsson:**

Okay. They did say they discussed it with the Finance Director and Head of Internal Audit, PwC (PricewaterhouseCoopers) said that, so ...?

**Mr. E. Sallis:**

Well, I mean, I have ... certainly they did not discuss it with me.

**Advocate A. Ohlsson:**

Okay.

**Mr. P. Robinson:**

I had a meeting with PricewaterhouseCoopers and the head of internal audit to discuss the recommendations in the final report, and that issue was never raised, although there are a number of other recommendations that were discussed. It is possible that that ... because it is in a completely separate part of the report.

**Advocate A. Ohlsson:**

Okay. Thank you.

**Deputy S.C. Ferguson:**

Why did you not report it to internal audit?

**Mr. E. Sallis:**

Well, until quite recently I was not aware of it.

**Deputy S.C. Ferguson:**

Which is the normal practice.

**Mr. E. Sallis:**

Pardon?

**Deputy S.C. Ferguson:**

Which is, I understand, the normal practice.

**Mr. E. Sallis:**

But I had not seen the ... I have never had sight of the external audit report until quite recently, so I did not know that they were reporting that.

**Mr. P. Robinson:**

I think normal practice would be that if you found evidence of a potential fraud, that at that stage you would call in internal audit. But because we have carried out ...

**Deputy S.C. Ferguson:**

What happened to the file of evidence that was handed in?

**Mr. E. Sallis:**

I do not think there was a file of evidence. I do not think there was any evidence.

**Deputy S.C. Ferguson:**

There was a file with some evidence, I understand. I just wondered what had happened to it.

**Mr. E. Sallis:**

I am not aware of a file of evidence.

**Mr. M. Lundy:**

It is difficult for me to comment on because I did not initiate the investigation, but I am not aware of any file of evidence.

**Deputy S.C. Ferguson:**

Right, thank you.

**Mr. M. Lundy:**

If there is such a file I would welcome it.

**Deputy S.C. Ferguson:**

I will speak to you afterwards. All right. Any more?

**The Deputy of St. Ouen:**

Yes, I have to say I am a little bit concerned and I would like to know your views. Because it is quite clear that over a number of years issues have been raised by either internal audit or the external auditors relating to Highlands College and the way, you know, financial controls are managed. It is a college, as you properly promoted today, that is focused on the finance industry and business and so on and so forth. What do you feel your image is when, you know, continually we are hearing that there is poor financial controls being managed within a college that is there to, you know, help and support and promote management and financial control?

**Mr. E. Sallis:**

I do not think there is evidence of that. I mean, the recent audit was of a 3, which is of adequate controls. I gather not too many people get 4s. Yes, there are some problems, have been some problems with the Jersey Business School; hence the fact there is a disciplinary action. Yes, it was a 2 but, in fact, the auditors also gave it a 3 for improving. So I do not ... I would not agree with your assertion.

**The Deputy of St. Ouen:**

So you are saying you are satisfied with your current status, if you like?

**Mr. E. Sallis:**

I am never satisfied with those things, I do not think so, but I think overall the financial controls are certainly adequate and have been improving. I think there was an initial audit report ... I think you have to realise that when I started one of the things I asked the then States Treasurer - I think it was George Baird - was when I was going to receive my first audit. I do not think we had an audit for about 4 years after that. When we ... there was a considerable period of time that even though the college's Finance and Audit Committee had asked for audits, we never received one. During that time we changed our

financial systems quite substantially to make certain we had better controls. When we did have the first audit, they said that we had some issues, which was fine. I mean, that is ... one learns from those. I think had we had regular annual audits right from the start, we would never had had that particular report. Subsequently we have had in the main good audit reports.

**The Deputy of St. Ouen:**

It is your aim that when the next audit report comes round that you have dealt with these issues and that, you know, your anticipation, you would be a much better review and score?

**Mr. E. Sallis:**

I would hope so, although I gather it is quite difficult to get more than a 3, which is what we had on the last college audit. But, yes, it is always my aim to get as high a report ... good report as we possibly can.

**Mr. M. Lundy:**

I have that expectation. [Laughter]

**Deputy S.C. Ferguson:**

Okay, thank you. I think probably the reference ... the file was apparently handed to Tom McKeon's P.A. (personal assistant).

**Mr. M. Lundy:**

I will need to investigate that.

**Mr. E. Sallis:**

If there is one, we will have a look at it.

**Deputy S.C. Ferguson:**

Thank you. Thank you very much indeed, gentlemen. If you and Peter would like 5 minutes' break, then we will start again.

**Mr. M. Lundy:**

Okay, thanks. We can leave our stuff.