

BRIGHTON HOVE & SUSSEX SIXTH FORM COLLEGE

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON MONDAY 6th DECEMBER 2010 at 6.00 P.M. IN THE SPORTS CENTRE CAFE

Present: Michael Bewlock, Dominic Blythe (Chair), Sarah Bovill, Tom Wolfenden..

In Attendance: Jutta Knapp, Chris Thomson, Louise Pennington, .
Mazars (Internal Auditors)
Jenny Hill, Tenon (External Auditors)

The meeting was quorate.

A10/32 Apologies and Welcomes

Apologies were received from Sue Smith (due to change in meeting date).

A10/33 Minutes of the Meeting held on 18th May 2010

The Minutes were approved and signed by the Chair as a correct record of the meeting.

A10/34 Matters Arising

All items required have been actioned since the last meeting. It was noted that with regard to item A10/25 developments regarding the requirements under the new Bribery Act, would be monitored and incorporated into the College's Fraud Policy as necessary.

A10/35 Declaration of Interests

None declared.

A10/36 External Audit Management Letter

Jenny Hill presented the paper to the Committee and the following points were noted:

- a) There are no significant accounting issues or adjustments drawn to Governors' attention.
- b) Level of materiality for making adjustments to the accounts was calculated on the basis of total income and the value of general reserves, and assessed to be at £85,000.
- c) Auditors are required to advise Governors of any potential adjustment unless they are clearly trifling which is deemed to be less than £850.
- d) Accounting policies and practices are appropriate for the financial statements.
- e) No balance sheet events.
- f) Attention was drawn to the Committee relating to the Regularity Audit, namely: during the year the College spent £635,000 on new Portacabins. The College's intention is to enter into a sale and leaseback arrangement after the year end to finance these. Under the Financial Memorandum Corporation and YPLA/LA consent is required for spend on land and buildings greater than 5% of income for the year. BHASVIC's portacabin spend was in excess of 5% thereby constituting a regularity breach. The Committee noted that retrospective approval had now been sought and granted from the YPLA (8th November 2010). This means that the Auditors are able to issue an unqualified regularity opinion. However in the draft financial statements the portacabins were treated as a prepayment owing to the fact that they would be leased after the year end. The correct treatment at the year end would be to include these as capital works in progress and accordingly an adjustment was included in section 3.1.

- g) Page 10 of the papers, report drew attention to the aborted capital project and in particular the £1.3M additional funding received by the College, leaving £70,000 capital project costs incurred which have been written off during 2010.
- h) FRS 17 Pension Valuation – The Committee’s attention was drawn to clause 2.5 on page 11 of the papers, regarding the change in April 2011 whereby increases to public sector pensions will be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). Owing to this change the pension actuaries have applied CPI when valuing the College’s year end pension liabilities resulting in a reduction in the liability given as a “negative” Past Service Cost of £260,000. The Auditor explained the uncertainty regarding the treatment of this change in the accounts and it was noted that currently in the financial statements the movement has been shown as passing through the Statement of Total Recognised Gains and Losses. The Urgent Issues Task Force is consulting upon this matter presently and may issue a final abstract before the year end, which might result in a different accounting treatment being suggested, namely reporting via the Income and Expenditure Account. If the College’s accounts are signed (at Corporation on approval) before confirmation of the correct treatment, the College may have to make a prior year adjustment for the following year’s accounts.
- i) Page 12 Actual Audit Adjustments – the table in section 3.1 includes the reclassification of portacabins as fixed assets (balance sheet £717,000) and the change in the pension valuation from RPI to CPI ((£260,000)).
- j) Page 15 section 5 Recommendations regarding bank **reconciliations**, refundable deposits and portacabins re-financing requires YPLA and Corporation consent – (already reported above) graded 1, 1 and 2 respectively. Regarding recommendation 1) bank reconciliations, it was noted that bank reconciliations would now be run at the end of each month and retained to ensure the audit trail (it was noted that they are regularly performed but not necessarily at month end), recommendation 2) refundable deposits – the College will ensure that it complies with the Proceeds of Crime Act by ensuring that it makes all reasonable attempts to ensure all deposits due have been repaid (The College will inform all students that deposits will be held for one year after the completion of their course, after which it will be treated as income by the College.), 3) Portacabins – already reported above.
- k) Jenny Hill highlighted a number of points within the Annexes attached to the Management Letter, namely the fact that staff costs as % of income, although reducing slightly since 2006/7/8, remain high compared to other Colleges in the sector and the College’s high dependency upon LSC income which is common amongst sixth form colleges. The College’s work over the last two years to improve the staff cost/income ratio was noted by the Committee.

A10/37 Report and Financial Statements for the year ended 31st July 2010

The Committee noted the Report and Financial Statements which has been included in the papers to support item A10/36. It was also recorded that the Finance & General Purposes Committee had considered the financial statements in detail at its meeting earlier in November and had recommended its approval to Corporation.

However it was resolved to recommend that the internal auditors listed for the year to 31/7/10 be changed to Hampshire CC Audit Services, with an additional foot note stating that Mazars were appointed internal auditors from 15th July 2010. **ACTION: Jutta Knapp/Louise Pennington**

Furthermore, following a query from Michael Bewlock regarding difficulty reconciling outturn to budget, it was noted that the details were included in the Finance and General Purposes Committee papers via the reconciliation of outturn to budget paper. A discussion was held and it was resolved that in future for ease of reference, the management accounts should also be included within the Autumn Term Audit Committee papers. **ACTION: Jutta Knapp**

A10/38 Internal Audit Annual Report 2009-2010

In the absence of Hampshire County Council Audit Services, the College's internal auditors, prior to 15th July 2010, Jutta Knapp presented the paper to the Committee, the contents of which were noted. Jutta Knapp advised that the Report would be passed to the YPLA/LA for information.

At this point the Chair invited Chris Thomson and Jutta Knapp to leave the meeting in order for the Chair to seek feedback from the external and internal auditors regarding the audit work over the last year. Both auditors advised that there were no issues arising and that they had received full co-operation from Jutta Knapp and her team in respect of the audit work for the 2009/2010 year (noting however that Mazars undertook no work in this period). Chris Thomson and Jutta Knapp returned to the meeting.

A10/39 Internal Audit Strategic Plan 2010-2013

Laura Hallez, Mazars, presented the Internal Audit Strategic Plan for 2010-2012 to the Committee and highlighted the following key points:

- a) Mazars appointed as Internal Auditors effective 15/7/2010 succeeding HCC Audit Services. New Auditors met with Principal, Vice-Principal and 2 Assistant Principals in the summer to discuss the College's operations. Mazars have also liaised with HCC and acquired relevant files including in particular the risk register details.
- b) The Three year Strategic Audit Plan – see Appendix A, page 91 of the papers is based upon the College's risks (scored at 6 or 9 in the College's Risk Register). Sarah Bovill queried risk 11 (College Charter) and 18 (partnership arrangements/consultants etc) within the plan and Laura Hallez confirmed that these items were included within the Corporate Governance audit area.
- c) Michael Bewlock queried the number of audit days, being 3 in every instance. Laura Hallez explained that it might vary, but that a guide time of 3 days was standard practice.
- d) Page 95 of the papers, auditable area – Sessional/part-time teachers. Tom Wolfenden asked for further explanation regarding this area and Laura Hallez explained that this had been highlighted as a general issue within the General FE sector, so was included within the Plan for all Colleges. Laura Hallez also agreed to include timings within the auditable areas listed which have no time included. **ACTION: Mazars**
- e) In response to a query from Dominic Blythe regarding the number of risks within the College's risk register, Laura Hallez agreed that Mazars could complete a comparison exercise for the College. **ACTION: Mazars**
- f) The internal audit first visit is scheduled to start on 13th December, where both Corporate Governance and Risk Management will be examined.

Subject to the above changes, the Plan was approved and recommended to Corporation for approval. **ACTION: Jutta Knapp/Louise Pennington**

At this point, Jenny Hill and Laura Hallez left the meeting and the Committee thanked them for their work.

A10/40 Financial Management and Control Evaluation (FMCE)

Jutta Knapp presented the paper to the Committee which noted the YPLA requirements and also noted that Colleges were able to submit a shortened version of the Evaluation as long as the overall grade remains the same – in the case of BHASVIC outstanding – and there have been no other significant changes. The LSC has verified the College's outstanding grade for the last two years of the FMCE's completion.

The Committee noted that the College had completed a full evaluation to support its continued

outstanding grade, but was recommending that only the shortened version (2 pages) was submitted to the YPLA. The Committee were advised that the Chairs' Committee had considered and endorsed the first two sections of the FMCE, relating to Strategic and Operational Oversight.

It was also noted that the formal deadline for return of the FMCE to the YPLA was in fact 30th November, but the YPLA were content with BHASVIC to return this as soon as the re-scheduled Audit Committee had met.

Following a query from Michael Bewlock, Jutta Knapp agreed to update the response to question 6a on page 26 of the report (page 130 of the papers) from "no" to "yes", namely regarding the explanation relating to forecast.

The Committee considered the report and recommended its approval to Corporation and agree that a shortened submission should be made to the YPLA.

ACTION: Jutta Knapp/Louise Pennington

A10/41 Audit Committee Annual Report

The report was considered by the Committee and recommended to Corporation for approval.

ACTION: Jutta Knapp/Louise Pennington

A10/42 Risk Management Annual Report

Chris Thomson presented the Report to the Committee, reported that there were some amendments required prior to final submission to Corporation (updating date entries and changing reference to College Management Team to Senior Management Team, following a change in procedure). **ACTION: Chris Thomson**

Page 141 item 6.6 Key risks – following a suggestion from Tom Wolfenden, Chris Thomson agreed to place the key risks in order of priority and to include mitigating actions for the next Audit Report in the Spring Term **ACTION: Chris Thomson**

Sarah Bovill commented on the recent Data Protection Act breaches and subsequent significant fines, but the Committee agreed that the current controls were good and that there was no need to change the likelihood/impact or score ratings.

Following a query raised by Tom Wolfenden regarding the staff morale/communications strategy risk – Chris Thomson updated the Committee on recent progress and also agreed that the date for production of the Communications Strategy should be revised as it would not be ready by December 2010. **ACTION: Chris Thomson**

Subject to the above amendments, the document was recommended to Corporation for approval. **ACTION Chris Thomson/Louise Pennington**

A10/43 Performance Indicators for Internal Audit

The performance indicators paper was noted by the Committee and recommended to Corporation for approval. **ACTION: Jutta Knapp/Louise Pennington**

A10/44 Update on Internal Audit Recommendations

Jutta Knapp introduced the paper and the Committee noted the actions taken. Mazars will be following up any recommendations on-going or outstanding. Jutta Knapp advised that Mazars

would be reviewing the last 3 years' audit recommendations from HCC and agreed to pass a copy of their report to Dominic Blythe when received. **ACTION: Jutta Knapp**

A10/45 Update on Disaster Recovery Plan

The update on the Disaster Recovery Plan, presented by Jutta Knapp was noted by the Committee. Jutta Knapp confirmed that when the Disaster Recovery Team next meet, they will be considering a complete IT failure scenario. Further amendments to the policy in the event of snow would also be made following the experience during the recent weather,

A10/46 Fraud

There were no matters of fraud declared to the meeting.

A10/47 Any Other Business

Michael Bewlock queried whether there was a risk to the College from the various student demonstrations regarding the Government's proposal to abolish EMA grants. Chris Thomson explained that some students had participated in the demonstrations but that these were not taking place on College premises and that he did not foresee a risk to the College. It was suggested that there may be a risk to College if/when EMA is abolished in terms of affects on students enrolling/funding to the College etc.

Dominic Blythe reported that Part II of the new Audit Code of Practice was due shortly and that this should be ready to be included as a paper for the next Audit Committee meeting in February. **ACTION: Jutta Knapp**

A10/48 Date of Next Meeting

28 February 2011

Louise Pennington
Clerk to the Corporation

CHAIR..... DATE.....