

## BRIGHTON HOVE & SUSSEX SIXTH FORM COLLEGE

### MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON TUESDAY 19<sup>th</sup> MAY 2009 at 6.00 P.M. IN THE SPORTS CENTRE CAFE

Present: Dominic Blythe (Chair), Sarah Bovill.

In Attendance: Jutta Knapp, Chris Thomson, Louise Pennington.  
Liz Foster - Hampshire Audit Services (Internal Auditors)

The meeting was quorate.

#### **A09/12 Apologies and Welcomes**

Sarah Bovill was welcomed to her first meeting.

Apologies were received from Marion Wilcock and Michael Bewlock.

#### **A09/13 Minutes of the Meeting held on 24<sup>th</sup> February 2009**

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

#### **A09/14 Matters Arising**

Item A09/09 Update on Risk Management sub-item e) CT advised that although not included within the risk management papers, the amended wording had now been made to the Desired Controls section.

#### **A09/15 Declaration of Interests**

None declared.

#### **A09/16 Internal Audit Report February 2009**

Liz Foster presented the report to the Committee explaining that the report had arisen from the February 2009 audit visit where 5 areas were examined – Fundamental financial accounting, capital project planning/management and evaluation, student support services, learner numbers system and follow up. In all areas there was an appropriate framework of control, operating in practice and there were no significant issues.

The three recommendations given on page 34 of the papers were noted, 1 in respect of Student Support Services and 2 in respect of the follow up. It was noted that the recommendations had been implemented with immediate effect.

Following a query from Sarah Bovill regarding the “not tested” entries within the Actual Controls table, Liz Foster agreed to include an explanation of the “not tested” note to clarify the risk assessment process completed by the auditors via sample testing. **ACTION: Liz Foster**

A general discussion was held regarding financial controls in place for the Capital Project and JHK reported that agreed controls had operated throughout the project, via tendering procedures, ojeu process and project manager involvement at all levels in order to keep a control on costs whilst ensuring a good level of service from suppliers/contractors etc. All decisions regarding the Capital Project were made via the Premises Group which reports to the Finance & General Purposes Committee through to the Corporation.

Referring to page 28, Student attendance, Liz Foster confirmed that testing involved ensuring that

the systems and paperwork were complete via sample testing, including the verification of dates regarding attendance.

The Committee noted the relatively clean audit report and congratulated the College on its system of comprehensive processes and procedures.

#### **A09/17 Outstanding Audit Recommendations**

The Committee noted the one outstanding audit recommendation – Final version of the Marketing and Publicity Strategy should be agreed. JHK advised the Committee that a paper on this would be presented to Corporation via the Quality and Curriculum Committee meeting next in June 2009.

#### **A09/18 Funding Assurance Review Audit March 2009**

JHK presented the paper to the Committee and explained that the review was initiated by the LSC which selects a sample of Colleges to give funding assurance, bearing in mind that there is a residual risk to the LSC and to Colleges following the introduction of “plan led funding” as detailed in the report. Tenon (also the College’s external auditors) were commissioned by the LSC to complete the work. The Committee noted that a different Tenon team was involved in this work, compared to the team assigned to complete the College’s external audit work.

The review involved Tenon working for two days on site. The key findings and recommendations as given on page 43 of the report, confirm that there were no “high” priority recommendations. There was one “low” priority recommendation, relating to learning agreements (page 44). Of the sample of learning agreements reviewed, 2 were found to be unsigned by the students concerned, out of 1,655 in total i.e. 0.01%. The College accepted that all learning agreements should be signed as soon as possible at the start of course, but that in the two cases recorded, there were exceptional circumstances (student illness etc).

Page 55 of the report, Feedback and Recommendations – it was noted that there were no issues recorded during the audit visit.

Thanks were recorded to Tara Davies, CIS Manager, for her involvement in the audit review.

#### **A09/19 LSC Assessment of our Financial Management and Control Evaluation (FMCE)**

The Committee noted the contents of the LSC letter which confirmed its agreement to the College’s own self-assessment of the financial management and control evaluation statement as being “outstanding”. However it also noted that “more financial information and performance data could have been included to help demonstrate the effectiveness of financial management within the College”.

It was resolved that a copy of this letter should be included in the Corporation Meeting Papers (July 2009) for Governors’ information. **ACTION: LEP**

#### **A09/20 Re-Appointment and Remuneration of Internal Auditors**

At this point Liz Foster left the meeting.

A discussion was held and it was noted that the audit partner (Tina Thorne) was due to rotate next year, when Hampshire Audit Services (HAS) will have completed a seven year length of service. JHK reported that the College was satisfied with the audit work completed by HAS. The Committee discussed whether it would be in the best interests of the College to re-tender for audit services next year to ensure that the College is receiving best value. It was noted that a “value for money” exercise was completed and presented to the Committee last year.

It was resolved that the Committee would review the position of both the External and Internal Auditors next year and consider at that time, whether to re-tender for both services at the same time.

The Committee recommended to Corporation the re-appointment of the Internal Auditors for another year and confirmed the remuneration (current rate (£479 excluding VAT) plus increased based on the RPI)

**RESOLVED: The Committee recommends the re-appointment and remuneration of the Internal Auditors to the Corporation. ACTION: JHK/LEP**

#### **A09/21 External Audit Planning Memorandum for the year ended 31<sup>st</sup> July 2009**

JHK tabled the above paper the contents of which were noted by the Committee. The significant accounting and reporting developments as detailed on pages 6 and 7 were studied by the Committee, in particular those relating to "Accounts Direction" on page 7, noting that "changes are being drafted to provide additional guidance and clarity" with regard to the capitalisation of assets and any related impairment etc.

The main audit risk to the College "Capital Development costs" on page 8, was highlighted and the changes noted above were discussed regarding the effects this may have upon the treatment of capital development costs and impairment within the financial accounts. The other significant audit risk - bank covenants (page 9) - were discussed bearing in mind that the College would need to obtain appropriate clearance in the year from the bank/s where it is likely that a breach of covenants is likely to occur. JHK explained the uncertainty in predicting a breach in the light of the fact that the treatment of capital development costs was unclear (para 1 above) and that the banks made their assessment regarding loan covenants, based on the latest set of financial statements (BHASVIC year end 31/7). JHK confirmed that she was in regular contact with the banks who were aware of the College's position and had indicated continuing support.

JHK explained that the College was unlikely to know until 22<sup>nd</sup> July 2009 whether formal approval will be given to the College proceeding with its Capital Project, following an additional allocation of £500M funding by the Government to the FE sector.

The Committee noted that there was no record of Tenon having completed the Funding Assurance Review Audit on behalf of the LSC in March 2009, within the Ethics section of the Report, but noted that a different Tenon team of auditors had been involved in the review, compared to the team responsible for the College's external audit work.

On page 12 of the report, the Committee noted that the Audit Committee discussion of management letter, scheduled for 3<sup>rd</sup> November 2009 had been changed – date to be advised in due course.

**Recommendation: The Audit Planning Memorandum was recommended to Corporation for approval. ACTION: JHK/LEP**

#### **A09/22 Update on Risk Management**

CT presented the update to the Committee and the following points were recorded:

Appendix B Risk Management Action Plan – page 87

- a) Risk 12 - Some health and safety concerns – the improvements in H & S requirements set by the LSC as a result of a death of a student on work experience at Northbrook College were advised by CT. He confirmed that students at BHASVIC were sent on work experience placements only when a venue had been vetted satisfactorily either by in-house or external resources. He explained that a new member of staff had been

appointed and currently was undergoing training to complete work experience assessment. Once this had been completed, the action noted in the plan, would be returned to a "Green" classification.

- b) Risk 43 – Breaches of E & D legislation – CT confirmed that developments regarding curriculum awareness were progressing and that in this regard the College was seeking assistance via the EQR (External Quality Review) system to which the College subscribes within Southeast Colleges. Once the appropriate expertise has been acquired, an action plan will be developed.
- c) Risk 46 – Difficulties arising from insufficient appropriate equipment – CT reported that this was partly governed by funding constraints but that work was underway to achieve the maximum benefit from IT within the College, via the implementation of an IT Strategic Plan.

CT agreed to update the action plan with regard to timing deadlines for the above three risks at the next Meeting. **ACTION: CT**

Three other current risk areas were noted by the Committee –

- i) Capital Project risk – CT reported on a recent meeting held between himself, JHK, Peter Freeman (Chair of Corporation) and Howard Kidd (Chair of F & GP Committee) to discuss the implications for the budget if the project doesn't progress.
- ii) Swine Flu – Disaster Recovery plan has been tested with this scenario and appropriate procedures and systems introduced to best handle this type of issue. The same procedures/systems were also thought applicable to other scenarios e.g. bad weather.
- iii) Measles – new issue identified by the local health service as being potentially significant in Brighton and Hove where there has been a low take up rate for the MMR vaccine.

#### Risk Management Survey

Risk 30 – following a query from Sarah Bovill, it was resolved that CT should update the wording relating to the risk "Failure to receive all LSC and tuition fees due to the College" to explain the specific issues arising to support the likelihood classification of "2" i.e. LSC attitude, persistent uncertainty regarding funding and unfunded students etc. **ACTION: CT**

#### **A09/23 Committee Self-Assessment**

The Committee completed its review using the self-assessment prompt sheet and also reviewed the existing Terms of Reference. The following points were noted:

#### Appendix

Question 1: The Committee agreed that 4 members was sufficient, but that with a quorum of 2 and to make best use of the skills and experience available, good attendance was vital. It was also noted that Sarah Bovill was a new co-optee to the Committee which had increased the number from 3 to 4. It was also noted that Marion Wilcock's term of office was due to end at 31<sup>st</sup> December 2009 and Dominic Blythe requested that this be brought to the next Search Committee's attention. **ACTION: LEP**

QUESTION 2: It was agreed that the Committee had an excellent balance of skills and expertise, with accountancy, audit, financial management, legal, business and education expertise available.

QUESTION 3: There are no training needs at present, although it was noted that the co-optees in due course may require information/training regarding curriculum and general educational issues.

QUESTION 4: The Committee reviewed the Terms of Reference and in particular the list of Purposes and confirmed that it was meeting its duties.

QUESTION 5: The Committee was satisfied with the papers provided.

QUESTION 6: It was suggested that "sufficient" should read "appropriate", taking into account the detail expected by the Corporation ie. the bigger picture. Minutes are passed on to Corporation, together with a verbal report by the Chair of Audit at each Corporation meeting.

QUESTION 7: YES

QUESTION 8: Encourage full attendance at all meetings if possible.

QUESTION 9: Delete this question as included within 4.

QUESTION 10: The terms of reference were reviewed and recommended to Corporation for approval.

**Recommendation: The Committee recommended that the terms of reference be approved, unchanged, by Corporation. ACTION: JHK/LEP**

**A09/24 Any Other Business**

There was no other business.

**A09/25 Date of Next Meeting**

**To be advised.**

Louise Pennington  
Clerk to the Corporation

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