



MEETING OF THE AUDIT COMMITTEE HELD ON

WEDNESDAY 4TH JULY 2018

AT 6.00 P.M. IN ROOM 413 COPPER BUILDING

Present: Michael Bewlock, Sarah Bovill, Veronica Jinks, Chris Piper and Tom Wolfenden (Chair)

In Attendance: Jutta Knapp, Louise Pennington and Daniel Canham (Mazars, Internal Auditor)

A17/29 Apologies and Welcomes

Apologies: Christian Heeger and Will Baldwin

The meeting was quorate.

A17/30 Minutes of the Meeting held on 12th March 2018

The minutes of the last meeting were agreed and signed as a correct record of the meeting subject to the following revisions:

Delete Item A17/19 Internal Audit Reports, bullet point 3 "Some of the guidance has changed since orig. did workings so revised this. We can now make adjustments so more realistic of what actually pay".

Delete Item A17/20 Update on Internal and External Audit Recommendations – 12th blank bullet point.

ACTION: Louise Pennington

A17/31 Matters Arising

The contents of the schedule on page 8 of the papers were noted by the Committee and Jutta Knapp confirmed that the majority of actions had been completed or were on today's agenda. Regarding the outstanding Committee training items and also noting that a training review would be conducted within item A17/42 (Committee Self-Assessment), Jutta Knapp explained that the Capital Project training was no longer needed since the funding had been received and planning permission granted. With regard to GDPR training, it was noted that following advice from the College's Data Protection Officer (DPO), a briefing note had been circulated to Governors, along with other GDPR documentation.

A17/32 Declarations of Interest

None

A17/33 Internal Audit Reports

Daniel Canham, Mazars, introduced the various Reports and the following points were recorded:

- **Purchasing and Procurement, Follow Up**
 - a) Combined report which includes relevant follow up items.
 - b) 8 recommendations made – no fundamental recommendations, 5 significant (medium priority) and 3 housekeeping (low priority)
 - c) Overall level of assurance has been graded "Amber".
 - d) Follow up aspects – reference was made to the pie chart on page 17 of the pack, showing the status of 19 recommendations and noting that over half had now been implemented, with 7 in progress, 1 not yet implemented and 1 superseded. The content of page 18 which gave a summary of the recommendations by

status and report area, were highlighted and it was noted that there were no fundamental recommendations arising.

QUESTIONS FROM COMMITTEE:

- How does the Amazon business account work and who has access? Only one member of Finance Department has access to this, but unsure of detail regarding operational working. The College has 3 means of procurement, Purchase Orders (PO), Amazon Business Account and GPC (Government Procurement Card), noting that the College relied on purchase orders for certain aspects such as estates' items (e.g. redecoration costs).
- Page 10 of report, item 4.5 Authorisation Limits – clarification was sought regarding the priority 2 grading rather than 3 (housekeeping) and Daniel Canham advised that it probably was borderline between the two priorities available but on balance, as the audit had shown that the College was not operating totally in accordance with the procedures, a recommendation to update the procedures was recommended.
- Page 7 of the report item 4.1 Purchase Orders: Jutta Knapp explained the exceptions when some purchases had been raised without a purchase order and the fact that this was not possible for utilities or food invoices; hence the business procedures will be amended to reflect this As per the audit recommendation. It was also noted that the majority of other orders were now placed via the Amazon Business Account, so this recommendation has been superceded and a reminder will be sent to Staff.
- Page 9 of report item 4.4 Minimum number of quotes: Jutta Knapp advised that the College was not able to run reports showing where quotes were/were not being made with specified suppliers per authorised budget holder, but she explained that the majority of quotes were made by the Teaching Departments for curriculum books and that they tended to favour certain suppliers where they were aware of good discounts. A formal tender process was not required in respect of most purchases, as they fall below the £30,000 limit in the business procedures, which is normal within the sector. It was also noted that all records were held on line for access by both the budget holders and the finance team.
- £129,000 overspend in the sixth month period to 31st January 2018 – Jutta Knapp explained that the overspend did not relate to one account and that certain budgets eg examination fees and staff recruitment were difficult to profile and that individual budgets were not calendarised.
- Page 13 of the report item 4.8 Training: to take into account key updates in information for staff, the College was intending to provide annual updates/inset training annually at the start of each academic year, which would be covered at the same time as induction training for new staff.

- **Learner Numbers**
 - a) Annual audit as core system which underpins the main source of income.
 - b) Audit approach has changed this year in that the controls for this audit were different compared to other audit areas, whereby the ESFA approach was utilised and compliance was tested with the ESFA's detailed funding rules. Also the PDSAT (provider data self-assessment toolkit) data analysis was used, with Colleges using a system which was run every month and any anomalies were then easily identifiable when the auditors completed their random sample test.
 - c) Assurance grades were also different here, where RAG was applied and limited/partial or full compliance awarded.
 - d) In BHASVIC's case the College was fully compliance in respect of both the 16-19 Learner Numbers and the 19+ Learner Numbers.

There were 2 housekeeping recommendations, one of which was new for this year and the second was a follow up recommendation which was in progress.
 - e) The Committee congratulation the College for its excellent audit outcome.

- **Risk Management and Assurance Framework Advisory Review**
 - a) Mazars has completed an advisory review of the College's arrangements so no assurance levels have been given.
 - b) There were 4 recommendations, 2 of which were significant and 2 of which were housekeeping recommendations.

- c) Page 7 of report (page 60 of papers) Item 4.4 Risk Appetite and Heat Map – the Committee was reminded that before a final decision was made SMT would be discussing the College’s risk appetite before making recommendations to the Committee (risk appetite: tolerance of risk and amount of risk prepared to accept depending on risk area e.g. Safeguarding/Health and Safety – generally expected to have a low tolerance point for all Colleges for such risks, together with other factors taken into account such as mitigating strategies and cost, with a focus upon qualitative aspects). Should risk appetite be taken forward, appropriate wording would be added to the College’s Risk Management Policy. The Committee considered the risk appetite issues and were not minded to recommend this aspect of Risk Management at present noting that the definitions of the impact / probability, themselves generate the College’s attitude to risk and in a College in a single location with an experienced Senior Management Team, the incremental benefits of developing a risk appetite statement did not merit the management time. However it was agreed that the College should proceed with the Heat Map and that this would be presented to the next Audit Committee meeting in the Autumn Term. **ACTION: Jutta Knapp**

A17/34 Update on Internal and External Audit Recommendations

The two recommendations from the Gender Pay Gap advisory review were noted as having been implemented by the College.

Regarding other S7 Colleges, it was noted that not many of these had had to complete the Gender Pay analysis as they did not meet the criteria regarding number of employees.

A17/35 Risk Register

The Committee noted the contents of the paper prepared by William Baldwin which Jutta Knapp summarised and the following discussions were held:

- a) Risk associated with reliance for the College’s key systems on CAPITA was discussed, but noting that a new risk had been added (Risk 6.7 Failure of CAPITA) following the recommendation at last term’s Audit Committee and at the same time referred to Risk 6.6 regarding the risk associated with failure to operate efficient/effective and reliable IT systems leading to inefficiencies in productivity. Jutta Knapp agreed to investigate further regarding systems details and potential failures regarding the ILR. **ACTION: Jutta Knapp.**
- b) KR1 failure to achieve planned student numbers results in uncertain financial viability – it was noted that there was no information yet available regarding any impact arising from the new GCSE qualifications affecting admissions and that this would not become apparent until this year’s exam results have been issued. At present the College relies upon application numbers recorded at the 1st December deadline and for the last two years, these have been very similar. Furthermore the College then revisits the figures at Moving On Day, when new Students attend College for a day and this gives a more accurate prediction for subsequent enrolments. Although last year the College was late in offering some places owing to a delay in gaining planning permission for additional temporary science labs, which affected the final enrolments, this year SMT believed the risk was more likely to be based on receiving too many applications.
- c) GDPR – Jutta Knapp confirmed that as previously advised by the training agency, all organisations were unlikely to ever be completed compliant, but that the College to date had trained Staff, completed policies, issued privacy notices and informed Students and Parents. Staff have been making more enquires regarding GDPR and will also receive annual training to remind them of the GDPR requirements.

The Risk Register was recommended to Corporation for approval. **ACTION: Jutta Knapp/William Baldwin**

A17/36 Risk assurance Map

The contents of the Risk Assurance Map were noted by the Committee.

- a) Risk 5.1 Inability to recruit and retain staff.....: In response to a question from the Committee it was noted that the College did not analyse in detail applications per vacancy etc, but the HR Department was aware of which posts were difficult to appoint e.g. Head of Maths and ICT together with some Support Staff posts. It was also noted that the cost of living in Brighton had a significant impact on numbers of job applications received, particularly for those which were lower paid roles. Jutta Knapp informed the

Committee that as reported at the last Resources Committee and owing to difficulties getting applications for a number of Support Staff roles, the College had completed a job re-evaluation process and consequently introduced a revised Support Staff pay spine, which particularly improved those roles at the bottom end of the scale.

- b) IT strategy and budget – the Committee questioned how the College’s budget compared with other Colleges and Jutta Knapp advised that it was difficult to compare figures, but that BHASVIC’s costs were generally higher than the average in the sector, noting in particular the high recurrent cost of annual licences for MIS and HR etc.

The Map was recommended to Corporation for approval. **ACTION: Jutta Knapp**

A17/37 Internal Audit Plan 2018/2019

Daniel Canham introduced the Plan and account was taken of the discussions held above in respect of the risk aspects.

The Plan is based on a reduced scope service with no formal audit opinion being given and much of the general wording within the document is unchanged year on year. However this year Mazars has introduced an Internal Audit Charter setting out the terms of reference for the internal audit work.

Page 81 of the papers provides the operational plan for 2018/2019 which lists the four auditable areas, namely: Learner numbers, GDPR, Follow Up and Audit Management, based on previous discussions with the auditors and subsequent recommendations by SMT and the Audit Committee.

The Committee reviewed whether there were other audit areas which should be included in 2018/2019 and considerations were given to releasing 1 day audit allocation from the current 5 days allocated to Learner numbers for another area. Taking into account suggestions from the Committee, including IT disaster recovery, business continuity, capital strategy, capital project procurement/value for money and funding, it was concluded that 1 day should be allocated to an audit of IT Disaster Recovery (noting that an ILT healthcheck was completed in 2015/2016 and also noting that a full IT Disaster Recovery audit would require a minimum of 4 days audit work).

It was resolved to recommend the Plan to Corporation, subject to the revision agreed above. **ACTION: Jutta Knapp/Tom Wolfenden/Daniel Canham**

The chair asked Daniel Canham if there was any reason why he should ask the SMT member to leave the room in order that Daniel Canham might brief the Committee on any other issues that had been discovered during the internal audit. Daniel Canham reported there was no need and so at this point, Daniel Canham was thanked for his input and he left the meeting.

A17/38 External Audit Planning Memorandum for the year ending July 2018

Jutta Knapp introduced the document which was noted and confirmed that the external audit planning meeting with the auditors had been held. The impact of the two key risks - capital project and CIF grant funding treatment were noted as the key financial issues.

- There were two aspects of the external audit work – regularity and financial statements
- The Committee queried some of the wording included that relating to pensions such as the TPS audit and the pension liability assessment and as a consequence discussed the various actuarial analyses made for the two schemes (TPS and LGPS), together with benchmarking aspects for the sector.
- The external audit fee this year has taken into account the TPA audit work, but discounting this area, the external audit fees have been increase by £500 compared to last year, which is in line with the sector norm.
- IT equipment depreciation – this is recorded over 2-5 years and the Committee was reminded that the College had a rolling replacement programme in respect of IT equipment, the details of this were included within the relevant accounting policy.

The Committee recommended the document to Corporation for approval. **ACTION: Jutta Knapp**

A17/39 Reappointment and Remuneration of Internal and External Auditors

Taking into account the fee revision for the External Auditors detailed above and also noting that the Internal Audit fees had increased in line with CPI, the Committee recommended the reappointment and remuneration of both auditors for 2018/2019. Jutta Knapp confirmed that the College was satisfied with the work of the auditors.

ACTION: Jutta Knapp

A17/40 Anti-Bribery Policy

The Committee noted that there were no changes proposed to the policy wording and recommended the document as unchanged, to Corporation for approval. **ACTION: Jutta Knapp**

A17/41 Fraud Report

None.

A17/42 Committee Self-Assessment (including review of training) and Terms of Reference Review

The Committee considered the standard questions listed in respect of the annual Committee self-assessment process and also reviewed the terms of reference. It was agreed that there were no issues arising and that the Committee membership and business worked well.

Regarding training and the plans to take into account the pre-Committee training last year relating to risk issues associated with the Capital Project and Admissions, it was recorded that the former was no longer necessary as the funding and planning permission had been resolved.

On further reflection it was agreed to leave the option to arrange training on risks associated with Admissions for the time-being but to organise a training session for the Spring Term meeting on Staff recruitment issues and associated risk implications including processes involved, advertisements, overall approach (e.g. web based etc). Jutta Knapp agreed to arrange for Chris Nagle HR Manager to give this training in the Spring Term. **ACTION: Jutta Knapp**

The Committee queried a comment made on page 20 of the meeting papers which implied that the Audit Committee had powers in capital project procurement decision making to sign off a waiver regarding professional fees and it was agreed that this was incorrect and Jutta Knapp confirmed that she would ensure that the wording was revised by the auditors in the next Report. She also agreed to liaise with the Resources Committee, Howard Kidd in the first instance. **ACTION: Jutta Knapp**

A17/43 Any Other Business

None.

A17/44 Date of Next Meeting

Thursday 29th November 2018 at 6.00 p.m.

Louise Pennington

Clerk to the Corporation

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Chair of Audit Committee

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Dated