

**BRIGHTON HOVE AND SUSSEX SIXTH FORM COLLEGE  
MEETING OF THE AUDIT COMMITTEE HELD ON  
WEDNESDAY 28<sup>th</sup> JUNE 2017  
AT 6.00 P.M. IN ROOM 413 COPPER BUILDING**

Present: Sarah Bovill, Sue Smith and Tom Wolfenden (Chair)

In Attendance: Jutta Knapp, Will Baldwin, Daniel Canham (Internal Auditors, Mazars), Louise Pennington

**A16/30 Apologies and Welcomes**

Apologies: Christian Heeger, Michael Bewlock

The meeting was quorate.

**A16/31 Minutes of the Meeting held on 23<sup>rd</sup> March 2017**

The minutes of the last meeting were agreed and signed as a correct record of the meeting.

**A16/32 Matters Arising**

The contents of the schedule on page 7 of the papers were noted by the Committee and Jutta Knapp confirmed that the last four of the five actions listed had been completed. Will Baldwin updated the Committee regarding the first action, advising that the Strategic Plan was on the July 2017 Corporation Meeting Agenda and that the Annual Report had been completed. The Principal's Report which will include KPI information, will be considered at the Task and Finish Group (Governance Review) and will then be on the next Corporation Agenda.

**A16/33 Declarations of Interest**

None

**A16/34 Internal Audit Reports:**

Daniel Canham presented the Report on Learner Numbers, from the audit team's work reviewing the College's core systems which supports the ESFA funding claim. The contents were noted by the Committee and the following key points were highlighted:

- 7 recommendations, 6 of which are housekeeping (lowest priority) issues and 1 is significant and noting that overall Mazars key findings enabled an "adequate assurance" level of effectiveness for internal controls, to be awarded to the College; without the 1 significant award, the College was likely to be classified as "substantial assurance".
- The follow up category 2 (significant) recommendation was based upon checking that the Planned Learning Hours (PLH) matched the detail recorded in the College's learning agreements, noting that the College was required to obtain signed, updated Learner Agreements for Learners to ensure that the PLHs matched the actual hours on the Individualised Learning Record (ILR), thereby reflecting any changes in student courses. The management response which states that checks will be made to ensure that learning Agreements are not issued too early, confirming that they will be issued in future just after the 6 week period to ensure accuracy. In response to a query from the Committee, Daniel Canham advised that this was a relatively insignificant issue compared to other FE Colleges. Referring to page 13 of the papers (page 3 of the report), the Committee queried the electronic recording of attendance recommendation and management response which advised that the costs of introducing this outweighed the potential benefits and noted that overall the numbers were fairly small regarding the work experience placement book and timesheet aspect (less than 10% of overall student body). It was also noted that the College had investigated various electronic options, but could not find one which met the College's requirements and at reasonable cost. The risks associated with continuing the paper recording system, was discussed (e.g. potential to have displaced paper records) and it was reported that the general office and relevant staff members have been brought up to date with the audit issue to ensure that the existing system is made robust. Daniel Canham advised that many of the large GFE Colleges had significant work placed learning arrangements and hence an electronic system was

particularly beneficial. The Committee also discussed the sector comparison points raised by Mazars in their report (pages 4 and 5 of the document/pages 14/15 of the papers) and particularly focused upon the fact that other Colleges' learner number risks were recorded within the high level strategic risk items, noting that unlike BHASVIC, in most of these cases it was based upon funding income being generated from several different sources. Page 20 and 21 of the papers (page 10 and 11 of the report) reference 5.1, the status is listed as "partly implemented" and this was queried by the Committee. Jutta Knapp explained that this related to the fact that the management commitment to ensure that learning agreements were produced and signed within 6 weeks, could only take place once the new students were enrolled in September 2017.

- Reference 5.2 ESOL Application Forms (page 22 of papers) recommendation - "the College should update the ESOL enrolment form to include course start and end dates for all courses studied" – it was noted that although management had taken forward the action with the ESOL Department, the recommendation had not been fully implemented as the dates had not been printed on the enrolment forms in error, but assurance was given that this would be actioned in full with effect from September 2017.

### **A16/35 Update on Internal and External Audit Recommendations**

The Committee considered the recommendations within the Report presented by Jutta Knapp:

- There are no external audit recommendations.
- The single visit from the Internal Auditors since the last update had investigated Student Monies, HR and Payroll systems and Follow up and the progress was detailed within pages 27 – 31.
- Page 29, second recommendation in Follow Up Corporate Governance – "consider implementing centralised Management Information System containing cross College data. Jutta Knapp explained the work in progress and also the existing Student Advantage system which the College used and advised Members that various enhancements had been bolted on to the main system to extend the College's overall facility. It was noted that there was still progress to be made to make a centralised system and not all aspects of the College's business had yet been included within Advantage. Further action proposed has been included within the College's new IT Strategy (approved by F & GP Committee in June 2017) and BHASVIC Central system has been discontinued. The target date remains at September 2018 for completion of this centralised system implementation.
- In response to a query from the Committee regarding a potential data breach, it was noted that this issue was included within the College's Risk Register and not recorded separately within the College's new IT Strategy; furthermore the Committee was reminded that the College has various relevant policies in place e.g. Data Protection Policy and Acceptable Use of the College's IT Network Policy (also refer A16/36) and A16/39).

### **A16/36 External Audit Planning Memorandum for the year ending 31<sup>st</sup> July 2017**

The Committee considered the Plan issued by the external auditors, RSM and the following points were recorded:

- The reduction in fees to £13,500 compared to 2016 of £15,200 (latter figure reflecting the additional work required in respect of the FRS102 audit work).
- The Audit Partner will be Zoe Longstaff-Tyrrell, who replaces Dominic Blythe, although the Audit Manager, Connie Coles will continue her involvement from last year.
- The timetable scheduled on pages 38 and 39 was considered and endorsed, noting in particular that the audit visit would take place during the week of 2<sup>nd</sup> October 2017 and that this would provide sufficient time to coordinate with the College's calendar and Audit Committee/Corporation Meetings in the Autumn Term.
- Appendix E Emerging Issues – Jutta Knapp informed the Committee that the College was required to pay the new Apprenticeship Levy, although it had not yet decided whether it would use the National Apprenticeship Service. Attention was drawn to page 28 of the papers, HR Impact of IR35 on public authorities which has an impact upon the College, although not significant; noting that from April 2017 off-payroll working rules apply (e.g. for sports coaches), so that contractual payments made to personal service companies (PSCs) must be made net of employment tax and NICs. Another emerging issue, Gender Pay (page 63 of papers) will also affect the College regarding the regulations arising from the Equality Act 2010 which will impact any institution employing more than 250 staff. Jutta Knapp explained that the HR Department were working on

the new requirements, due to be published on the College's website next year and that discussions had been held at the HR Committee regarding the details.

- The Committee queried whether the latest issue of the Audit Code of Practice had any material changes and Daniel Canham advised that there were only minor housekeeping changes.
- The Committee also discussed the Data Protection changes which will be brought into effect in May 2018 via the new General Data Protection Regulation (GDPR) – also refer item A16/36 above. Jutta Knapp advised that the College's Data Protection Office was in the process of reviewing the new requirements and that the issue has also been raised as a possible internal audit assessment option for 2017/2018 in item A16/39 below.

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

### **A16/37 Risk Register**

The updated Risk Register was presented by Will Baldwin who confirmed that there were no new risks and that each of the Corporation Committees have confirmed that they have received adequate assurance from management in respect of the key risks for which they have responsibility. He also drew the Committee's attention to the other changes in the document and the Committee questioned the reasons behind the change in the four given risks:

- KR1/3.2 (& 4/2) Failure to achieve planned student numbers resulting in uncertain financial viability etc, which has been downgraded from 6 to 3 owing to the fact that the planned additional science laboratory provision has been agreed.
- 5.1 Inability to recruit and retain staff of the required experience and expertise etc which has also been downgraded as following the recent recruitment process, all posts have been filled.
- Risk 4.1 "Adverse Government decisions affecting financial health" has been increased from 3 to 6 owing to political uncertainties and the Committee discussed the various implications from this including the possible removal of the 1% pay cap in respect of public sector pay, combined with a continuing static ESFA funding allocation.
- Risk 4.3 Uncertainty/volatility in ESFA funding leading to financial instability/insecurity has also been increased from 3 to 6 for the same reason as 4.1.
- Referring to the earlier discussion on the GDPR, the Committee also discussed the recent progression exam issue reported this term via the Q & C Committee and Will Baldwin updated the Committee on the latest news regarding this including a tightening of certain IT security procedures to ensure that there are no opportunities for a security breach in any aspect of the College's on line files and reinforcing instructions for staff (and requirement to change passwords) together with student disciplinary outcomes.

The Committee recommended the revised Risk Register to Corporation for approval. **ACTION: Will Baldwin**

### **A16/38 Risk Assurance Map**

Jutta Knapp presented the revised Map reflecting the changes to the high rated risks reported above within the Risk Register. The following questions were raised:

- The Committee discussed risk 6.2 "Failure to Invest in Masterplan exercise will lead to difficulties with insufficient appropriate accommodation....." and the financial implications including uncertainty regarding interest rates and Jutta Knapp confirmed that sensitivity analysis had been incorporated into the financial forecast considered at the last F & GP Committee. She advised that further longer term financial modelling would be prepared too.

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

### **A16/39 Internal Audit Plan 2017/2018**

It was resolved to take item A16/40 before the Internal Audit Plan.

The Committee considered the Plan for 2017/2018 and made the following comments:

- The Members were reminded that the College had moved since 2013 to a reduced scope audit, in line with the new Audit Code of Practice issued at that time.
- Page 81 of the papers – attention was drawn to the emerging risk of General Data Protection Regulation (GDPR), also discussed earlier during the meeting and in this regard, it was agreed that it would be useful to seek assurance from an internal audit exercise in the 2018/2019 Internal Audit Plan, once new internal systems had been embedded and tested. **ACTION: Jutta Knapp/Daniel Canham**
- Appendix 1 – Operational Plan 2017/2018 – the 6 key areas proposed and listed on pages 83 and 84 were considered and it was resolved that the Risk Management/Assurance Mapping Audit work should be completed in March 2018 rather than February 2018, resulting in two audit visits for the academic year – accordingly Daniel Canham agreed to revise the plan. **ACTION: Daniel/Canham** The Committee also discussed whether the reports should be brought to one of the Audit Committee meetings only but on reflection it was agreed that the internal audit work and associated Reports should continue to be submitted when ready to the next available Audit Committee meeting.
- The Gender Pay Reporting audit work has 0.5 planned day allocated on the basis that this aspect will be included within the Core Financial Systems audit work, once in place. Will Baldwin queried whether Mazars would have access to Gender Pay benchmarking data to enable comparisons to be made. However it was noted that this would not be available until the Gender Pay submissions had commenced and noting also that there were only a few of the larger SFCs (with in excess of 250 employees), to enable comparisons to be made anyway. Jutta Knapp informed the Committee Members of the work completed by the HR Department and HR Committee in this area and also the problems associated with the standard calculation processes, which don't take account of certain aspects of BHASVIC's employment such as termly time only employment and Teachers' directed time arrangements.

Subject to the points made above, the Plan was recommended to Corporation for approval. **ACTION: Jutta Knapp**

#### **A16/40 Education and Skills Funding Agency Letter dated 13<sup>th</sup> April 2017 regarding financial management and governance**

The contents of the Letter from the Chief Executive of the ESFA dated 13<sup>th</sup> April 2017 concerning the importance of strong financial management and governance, was reviewed by the Committee and the following observations made:

- The Chair recorded that an e mail from Louise Pennington detailing various solutions and explanations in respect of the financial management and governance issues, had been received by the Chair, Principal and Assistant Principal, prior to the meeting.
- The Letter was sent to all Accounting Officers of FE Colleges (Principals) with a request that it be circulated to Chair of Audit Committee/discussed at Corporation; the letter had been circulated to all Governors in April.
- The focus of the letter's content was clearly targeted towards Colleges where the financial and governance position was weak. However it was agreed that this was a useful opportunity to review the College's own financial management/governance situation and raise any relevant issues. At this point attention was drawn to the College's strong financial management and governance and also its existing procedures and internal audit arrangements which provide appropriate levels of assurance to the Governing Body.
- Reference was made to the current governance review process being completed on behalf of the College by John Boyle and noted that any issues relating to financial management and governance would be identified during that process.
- Daniel Canham, confirmed that the College's ILR (Individualised Learning Record) process was robust, on which the College's ESFA funding was calculated.
- It was also recorded that various College reports had been reviewed and revised since Will Baldwin's appointment as Principal, including College Development Plan, SAR process, KPIs and Annual Report etc.

The Committee agreed that the College's current financial management and governance arrangements were good and that it would not recommend any further work within this area at the moment. **ACTION: Jutta Knapp/Tom Wolfenden**

**A16/41 Freedom of Information Publication Scheme**

The minor changes to the FOI Publication Scheme were agreed and the revised Scheme recommended to Corporation for approval. **ACTION: Jutta Knapp**

**A16/42 Fraud Report**

Jutta Knapp advised the Committee that there were no fraud issues to report at this time.

**A16/43 Committee Self-Assessment and Terms of Reference Review**

The Committee reviewed the various questions with the annual form and agreed that the Committee functioned well. However it was recorded that the membership was small and that there was reliance on two of the three full Governors at every meeting to meet the quoracy requirements which sometimes proved tight. It was agreed that this issue should be raised at the next Search Committee again and that the Audit Code of Practice should be checked to confirm quoracy restrictions and the TOR revised if appropriate. **ACTION: Louise Pennington**

There were no training requirements identified at this point.

**A16/44 Any Other Business**

None.

**A16/45 Date of Next Meeting**

**To be advised**

Louise Pennington

Clerk to the Corporation

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**Chair of Audit Committee**

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**Dated**