



## BRIGHTON HOVE AND SUSSEX SIXTH FORM COLLEGE

### MEETING OF THE AUDIT COMMITTEE HELD ON

TUESDAY 5<sup>th</sup> DECEMBER 2017

AT 6.00 P.M. IN ROOM 413 COPPER BUILDING

Present: Michael Bewlock, Sarah Bovill, Christian Heeger, Sue Smith and Tom Wolfenden (Chair)

In Attendance: Jutta Knapp, Will Baldwin, Zoe Longstaff-Tyrrell (RSM UK – External Auditor) – until the end of Item 17/05, Louise Pennington

#### **A17/31 Apologies and Welcomes**

Apologies: None

Welcomes: Christian Heeger

The meeting was quorate.

#### **A17/02 Minutes of the Meeting held on 28<sup>th</sup> June 2017**

The minutes of the last meeting were agreed and signed as a correct record of the meeting. **ACTION: Louise Pennington**

- Action points issue A16/40 – DONE
- And second letter circulated to Chair of Finance and General Purposes Committee (second letter, more of same etc good things to consider) covered off by the F&GP Committee, was not circulated to Audit Committee members - it is available through requests to LEP

#### **A17/03 Matters Arising**

The contents of the schedule on page 7 of the papers were noted by the Committee and Jutta Knapp confirmed that all actions had been completed.

At this point the Chair advised that a training and development item arising from the recent Governance Committee recorded from the annual governor self-assessment feedback forms, would be dealt with at the end of the Risk Agenda items.

At this point Sarah Bovill joined the meeting.

#### **A17/04 Declarations of Interest**

None

#### **A17/05 Audit Findings Report (with the Financial Statements for Information) for the year to 31 July 2017**

Zoe Longstaff-Tyrrell (RSM UK) presented the findings recorded within the Audit Report regarding the audit work completed in respect of the Annual Report and Financial Statements and the Regularity Audit. The following points were highlighted: –

- Introduction page 11 of papers – confirmed no modification to pro-forma financial statements or regularity audit report.

- Section 2 Audit, Accounting and Regularity Issues Identified at Planning Stage – any issues which arose were included in the Audit Plan prepared in June 2017 and the following issues highlighted:
  - a) Capital expenditure – the auditors reviewed items written off as expenditure in the year and have highlighted that additional memory for the IT server costing £18K was written off in the Statement of Comprehensive Income during the year which is not line with the accounting policy for IT equipment as the item is considered to be capital owing to the ongoing benefit of the additional space. An adjustment to include this as a fixed asset addition in the year has been recommended – refer Section 4 of the report.
  - b) Pension Scheme Liability (LGPS – Local Government Pension Scheme (for support staff)) - The analysis prepared by the actuaries associated with the Pension Scheme (East Sussex Scheme) was reviewed by RSM, taking into account the assumptions made and comparisons with other Colleges audited by RSM, taking into account remuneration increases, life expectancy, gender etc.
  - c) Management Override of Internal Controls – the auditors reviewed the various journal entries and checked the College’s authorisation procedures and no issues of concern were identified.
  
- Section 3 Audit, Accounting and Regularity Issues Identified During Audit and Regularity Work:
  - a) Procurement Procedures – the issues relating to the decision by SMT to appoint the architect HNW, without following a tender process was discussed, noting the reasons for this, namely the previous recent work carried out by the architect. Reference was also made to the discussions held at the recent Finance and General Purposes Committee regarding this issue and that the architects had been used to update their masterplan, the original appointment having gone through a tender process for the Copper Building project. It was also noted that cost consultants had been used to determine market rates used etc. Michael Bewlock queried whether the value of the services provided by the Architects was below the current Public Procurement Threshold of £164,176 and Jutta Knapp confirmed that it was, being £161,700.
  - b) Cut Off Procedures – the large purchase was noted of IT equipment which was treated as prepaid, when it had arrived prior to the year end and the resultant adjustment error of £124K as reported in Section 4 of this Report. It was noted that the accounting policies will be revised next year to increase the limit in line with FRS102 to avoid this scenario occurring again. At this point Jutta Knapp also advised that the College may review the depreciation criteria which currently stands at 2 years, to 5 years taking into account the fact at the College generally keeps its IT equipment for at least 5 years.
  
- Page 16 Section 4 Unadjusted/Adjusted Misstatements – Zoe Longstaff-Tyrrell advised that the entry for fixed assets being capitalised re server equipment should read £18,000 and not £17,000. **ACTION: Zoe Longstaff-Tyrrell/Jutta Knapp**
  
- Section 6 Internal Control Matters – the issue relating to the treatment of lettings’ income was noted and in particular the need to be aware of the HMRC treatment of some lettings’ income as trading rather than rent and potential implications therein. SMT confirmed that income was recorded separately in respect of rental or additional services, the latter of which remains a small proportion of the College’s overall lettings income. Currently the College’s lettings income is around £130,000 and less than £20,000 relates to service related income. SMT gave assurance to the Committee that the College would continue to monitor this and consider ways to mitigate this risk.
  
- Section 7 Other Findings from the Audit – the additional disclosures were highlighted and subsequently reflected in the revised financial statements relating to the operating lease commitment disclosure (ensuring it was in line with the lease documentation), further disclosures required regarding the College’s assumptions in adopting the going concern basis (to include specifying the period after the reporting date etc) and the additional details required in the financial statements relating to the estimates and judgements made in preparing the financial statements together with any source of estimation uncertainty.

Zoe Longstaff-Tyrrell confirmed that the draft report and financial statements were based on the Casterbridge Model and that the audit fees were as quoted in the plan and that no other services were provided.

- Letters of Representation (for Financial Statements and Regularity) were noted and recommended to Corporation for approval and signing by the Chair and Principal (Accounting Officer), noting that the only change was item 13 re writing off of IT equipment (page 24 of papers). **ACTION: Jutta Knapp**

- Further questions from the Committee:
  - i) Apprenticeship Levy: The College has paid the levy and has appointed three apprenticeship posts (HR/Finance, Marketing/Lettings/IT and Student Services/Examinations) and may recover the costs of training apprenticeships but may not recover salary costs. There may be an option shortly to provide a Level 4 teaching apprenticeship which would be taken forward by the College.
  - ii) GDPR (General Data Protection Regulation): A paper regarding the College's compliance with the new legislation, will be brought to the Spring Term Audit Committee. **ACTION: Jutta Knapp**
  - iii) Gender Pay Report – A paper was considered by the HR Committee and the final report will be published (via the website) in January 2018 (deadline requirement is 31/3/18). The standard pro forma response is required to be submitted to HMRC by the deadline, but further information may be included in a more detailed report on the College's website, which is particularly important when taking into account factors affecting the treatment of remuneration in respect term time only staff.
  - iv) VAT Position – it was confirmed that the Brockenhurst legal case (page 36) did not apply to BHASVIC.
  - v) Criminal Finances Act 2017 concerning tax evasion was discussed and it was reported that this was unlikely to have an impact upon SFCs. However Zoe Longstaff-Tyrrell agreed to verify this. **ACTION: Zoe Longstaff-Tyrrell**

At this point, Jutta Knapp informed the Committee of an observation made at the recent Finance and General Purposes Committee who reviewed the Annual Report and Financial Statements, regarding the limited focus on SFCs within the standard Casterbridge model wording. The Audit Committee confirmed that they were happy with the current wording, noting the process involved in its production.

Subject to the comments made above, the Audit Findings Report (and Letters of Representation) were recommended to Corporation for approval/signing. **ACTION: Jutta Knapp**

The Committee recorded its thanks to RSM – UK and in response to a question from the Chair, Zoe Longstaff-Tyrrell confirmed that there were no audit issues which needed to be raised in the absence of management.

At this point Zoe Longstaff-Tyrrell left the meeting.

#### **A17/06 Regularity Audit Framework Questionnaire**

The Committee considered the Report presented by Jutta Knapp relating to financial management and governance aspects and the Report was approved, subject to the changes made below. The Committee recommended that the Chair and Principal sign the report and also agreed that the Report should not be included in the Corporation meeting papers, but available on request. **ACTION: Jutta Knapp**

For clarification purposes, Jutta Knapp agreed to update the evidence sections of the report where information appears to be absent. **ACTION: Jutta Knapp**

#### **A17/07 Audit Committee Annual Report for the year ending 31 July 2017**

It was resolved that agenda items A17/08 onwards should be considered prior to this item.

The Committee discussed the contents of the Report and agreed to include Risk Management presentations/training sessions within future reports. **ACTION: Jutta Knapp**

Regarding the regular review of the Disaster Recovery Plan, the Committee was reminded that this was last seen by the Committee in Autumn 2016 and details regarding this had been included in the Report (in respect of 2016/2017 year).

In response to a question from the committee regarding a Reserves Policy, it was confirmed that following discussions held at the Finance and General Purposes Committee, a policy would be prepared, noting that the College's current policy was included in the report and financial statements (page 45 of the accounts).

The Report was recommended to Corporation for approval, noting that the Audit Committee Chair would sign this report once approved. **ACTION: Jutta Knapp**

## **A17/08 Update on Internal and External Audit Recommendations**

Jutta Knapp presented the paper to the Committee, advising that there had been no audit visit since the last Committee meeting. The updated actions in respect of each recommendation were noted by the Committee: two recommendations on page 102 have been completed and the recommendation regarding the implementation of a centralised management information system containing cross-college data, as in progress, noting also that the password implementation recommendations were being implemented in order to avoid key College dates such as examination results. Penetration testing has been ordered and will be carried out during this academic year. Regarding the security of data on the College's servers, the Committee discussed various suggestions including encryption but also noting that staff were advised not to keep data on lap tops, with training also due to be given to staff.

## **A17/09 Performance Indicators for Internal Audit**

The schedule of performance indicators was approved and it was also recommended that the paper should only be made available to Corporation on request. **ACTION: Jutta Knapp**

Jutta Knapp informed the Committee that the College may consider carrying out a re-tendering for internal audit services for next year.

## **A17/10 Risk Register**

William Baldwin introduced the revised Risk Register, incorporating 5 risks which score 6 or above, recording that there were no new risks but that one risk had been removed in relation to academisation which is no longer applicable to the College. The wording of risk 6.2 Failure to deliver new building will lead to difficulties with insufficient appropriate accommodation including fit for purpose teaching space, has been revised.

The assurance received from Committees regarding the key risks where responsibility rests with the respective Committees was noted, also referring to the tabled updated Risk Assurance Map.

The HR Risk 5.1 Inability to recruit and retain staff of the required experience and expertise at all levels leading to shortfall in capacity and delivery had been upgraded from 3 to 6 following analysis presented to that Committee regarding the reduction in the number of job applications for support staff posts. SMT is currently working on this issue in order to manage and further reduce this risk.

The Committee held a discussion regarding public sector pay and the process involving national negotiations via the SFCA and the Unions on behalf of Colleges.

In response to a question from the Committee regarding the monitoring of effective staff deployment in terms of effectiveness and efficiency, William Baldwin explained the two key measures used by SMT in respect of teaching staff, namely class size – maximum number achieved (88% efficiency) and number of hours not accounted as teaching contact time.

The revised Risk Register was recommended to Corporation for approval. **ACTION: Jutta Knapp**

## **A17/11 Risk Assurance Map and Assurance from Corporation Committees**

The final version which was emailed to Committee members after dispatch of the papers and also tabled at the meeting, was noted and reference was made to the above item regarding the regraded HR Committee Risk 5.1 and the associated assurance given to Committees in respect of the key risks.

The Committee queried whether there were any other significant issues which were not recorded in the Map noting that some risks were outside the College's control, such as Government funding. William Baldwin confirmed that SMT would be monitoring closely any potential increased risk in respect of the new GCSE grading system which may have an impact on the College's Admissions policy. However the Committee Members were reassured that SMT would be able to adjust its admissions offers should there be an unexpected impact nationally upon results.

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

**A17/12 Fraud Report**

None.

**A17/13 Any Other Business**

Matter arising from the Governance Committee review of the Governor/Committee member annual self-assessment return relating to the section on training and development:

Two points were raised by members of the Audit committee i) continue with focus on risk based training and further information requested from SMT regarding its risk management approach. The Committee discussed this and other potential training areas and it was resolved that a pre-Committee training session (15 minutes) for the Spring and Summer Term 2018 meetings should be on capital funding and Admissions (from risk perspective in light of changes in GCSE grading/potential entry issues) respectively. Regarding the capital funding matter, the Committee was reminded of the paper which had been circulated for the recent Governors' Strategy Day in November which set out the rationale for the various capital project funding options and this would be re-issued to the Spring Term meeting for that training session. **ACTION: William Baldwin**

**A17/14 Date of Next Meeting**

**Wednesday 14<sup>th</sup> March 2018**

Louise Pennington

Clerk to the Corporation

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**Chair of Audit Committee**

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**Dated**