

BRIGHTON HOVE AND SUSSEX SIXTH FORM COLLEGE

MEETING OF THE AUDIT COMMITTEE HELD ON

THURSDAY 24th NOVEMBER 2016

AT 6.00 P.M. IN ROOM 413 COPPER BUILDING

Present: Michael Bewlock, Sarah Bovill, Sandra Prail, Sue Smith and Tom Wolfenden (Chair)

In Attendance: Jutta Knapp, Will Baldwin, James Moncrieff, Jenny Hill and Connie Coles, (External Auditors, RSM UK), Louise Pennington

A16/01 Apologies and Welcomes

Christian Heeger (new Governor)

A16/02 Minutes of the Meeting held on 23rd June 2016

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

A16/03 Matters Arising

The contents of the schedule on pages 8 and 9 of the papers were noted by the Committee and Jutta Knapp confirmed which actions had been completed or were on the Agenda/scheduled for a future meeting.

The following additional points were made:

- A15/20 Internal Audit Reports: updated dashboard information to be included in next meeting papers: this will be brought to Audit Committee once SMT has finalised the KPI review. **ACTION: Jutta Knapp**
- A15 Internal Audit Reports Production of 2 year IT Strategy and IT strategy options – in progress and will be presented to F & GP Committee with Audit Committee being informed accordingly, plus IT presentation to Audit Committee (Spring 2017). **ACTION: Jutta Knapp**
- A15/34 Fixed asset register action completed.
- A15/37 External Audit Planning Memorandum – include materiality limit – completed.

Louise Pennington agreed to update the schedule. **ACTION: Louise Pennington**

A16/04 Declarations of Interest

None

A16/05 Audit Findings Report (with the financial statements and reconciliation of outturn to budget for the year ending 31st July 2016 for information)

Jenny Hill presented the Report, the contents of which were noted by the Committee and she highlighted the following key points:

- No fundamental issues regarding financial statements' audit or regularity audit – unqualified audit opinion will be given.
- Regarding the preparation of the financial statements, this was the first year in which the FRS102 and accompanying SORP was applied which has caused additional work for Colleges and had an impact on the presentation of certain figures within the accounts, including deferred capital grants, holiday pay accrual, etc and Jenny Hill explained some of the details where RSM UK provided assistance to the College e.g. whole staff holiday pay accrual details.

- Reference was made to pages 17 and 18 of the papers (pages 6 and 7 of the report) which sets out the audit, accounting and regularity issues identified by RSM UK during their audit and regularity work and Jenny Hill summarised the issues. Furthermore on pages 19 and 20 of the papers (8 and 9 of the report) the unadjusted and adjusted misstatements were identified. On page 22 of the papers (page 11 of the report) the significant deficiencies in internal control have been included and in BHASVIC's case, this relates solely to the College's Procurement Policy where following audit testing, RSM UK noted that the policy was not followed for all College orders e.g. IT purchases during the year exceeded the threshold for items requiring Governors' approval. Jutta Knapp explained to the Committee that Governors' authority had in fact been granted via the budget approval process. In the light of this, RSM UK have recommended that the Procurement Policy is reviewed and updated to reflect the required process (reporting via the F & GP Committee. **ACTION: Jutta Knapp**
- Referring to Appendix B: Emerging Issues on page 30 of the papers (19 of the document) and in response to a question from the Committee, Jenny Hill advised that probably the most significant issue for Colleges was managing the risk of fraud as a result of cybercrime. Although it was reported that the College had received assurance via its recent IT Audit (paper included in F & GP Committee papers with Risk Assurance item), Jenny Hill emphasised that the main problem arose from staff error e.g. clicking a link on an unauthorised document/e mail.
- Jutta Knapp and Will Baldwin responded to a query regarding potential mitigation in respect of the apprenticeship levy and it was advised that it was not significant for the College (approximately £24,000).
- The Committee discussed whether information regarding the transfer to linear A levels should be included in the Annual Report and it was agreed that the wording should be reviewed in next year's document as the new A levels were introduced with effect from the 2016/2017 academic year.

At this point the Chair asked RSM UK whether they had any issues which they wished to raise with the Committee in the absence of management and Jenny Hill confirmed that there were no issues and thanked the Finance Team for their help during the audit visits.

The Committee noted that the audit and regularity assurance work provided assurance to the Committee and recommended the External Audit Report to Corporation for approval, noting that the F & G P Committee had recommended for approval, the Annual Report and Financial Statements including the accounting policies and the letters of representation (financial statements and regularity audit). The Committee was also reminded that once approved the Report and Accounts, Audit Findings Report and College's response, Finance Record and Annual Report of the Audit Committee would have to be submitted by the College (and not RSM UK as was the case last year) to the EFA via the portal before 31st December 2016 **ACTION: Jutta Knapp**

A16/06 Regularity Audit Framework Questionnaire

Taking into account any relevant points recorded above, the questionnaire which had been completed by Jutta Knapp (Finance aspects) and Louise Pennington (Governance aspects) was recommended to Corporation for approval noting that the Chair and Principal should be authorised to sign the document once approved. **ACTION: Jutta Knapp**

The Committee queried whether all budget holders should be required to complete a register of interests form annually and it was resolved that SMT should review this and check limits and current procedures. **ACTION: Jutta Knapp**

A16/07 Audit Committee Annual Report for the year to 31st July 2016

The Committee noted the contents of the updated report prepared by Jutta Knapp and recommended its approval to Corporation, subject to confirming the accuracy of the Annual costs of audits given on page 101 of the papers. **ACTION: Jutta Knapp.** It was also noted that the EA Partner would change for 2016/2017 and that Dominic Blythe was replacing Jenny Hill. Once approved it was recorded that

the Chair of Audit Committee would sign the document and this would then be included in the documents sent to the EFA by 31st December 2016.

ACTION: Jutta Knapp

A16/08 Update on Internal and External Audit Recommendations

The Committee noted the updated recommendations and that the majority of actions had been completed or were in the process of being completed.

ACTION: Jutta Knapp

A16/09 Performance Indicators for Internal Audit

The IA performance indicators were reviewed and recommended to Corporation for approval.

ACTION: Jutta Knapp

A16/10 Risk Register and Risk Management Policy

Will Baldwin presented the paper to the Committee and explained the revisions to the Risk Register which has been refined from 54 to 30 risks but based on similar risk categories. The following was recorded:

Risk Register

- No high scoring risks (6 +) have been removed
- A number of similar risks have been merged
- Each Corporation Committee will receive the risks for which they have responsibility at each meeting (termly), having been reviewed and updated by SMT, whilst the full risk register will be presented to Audit Committee and Corporation
- The Risk Management Annual Report has been discontinued as information therein is already reported elsewhere.
- Following discussion about the various Governance Risks (page 111 of the papers) it was agreed to revise the Committee responsibility as set out in the heading for "Governance" to read "Attention of Governance Committee/Audit Committee", taking into account that Governance Committee usually only meets once per year in the Autumn Term and Audit Committee has responsibility for all risks within the register and to ensure that appropriate levels of assurance are achieved in respect of each risk. **ACTION: Will Baldwin**
- The three key risks have been included at the beginning of the Risk Register (page 111). At this point the Committee discussed the possibility of benchmarking risk and with advice from the auditors, it was agreed that there were too many variables for this to be meaningful. However it was agreed that the College would seek assurance regarding its key risks via specific key performance indicators such as success rates etc.
- The last column of the risk register will be used to include relevant commentary such as mitigation, action, further explanation etc.
- Risks will be reviewed termly (refer columns T1, T2, T3) by SMT initially at the beginning of each term including a review of likelihood and impact scores; risks updated as necessary will then be considered at each Committee and then to Audit Committee which will be the last Committee to meet each term, prior to Corporation.
- Risk 1.5 Failure to explore the risk associated with possible academisation is a new risk which was added earlier this term and in response to a question from the Committee, it was noted that independent advice was received from a number of areas including AoC, SFCA, auditors etc.
- In response to a question about relationships with the Unions, Will Baldwin advised the Committee that in addition to the JUMCoG which meets termly, he has introduced a fortnightly informal workshop type meeting with Unions to progress discussion regarding key issues.
- Risk 6.2 Difficulties arising from insufficient appropriate accommodation including fit for purpose teaching space – the current accommodation issues in relation to student numbers and staff

workspace was discussed by the Committee, noting the current limitations. Jutta Knapp advised the Committee that a Property Masterplan had been commissioned including space utilisation issues, particularly in respect of the science laboratory space. It was resolved that the risk should be revised to read "Failure to invest in Masterplan exercise which will lead to difficulties in accommodation". **ACTION: Will Baldwin**

Risk Management Policy

The Committee was advised that further revisions would be recommended to the Policy including the addition of the risk assurance pro-forma used by Committees under the new regime. The Risk Assurance Map (refer item below), would not be incorporated as an appendix to the Policy as it will continue to be brought to Governors more regularly – termly/annually as required.

The Committee noted that Corporation would review and approve the Risk Register and Policy every three years, but that the Audit Committee would continue to oversee the assurance process, with the various Corporation Committees reporting to Audit Committee with regard to risks assigned to them. Tom Wolfenden agreed to summarise the various issues raised by the Committee including assurances in respect of key strategic risks at the next Corporation meeting, including the possibility that assurances may need to be gained from Corporation. **ACTION : Tom Wolfenden**

It was resolved that the Policy would be recommended to Corporation, subject to the comments and changes recorded above. **ACTION: Will Baldwin/Tom Wolfenden**

A16/11 Risk Assurance Map and Assurance from Corporation Committees (with risk assurance timetable for information)

The Committee noted that the Map was unchanged since the last meeting and therefore it was not thought necessary to recommend this for approval to Corporation. It was also requested that colour be included in the chart entries in future regarding the RAG ratings. **ACTION: Jutta Knapp**

A16/12 Whistleblowing Policy

The Committee considered the proposed minor changes to the various documents listed below and recommended their approval to Corporation.

Following various suggestions from the Committee regarding the section on anonymous allegations, it was resolved that the wording of 4.3.2. should be revised by deleting "are much less powerful but". The following additional changes were also agreed:

Item 4.4 - heading should be revised to read "Unfounded Allegations".

Item 4.4.1 Revise second sentence to read "However if the allegation is unfounded, then disciplinary action may be taken."

It was also resolved that the documents would not be included in the Corporation meeting papers, but would be available to Governors on request, owing to the fact that the changes were housekeeping points only. **ACTION: Will Baldwin/Jutta Knapp/Louise Pennington**

A16/13 Update on Disaster Recovery

The Committee noted the content of the Report and following a suggestion by the Committee, Jutta Knapp agreed to include cyber-attack scenario on the College's e mails. **ACTION: Jutta Knapp**

A16/14 Fraud Report

There was nothing to report to Committee.

A16/15 Any Other Business

No further business.

A16/16 Date of Next Meeting

Thursday 23rd March 2017

Louise Pennington

Clerk to the Corporation

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Chair of Audit Committee

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Dated