

BRIGHTON HOVE AND SUSSEX SIXTH FORM COLLEGE

MEETING OF THE AUDIT COMMITTEE HELD ON

THURSDAY 25 NOVEMBER 2021

AT 6.00 P.M. R22 MAIN BUILDING

Present: Jo Davis and Simon Porges.

In Attendance: William Baldwin, Jutta Knapp and Louise Pennington

Dominic Blythe (Audit Director, RSM UK, External Auditors – presenting item 2.1) and Chris Rising (MacIntyre Hudson – Internal Auditors – item 2.5 only) – joining via M. Teams.

The Chair of Governors was also in attendance in respect of item 2.1 with the intention of reporting to Corporation in line with the new ACOP requirements.

The meeting was quorate.

NOTE: FOR EASE OF REFERENCE QUESTIONS AND COMMENTS FROM GOVERNORS HAVE BEEN INCLUDED IN BOLD ITALICS

SECTION 1: ROUTINE AND STANDING ITEMS

1.1 Apologies and Welcomes

Apologies: Phil Anderson, Sarah Bovill and Neil Perry.

It was noted that Mohammed Ahmed had resigned as a co-opted Member with immediate effect. The Committee recorded thanks to him for his contribution to the Governing Body.

The meeting was quorate.

1.2 Minutes of the Meeting held on 24th June 2021

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

1.3 Matters Arising

a) Actions' Schedule

The contents of the actions' schedule were noted by the Committee, taking into account those items which had been completed and those which were being carried forward or due to be completed later in the year.

It was noted that Simon Porges would be recommended as Deputy Chair by the S & G Committee, subject to Corporation approval.

1.4 Declarations of Interest -- None

1.5 Principal's Report

William Baldwin gave his update to Governors, noting the following:

Leadership and Management

- SARAP validations have been very positive
- Thanks to Governors for their participation and useful contributions and observations.
- 'Strategic conversation' with the ESFA last week
- Elms building opened just before half-term – thanks to those who came to this and to the Students for running the event so brilliantly.
- Open Events last week were a real success – although long, being 3p.m. to 8 p.m.! Fully booked and much better experience – Elms building was widely praised and overall there was very good feedback from parents.

Curriculum, Support, Guidance and Experience

- The number of funded students is 3,412 (target was 3,250, with indications in early May 2021 that numbers would be high). We have lost very few (c30) since enrolment. Most Students enrolled on their preferred courses, but with a few issues owing to limited laboratory space/waiting lists and adjustments had to be made to the curriculum and teaching allocation eg additional groups and adjusting tutorials and A2 portfolio courses.
- Ofqual have confirmed Plan B details for any potential return of TAGs (Teacher assessment grades), should it be decided that examinations won't go ahead next Summer. The guidelines were issued last week to Colleges and there are various questions arising from the guidance to be taken forward by the College.
- The new Support, Guidance and Experience teams are getting used to their roles and responsibilities – the SARAP process and a strategy day with the team have given early opportunities for feedback and review. Noted some Governors' attended the SARAP meetings.
- Our new Safeguarding key worker already has a caseload of around 60 against a recommended case load of 35. Metrics continue to rise for mental health/counselling support which far outstrips demand.
- We have employed dedicated site security/community officers to help manage larger numbers on site, and to take into account the potential for more strangers being on site
- We've held successful meet the tutor evenings, Freshers Fair and BHASOWEEN. The Freshers Fair has grown significantly compared to previous years. The Student Forum has also generated lots of interests, probably as a result of Covid.
- End point assessments are being run internally as per last year which worked well. The Deputy Principal explained that if the original process set last year, regarding assessment of 3 unseen synchronous pieces, this would remove quite a significant amount of Teaching time for Students which the College would prefer not to see. Consequently, lobbying is underway, directed at Bill Watkins, SFCA, to persuade the DfE not to follow the original proposal set last year owing to the impact on learning.

Partnerships

- The Citizens' Assembly was a real success – the city MPs, Council Leader and Clinical Commission Group CCG agreed to work with us to look at better funding and provision for mental health
- The Strategic Development Fund has had all projects approved. BHASVIC is leading on a strand to roll out the Carbon Literacy qualification and to embed Carbon Literacy into existing courses – we held our first staff INSET on this last week and used it as an example to show other colleges how it might be done.
- Stakeholder engagement paper has been drafted and is on the Q & C Meeting agenda.

IT

- Transfer to SharePoint and centrally managed TEAMS has been largely smooth, from a technical position and this will provide a more secure and collaborative. However, the impact that having to work in fundamentally different ways, has caused frustration for Staff.

Covid

- Rates in the City remain very stable for the 16-19 age group, at around 130 per 100,000 and we have seen a steady rate of around 10 students with Covid at any one time; 1 staff member.
- Three members of staff have long Covid
- Last week, we received 31 CO2 monitors from DfE which will be allocated to classrooms/labs as priority to monitor air quality.

Other

- Spending review: - 2019 income gains protected equivalent to £188 per Student uplift, together with indications that for the first time in a long time, there will be real time increases in funding. Additional money would be most welcome, particularly in light of the ongoing demographic growth. There are also promises of an annual capital fund for post-16 education of £350M for the next 3 years.
- National Insurance increases – this element of cost, will not be funded for SFCs, unlike the schools and academies' sixth form provision.
- ESFA representatives have held their regular strategic discussion meeting with BHASVIC – last week, to which the Principal, Chair and Assistant Principal (Resources) were present.

- ESFA random funding audit was carried out by KPMG in November 2021 and no funding issues were identified.

SECTION 2: AUDIT AND INTERNAL ASSURANCE ITEMS

Item 2.1 Sandra Prail (Chair of Governors) joined the meeting for this item, after which she left the meeting.

2.1 Audit Findings Report (with the Financial Statements included for information) for the year to 31st July 2021, Letters of Representation for Financial Statements and Regularity Audit included for information which the Chair has signed on behalf of the Corporation).

Dominic Blythe (Audit Director, RSM UK) – External Auditors joined the meeting and RSMUK report, highlighting the following:

- Page 33 - unmodified audit opinion regarding both in respect of the financial statements and the regularity assurance.
- Change in the ACOP (Audit Code of Practice) – the auditors have reviewed the content of the Annual Report and Financial Statements to ensure that all the new requirements have been incorporate into the College's document.
- The presence of the Chair of Governors at this meeting, to review the Findings Report and endorse the Audit Committee's recommendations, was noted and Dominic Blythe confirmed that a number of College's were following this approach this year, rather than asking their External Auditors to also attend Corporation and present their Findings Report to the full Governing Body, in addition to the Audit Committee. He advised that other Colleges were following the latter approach as specifically set out in the ACOP, but confirmed that following consultation with the ESFA, that there was some flexibility and ability for Colleges to interpret this new requirement in more than one way this year, but that it may change again next year. Reference was also made to the discussions minuted at the last meeting, which recommended that if there were no significant issues arising from the external audit, the Chair of Governors should be invited to attend this Audit Committee meeting, rather than requiring the External auditors to attend Corporation at the December 2021 meeting. Dominic Blythe confirmed that had there been any significant findings, he would have advised that RSMUK should present the Report to the Corporation.
- Dominic Blythe explained the process which the auditors followed including the identification of key risks at the planning stage, and that with respect to management over riding of controls, he highlighted for the Committee's information and understanding the approach taken this year to testing journals which had changed this year whereby more data analytical aspects had been incorporated into the process. The latter has not meant that there was less testing but that the process involved more focused testing which also resulted in improved accuracy and avoids human error - there were no significant issues arising in this area.
- Income recognition – the Committee was reminded of the discussion held earlier in the year regarding the other significant change arising within the ACOP, namely, the non-assurance of the College's ESFA funding income by the ESFA (which is in excess of 90% of overall income). RSMUK took the approach to work with their client colleges over the Summer to do data collection for testing, which having collected feedback worked well and as a result they provided some funding audit training for other audit firms in this area which was well received. He confirmed that external auditors were not obliged to undertake this work as the ESFA no longer provider external auditors' assurance in respect of funding generated through the ILR, following the change in the ACOP. At this point it was also reported that the College had recently undergone an ESFA funding audit which had gone well with no issues identified by KPMG (appointed by the ESFA to complete this work on their behalf).
- Pension scheme – the movement, assumptions and actuarial assessment is consistent with the sector – no concerns regarding this.
- Going Concern – changes have been incorporated this year as per the ACOP updates, requiring more definitive wording, but no additional audit work was required as a result of this.
- Main issue for the College is to focus upon building up the cash reserves, which is a common problem within the sector; this would allow for contributions to be made towards future capital projects. However, noting the 16-19 income and growth to date in Student numbers, there should be no worrying cash flow issues in the near future.
- Financial Health – outstanding.
- Bank covenants – one area where there could be a potential intervention issue, of which Governors should be made aware, relates to total gross debt to EBITDA (earnings before income, taxation, depreciation and amortisation) ratio which must not exceed 5:1 and is currently 4.8:1. However, it was noted that for 2022/2023 the situation should improve and the College's good relationship with the bank was also noted. Jutta Knapp advised that SLT were keeping this under review and would be revisiting this again in January 2022. In the unlikely situation that the covenant was expected to be breached, the College would be proactive, liaise with the bank and if necessary a revised covenant letter could be agreed. The College could also seek a letter of comfort from the bank if it was thought necessary, to confirm that the bank would not demand repayment, if the covenant was breached.

- Control points – Dominic Blythe explained that although RSMUK had not completed a controls based audit, they did identify controls for completeness during their audit work and included some useful feedback to the College in their report.
- Feedback on prior year recommendations within their report was also drawn to Governors' attention in respect of 2020, including a procurement policy item raised; also noting that another audit point was raised on the same item this year too. The management response was highlighted and it was suggested that the matter was still slightly ambiguous regarding the budget process reference; normally specific transactions are listed which Governors approve via the budget in advance, but where a transaction is included a larger budget area, this may need clarification for audit purposes. The scenario given was in respect of ensuring when tender requirements are necessary eg (OJEU process) should there be more than one project taking place within an overall budget; notwithstanding that these requirements are set out in the College's business procedures. Accordingly, Dominic Blythe suggested that the wording within the College's business procedures should be added to explain this scenario. Other large budget areas referred to were examinations and IT. Jutta Knapp agreed to revise the wording in the business procedures to improve clarity and lessen the risk and also revise the management response for this recommendation to read "will amend as necessary" from "no amendment required". **ACTION: Jutta Knapp**
- Appendices – noted the unadjusted items – no issues to highlight.
- Emerging issues document which is provided by RSMUK to all its clients, provided general information about the FE sector and other key issues.

Dominic Blythe recorded his thanks to Jutta Knapp, Sheridan Cooper (Finance Manager) and the Finance Team for all their help and support during the audit work, which this year returned to on site audit work (part of week with 2 auditors, and rest of week with 1 auditor, plus audit manager visiting at various times during that week too). The Committee congratulated Jutta Knapp and her team for the audit outcomes.

At this point, the Committee invited Dominic Blythe to raise any issues with the Committee in the absence of management and he confirmed that there was nothing to report in their absence.

Thanks were also recorded to Dominic Blythe and the rest of the RSMUK team.

The Report was recommended to Corporation for approval, subject to the changes referenced above. It was also noted that in reflection of the new ACOP requirements regarding the presentation of the Audit Findings Report to the Board, that Sandra Prail would report to the Board under this item, about the reasons for this and the outcomes, whilst Jo Davis and Jutta Knapp would present the detail and answer questions. **ACTION: Jutta Knapp**

At this point Sandra Prail left the meeting and she was thanked for her attendance.

2.2 Regularity Audit Framework Questionnaire (RAFQ)

The contents of this annual document, reflecting financial, audit and governance matters, were noted by the Committee and recommended to Corporation for approval. Dominic Blythe explained that the auditors used this document for their audit preparatory work. **ACTION: Jutta Knapp**

It was recorded that the Annex (regarding Covid) to the RAFQ had not been included in the documents and Jutta Knapp noted that there were no significant changes compared to the entries provided last year. Accordingly, it was agreed that it should be included in the Corporation meeting papers for approval and Jutta Knapp also agreed to circulate this to the Committees Members prior to that meeting, in case there were any questions or issues which the Members wanted to raise. **ACTION: Jutta Knapp**

2.3 Audit Committee Annual Report for the year ending 31st July 2021 (Audit Committee Chair to sign after Corporation has approved the document), including new requirements arising from the ACOP

The contents of the Report were considered by the Committee, in particularly noting the new elements which had been included to comply with the ACOP. The document was recommended to Corporation for approval. **ACTION: Jutta Knapp**

2.4 Update on Audit Recommendations – None – reflecting the gap between Internal Auditors' resignation and appointment.

2.5 Internal Audit Report on the Single Central Record (SCR)

At this point Chris Rising, MacIntyre Hudson, joined the meeting via M. Teams and presented the report to the Committee, followed by questions from the Committee:

- The SCR audit was requested by the College in order to provide assurance regarding the completeness of the College's HR records for all Staff and Governors and to get confirmation that the content and records were being maintained in line with HR legislation.
- There was a joint approach to the audit work with an internal auditor plus a specialist HR internal auditor, so that both perspectives could be audited.
- In conclusion it was reported that the Audit Committee can take Substantial Assurance over the effectiveness of controls in place to manage the risk associated with this area.
- Only 2 actions have been identified arising from the audit work – 1) claims staff (invigilators etc) – when testing identify requirements provided to follow application/recruitment policy/processes, 2 references should be provided, but in a number of cases only 1 reference was on the file. Management agreed to action this going forward for all recruitment and 2) advisory point – where there are a number of policies which are separately prepared in respect of Teaching and Support Staff, it was recommended that a single Staff policy should be prepared and it was agreed that this consolidation would take place at the next review point for the relevant policies. **ACTION: Jutta Knapp/Gen Walter**
- Chris Rising reported that the Staff had been very helpful during their onsite audit visit and had no issues to raise with the Committee in the absence of management.
- Thanks were recorded to the HR Manager and the HR Team and also to Chris Rising and MacIntyre Hudson for their work.
- ***In response to a question from the Committee, Chris Rising confirmed that there was no management response included in the internal audit report for the advisory recommendation, as it was not deemed necessary in this instance.***

At this point Chris Rising left the meeting.

2.6 Risk

a) Risk Register

The Principal reported that actions from the last meeting with regard to the heat map development and the recommendation to make better use of the impact scale, had been done. He also gave a summary of the revisions since the last meeting, the details of which were noted by the Committee and in particular the new risk – volatility of cost regarding the supply chain, particularly regarding energy.

The Committee was informed that the admissions risk may be increased next term as the College is largely full, following discussions and recommendations from SLT.

In response to a request from the Committee, William Baldwin agreed to revise the previous year T3 risk score for all carried forward risks to make this easier to track year on year. **ACTION: William Baldwin**

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

b) Risk Management Policy (including heat map review, whether to make greater use of impact scale to differentiate and prioritise risks).

The Principal presented the Policy to the Committee and summarised the changes:

- Revised impact categories (as referred to above and requested at the last meeting), and also to avoid any confusion re wording.
- Risk Appetite:
 - New section on "risk appetite" so that Governors can consider and determine the level of risk per area which they are willing to accept. The new risk appetite statement included in the revised policy states that the College does not accept any risk but this was opened to discussion and recommendations at the Committee. In response the Committee suggested that the inclusion of a risk appetite statement, would imply that the College was prepared to accept some level of risk in certain areas eg there is a level of risk in taking on any capital project, unfunded Students etc. However, it was noted that the interpretation of this in education was more about a level of risk acceptance which could lead to financial insolvency rather than financial uncertainty. Furthermore, regarding unfunded Students it was noted that this was a managed risk, whereby SLT agreed to additional enrolments to a level which the College could manage in terms of accommodating the additional Students within existing classes and accommodation etc. In effect, it was acknowledged that there was an appetite for managed risk. It was agreed to revise the wording in the risk appetite clause, to

reflect the appetite along the lines of managed risk and to also include wording about unmanaged risk and uncertainty leading the College to the potential for material loss/unmanageable financial position, but without using the term “financial insolvency”. **ACTION: William Baldwin**

- It was agreed that a risk appetite statement should be included as it set out the organisation’s understanding of risk and what element, if any, it is prepared to absorb.
- The importance of the wording of the clause was emphasised, particularly in terms of the College’s management of risk and review process, prior to decisions being made etc
- In conclusion, William Baldwin agreed to revise the wording to reflect the discussions and recommendations made by the Committee and circulate this for agreement from the Committee members, prior to including the revised version in the Corporation meeting papers for approval. **ACTION: William Baldwin/Audit Committee members** (*post meeting minute: The Principal circulated the revised risk appetite wording to the Audit Committee Members and the two Members of the Committee who were involved in the discussion and present at the meeting, endorsed the final version to be submitted to Corporation for approval*).
- Other policy changes:
 - Impact changes have been revised to minor, moderate and major and in response to a question from the Committee regarding quantification of the assessed impact, it would be useful to do this, particularly for the financial risks – in response the Principal confirmed that more information had been included in the appendix to the policy but that he would include further costing information as requested (based on for example price as % of budget outturn or % of cash flow – (SLT to resolve the figures/process) (rather than % of income) and costed per time if applicable eg time element arising from service disruption etc). It was agreed that the revisions to the Risk Register with regard to this aspect would not be completed this term, but next term owing to time constraints. **ACTION: William Baldwin**

2.7 Risk Assurance Map and Assurance from Committees

The Committee noted the contents of the paper and in particular the feedback from the Corporation Committees regarding assurances received in respect of the key risks assigned to the respect Committees.

The contents of the Risk Assurance Map were considered and recommended to Corporation for approval. **ACTION: Jutta Knapp**

At this point Dominic Blythe left the meeting.

SECTION 3: CONSENT AGENDA

Policies and Other Documents – None

SECTION 4: OTHER MATTERS

4.1 FRAUD REPORT

There were no instances of fraud of which the College was aware, since the last meeting.

Jutta Knapp reported on the various training for the Finance Team which had taken place, including benefiting from that offered by the College’s bank, Lloyds.

4.2 ANY OTHER BUSINESS - None

4.3 Date of Next Meeting – 10th March 2022 (if required)

The Committee discussed the possible agenda items for the March 2022 meeting, noting that it would be mainly internal audit recommendations.

It was also noted that it would be Phil Anderson’s last meeting before his term of office ceases and that a new Member, plus a replacement for Mohammed Ahmed (co-opted Member who has resigned), would be discussed at the next Search and Governance Committee.

It was agreed that the Chair and Jutta Knapp should have a discussion early next term, to decide whether to proceed with the Meeting.

SECTION 5: CONFIDENTIAL BUSINESS

5.1 Confidential Minutes from the Last Meeting – None.

5.2 Matters Arising – not applicable

5.3 Any Other Business (confidential) – not applicable

Louise Pennington

Clerk to the Corporation

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Chair of Audit Committee

Dated.....