

BRIGHTON HOVE AND SUSSEX SIXTH FORM COLLEGE

MEETING OF THE AUDIT COMMITTEE HELD ON

WEDNESDAY 25TH NOVEMBER 2020

AT 6.00 P.M. VIRTUAL MEETING VIA M. TEAMS

Present: Mohammed Ahmed, Phil Anderson, Sarah Bovill, Jo Davis, Neil Perry.

In Attendance: William Baldwin, Jutta Knapp and Louise Pennington

Dominic Blythe RSMUK – External Auditors

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: Louise Askew.

Welcomes: Mohammed Ahmed

It was noted that Louise Askew's office as a Parent Governor was due to end in December 2020, thanks were recorded to her for her support to the Committee over the last 2 years.

The meeting was quorate.

1.2 Minutes of the Meeting held on 25th June 2020

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

1.3 Matters Arising

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.

Regarding the outstanding actions, the following target dates were agreed for completion:

- College's investment in Source Bioscience – investigate whether shares may be sold or write down investment: **JULY 2021**
- Undertake a more detailed review of College lettings including seeking specialist tax advice – **July 2021**

1.4 Declarations of Interest

None.

1.5 Covid-19 Update

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

- Updates have been given to the other Committees too.
- In last 6 months the College has had to revise its operations twice – in March at the first lockdown, to implement remote learning and revision to examinations/assessment and in September to ensure that the College was operating on site in a Covid secure way with social distancing processes and on a 2/3 Student attendance basis, together with remote learning for those not on site at any one time. To better manage social distancing, the College has employed Covid Marshals who remind Students of the requirements, when social distancing/mask wearing, is not being observed.
- The Covid Dashboards has been uploaded to the Governors' VLE for all Governors to view.

- 37 Students and 3 Staff have tested Covid positive to date and quarantining has been followed - SMT was assured that there was no onward transmission of the virus on site. The College is recording seating plans for every lesson and if a Student tests positive, an analysis of their close contacts on site during lessons is made and other Students who have identified as being in close contact, are asked to quarantine for 2 weeks. There has also been self-isolation of Students arising from contacts outside of the College and approximately 500 Students to date have had a period of isolation. Overall approximately 1/5 of the Student body have missed time on site owing to Covid and 1/5 of Staff too. Remote delivery of the curriculum has taken place for those Students unable to come on to the Site.
- Additional expenditure has occurred totalling approximately £15.5K over the last 10 week period in respect of consumables such as hand sanitisers, wipes, masks and other PPE, and the cost of Covid Marshals, this equates to £1.5K per week costs of which £500 per week relates to additional staffing costs. In addition to this, costs have been incurred in respect of the virtual platform brought in for the Open/Parents Evenings whereby hosted webinars are provided as a substitute for people coming on to the site. The College has also had to provide Teaching Staff with laptops in order to deliver remote/onsite Teaching effectively, costing an additional £200k. The latter was a project which had already been identified, but has had to be brought forward owing to the pandemic. Furthermore, there has been significant lost income in respect of catering, lettings and adult education, the latter of which is down by approximately 70%. To partly counter the impact of the reduction in catering income, there has been a restructuring of the catering team and 2 members of part time staff have accepted voluntary redundancy.
- Despite the impact of Covid on income and expenditure, the College's financial health grade has been confirmed as "good" from the predicted "requires improvement". However, taking into account the latest figures in the Management Accounts, as at 3 months, presented to Resources Committee earlier this week, the year-end operating surplus has reduced by about £150K. From indications made by the AoC and SFCA, it appears that the Department for Education will not be intending to reimburse Colleges for any of the additional and unplanned Covid related costs.
- This sub-item was transferred to confidential minutes owing to the sensitive nature of the business discussed.
- Other areas of risk include Staff workload and potential burnout consequences, based on the 2/3 curriculum delivery model, which is unsustainable in the longer term. Staff are expected to prepare resources for Students to access remotely and at the same time, teaching face to face and remotely. The College has introduced some additional non-teaching days "coming up for air" days, together with implementing a period of remote learning only for the last week before the end of term. The latter has been introduced with the aim of acting as a buffer for Covid and to provide time to resolve quarantine issues, spread of infection controls, prior to the Christmas break. The regular Staff meetings also focus upon Staff being kind to themselves and not trying to compare this year with previous years in terms of quality etc. Support Staff are very busy too, with an increased workload.
- During this period, the College has maintained regular communication with the Union representatives.
- The College is unlikely to return to a normal timetable before the Easter break, which will then be followed by the examination period, the latter of which still has some uncertainty over the final exam format and requirements and whether mitigating factors will be taken into account.
- ***The Committee asked for feedback regarding the virtual Open/Parent evenings and whether there were any issues to be brought to Governors' attention. In response the Principal reported that the platform purchased had provided a professional format which had worked very well, with good feedback from both Parents, Students and Staff. There was a good attendance level, with over 1K people attending several of the talks. This means of delivery has meant that the Parents/Students get better information and more time allocated, rather than the previous onsite/face to face format when only a brief time allocation was given to each Parent/Student. Each curriculum/guidance area presentation was allocated about 10 minutes, followed by approximately 2 minutes of question time and the webinar format enabled Parents to submit questions on line for all to see, prior to responses being given to all on the webinar. SMT's initial thoughts for the future is that both formats will be offered in future as the presentations/questions sessions work well, but Parents/Students would also benefit from visiting the site.***
- This sub-item was transferred to confidential business minutes owing to the sensitive nature of the business.
- ***A Governor suggested that in light of the risk rating increasing in terms of the risks to Staff and Student health and well-being and referring also to the Safeguarding Report given at the recent Q & C Committee,***

that further assurance should be sought from SMT regarding that the impact on both Staff and Students and whether it was given sufficient and ongoing attention – refer Risk item below.

- An observation was provided from a Committee member who has been involved in making and managing Covid-secure premises, including liaison with the local Council regarding track and trace elements etc, and it was queried whether the College had had similar communications and also whether it would be useful to review the additional Covid roles to see if there might be a way, for example, all Staff taking a share of the Covid Marshal roles. The Principal reported that the Covid Marshals had been recruited to monitor existing un-supervised spaces, such as the Canteen, Copper Café, Piazzas and corridors, noting that the Catering Staff did not have the time to do this with their current workload. However, it was noted that Staff were aware that they should not walk past any Students breaching the Covid guidelines and Students would be challenged by Staff members when the need arises. Every class room also has a room protocol on entering and leaving – take a wipe provided, wipe table using, use hand sanitiser etc, and reminders are being sent out to ensure that the rules are maintained. Following a few issues raised by the Student Governors at the last Q & C Committee meeting, there has been a reminder sent to Staff to maintain social distancing of 2 metres at all times, and to wear masks, and particularly so if doing any closer work with Students e.g. helping with a question from a Student etc in the classroom. Regarding the point about liaison with the Council, the Principal advised that the College did not have a regular liaison with the Council as suggested above but that he did communicate with Public Health England (PHE) and the Council weekly to discuss incidents of Covid, post code analysis etc.
- ***The Committee queried the pattern of cases since the return of Students on to the site in September and in response the Principal explained that the rate of cases demonstrated a U shaped graph over time, with a high incident level at the beginning of the academic year (owing mainly to the impact of Students socialising at a 18th birthday party), with a dip in October – 1 case in 4 weeks, and 20 cases since then during November.***

At this point Jutta Knapp left the meeting for a few minutes to respond to a request from the College's Main Reception, but re-joined promptly.

SECTION 2: AUDIT AND INTERNAL ASSURANCE ITEMS

2.1 Audit Findings Report (with the Financial Statements for information) for the year to 31/7/20, Letters of Representation for Financial Statements and Regularity Audit

Dominic Blythe (RSMUK – External Auditors) presented the report to the Committee, highlighting the following key points:.

- **Executive Summary** page 13 – RSMUK anticipates issuing an unmodified audit opinion on the College's Financial Statements and likewise in respect of the regularity audit. There were no significant issues which have arisen during the audit work.
- Of the outstanding audit matters listed on page 13 which need to be addressed before finalising – only the first two points remain outstanding at this time - update or post balance sheet events review and completion of review of processes in respect of going concern including wording in the financial statements.
- **Risks Identified at the Planning Stage**
 - note the pension liability in respect of the impact of future contributions which affects the whole FE education sector and that BHASVIC's allocated additional liability for this year, is consistent with other Colleges in the sector. The LGPS (Local Government Pension Scheme – for Support Staff) is revalued triennially.
 - **Covid and Going Concern issues** – owing to Covid and the impact it has had on the finances within the sector, new auditing standards have been issued which has generated additional work for the external auditors. With the audit work virtually completed (subject to the outstanding points above) and noting the reasonable healthy cash position (and taking into account the drawn down of the new loan agreement), RSM UK are confident in their assessment that the College is a going concern, notwithstanding the risks as set out and additional costs anticipated from the pandemic, which continue to impact on both income and expenditure.
 - **Bank covenants** – no evidence of any breach and noting that the covenants have been revised recently which they are expected to be complied with based, on financial forecasts, for the year to July 2021.

However, Dominic Blythe explained that should there be a greater downturn in the sector/pandemic than predicted, the income and expenditure are the areas most likely to be at risk. As a consequence of this, he advised SMT and Governors to keep a close watch on this, in order to identify very early if the College thinks it is unlikely that they will meet the bank covenants. If so then it would be important to liaise with the bank as early as possible, if there was likely to be a breach – which could also impact the College’s financial health calculation. ***In response to a question from Governors assurance was sought that the controls in place were adequate and in response Jutta Knapp advised that she was in regular contact with the bank and provided the management accounts to them quarterly. If there was any likelihood when the financial projections are being prepared that a waiver may be needed, the bank would be contacted at that point.***

- No issues arising in respect of **management overriding any controls.**
- **Recommendations on controls:**
 - noting separate work carried out regarding the Teacher Pension Scheme contributions and that there were no issues from the samples taken by the auditors; however, there were some queries regarding the monthly reports and actual amounts paid, which owing to the remote nature of working, had taken more time than usual for this to be explained and understood. It’s been recommended that a clearer approach to this should be identified and records should be maintained for everyone, including the auditors.
 - Procurement policy – there was additional testing in this area this year and no material issues have been identified. Regarding the College’s expenditure, nothing inappropriate was identified and spending was shown to comply from a regularity perspective. Dominic Blythe did explain that as is normal within the sector, over time, the actual practices operating in real life, may diverge from a College’s financial regulations as these generally don’t cover all scenarios such as examination fee payments. Regarding the latter, the auditors would have expected a different approach to procurement than other spend for examination fees and has recommended that a review of the College’s financial regulations should be made to ensure that all areas are covered including specific regulations regarding the approval of examination fees; where there are exceptions, the process and practice should be put in place by Management, without which Governors could be exposed to potential risk. The Policy should reflect Governor approval of actual practice ensuring compliance with any mandatory requirements. **ACTION: Jutta Knapp**
- **Unadjusted Statements and Disclosures:** 1 adjustment in the Appendix noted relating to the re-classification of creditors.
- **RSMUK Emerging Issues document** - this has been passed to the College but was not circulated with the meeting papers. Jutta Knapp agreed to circulate this to Governors and that it would be placed on the Audit Folder on the Governors’ VLE for all Governors to view. **ACTION: Jutta Knapp/Louise Pennington**
- ***As already touched on by Dominic Blythe regarding the increase in workload for the auditors in light of new accounting standards and supplementary additions to the Audit Code of Practice which was also issued later than usual, and combined with the additional time needed to take account of the nature of remote communication with the College, Governors queried the fee increase (£2k). In response Dominic Blythe summarised the additions to the audit work including furlough disclosure, claims requiring additional review and an initial underestimation of work regarding the audit work taking into account the change of systems etc. The costs have been increased, but he also reported that RSM accepted that they would have to retain on a proportion of those additional costs, in house.***
- This sub-item was moved to confidential business owing to its sensitive nature.

Prior to Dominic Blythe leaving the meeting, he was invited to discuss the audit work and whether there were any issues he’d like to raise in the absence of the Principal and Assistant Principal. He advised that Jutta Knapp and her Finance Team had been very helpful throughout the process and he recorded his thanks to them. He confirmed that there were no other issues to raise. Before leaving, Dominic Blythe also remained for the discussion regarding Fraud – refer record below.

Noting the difficulties experienced in the practical aspects of completing the audit this year, Dominic Blythe and his team were thanked for the external audit work over the last year and he left the meeting.

Taking into account the points made above, the Audit Findings Report was recommended to Corporation for approval. **ACTION: Jutta Knapp**

2.2 Regularity Audit Framework Questionnaire

The paper presented by Jutta Knapp was noted by the Committee, together with the RAFQ which had been prepared by Jutta Knapp (finance aspects) and Louise Pennington (governance aspects). It was noted that the document had been passed to the auditors so that they could include this in their regularity audit work and also that for the first time this year an annex had been added to the document in respect of Covid related instances.

The document was recommended to Corporation for approval noting that once approved at Corporation, the Chair of Governors and Accounting Officer (the Principal), would sign this prior to submission to the ESFA, accompanying the Annual Report and Accounts. **ACTION: Jutta Knapp**

In response to a question from the Committee regarding any fraud issues, although also noted that this item was scheduled later on the agenda, Jutta Knapp reported on an attempted fraud whereby an e mail seemingly from the Principal had requested a change of personal bank details. Owing to BHASVICs systems in place a member of the Finance Team contacted the Principal by telephone to check this. The e mail address appeared to have been replicated but had not been sent from the Principal's Sent Box on the system. IT Department are looking into this and the College's processes do provide some assurances for Staff and Governors. Jutta Knapp also confirmed that regular fraud updates were circulated by the College's Bank and passed on to the Finance Team.

2.3 Audit Committee Annual Report for the year ending 31/7/20 (AUDIT COMMITTEE CHAIR TO SIGN POST CORPORATION APPROVAL)

Jutta Knapp reminded the Committee that this Report was prepared as a requirement of the Post-16 Audit Code of Practice (ACOP) and that the document had been drafted for the Committee's comments and recommendations to Corporation.

In response to one suggestion from the Committee, the Report was recommended to Corporation for approval, subject to the revision to the Members' section. **ACTION: Jutta Knapp**

2.4 Update on Audit Recommendations

The contents of the Report were noted by the Committee. It was noted that, owing to lockdown, the planned Learner Numbers' Audit had not been carried out. Some assurance was provided to the Committee from the fact that in the previous year a Funding Body audit had been completed.

Jutta Knapp confirmed that all other recommendations had been implemented.

2.5 Appointment of New Internal Auditors

Jutta Knapp explained that since the last meeting at which it had been reported that the internal auditors, Mazars, had given notice for their contract to end last academic year, she reported that progress to find a suitable successor had been difficult. The main issue is finding a firm of auditors who do education internal audit work and there are very few in the market. It was noted that there were two main ways to find new internal auditors – 1) draw up specifications and approach local firms inviting them to submit a bid or 2) Go through the CPC (Crescent Purchasing Consortium) framework. Regarding the latter option, there are no local firms listed, apart from RSM and Mazars which are both ruled out, so if there was a preference for this approach, once appointed the audit work would almost have to be completed remotely owing to the location of the auditors; having experienced this in-house with the external audit this year, Jutta Knapp wouldn't recommend this option on a permanent basis.

The Committee discussed the dilemma and agreed that the best option would be to proceed on Jutta Knapp's recommendation that an approach should be made to MacIntyre Hudson. It was also noted that there would be an opportunity to obtain comparative information (fee structure) and recommendations from other S7 Colleges, currently using them. At this point the Committee was reminded that the usual process would be to go out to tender and invite 3 audit firms for interview, but in this instance it was accepted that this would not be possible for internal auditors.

ACTION: Jutta Knapp

2.6 Risk Register

The contents of the risk register were noted by the Committee and the Principal drew particular attention to the Covid-19 risks and any Covid-19 updates made since the last meeting in June 2020. The Audit Committee was invited to consider whether assurances for the higher risks were being managed adequately in light of the pandemic, the impact of which is affected the whole education sector. The following additional points were recorded:

- Quality issue is a national one owing to the impact of the pandemic and reflecting the move to blended learning, with a proportion of traditional teaching and learning being given remotely.
- The risk level has increased understandably owing to the disruption to Teaching from both last academic year – lockdown and this year’s return to 2/3 model of attendance on site.
- **SAFEGUARDING** – 3.4 (Failure to provide statutory and/or adequate Student support including Safeguarding, SEND and Equality entitlements leads to a legal breach, loss of reputation, reduction in results) and the second Safeguarding risk 3.5 (Failure to respond to the unprecedented increase in safeguarding and crisis casework leaves Students at risk and adversely affects Staff wellbeing). At this point reference was also made to the Governor question raised under the Covid 19 update item earlier in the meeting. Owing to Covid, SMT decided that a stand-alone safeguarding risk was necessary, hence the addition of the new risk 3.5. Regarding the earlier question from Governors, the addition of risk 3.5 has in, SMT’s view, answers this, together with the additional assurance provided by the separate Safeguarding Risk Register maintained by Alison Cousens (Staff Safeguarding Lead) which is also shared with the Governor Safeguarding Lead. However, it was also noted that further resources are being considered within the Safeguarding Team, as reported at Q & C, which should help to mitigate the Safeguarding risks.
- **CYBER RISK** Risk 6.8 (failure to physically and virtually provide and protect key IT business and communication systems and resources) and noting the questions raised by Governors (in 2.1 Covid Update), William Baldwin reported that the College was aware of horror stories in the sector whereby IT records and back-ups have been deleted and all records lost owing to a cyber-attack. As a consequence, it was understandable that Governors wanted assurance regarding this aspect of risk. Risk 6.8 has been increased to reflect the increasing concerns arising from Covid. Governors also considered whether the risk wording was sufficient, in light of the discussion around back up processes etc and the Principal agreed to take this forward with the Digital Director to ensure that the back-up processes are adequate and that clear procedures are in place regarding how often backs are done, offsite/Cloud arrangements etc. It was also resolved that the risk likelihood should be increased to 3, so that the overall risk moves to 3/3, but it was agreed that the risk wording did not need revising. **ACTION: William Baldwin**
- **Risk 5.5** (lack of capacity at all levels creates unsustainable pressure on staff and service delivery, adversely impacting on student experience and outcomes; and staff/community wellbeing). ***The Committee queried whether there was sufficient in the risk register relating to Student wellbeing and mental health and whether there should be an off-shoot from Risk 5.5 relating to this element.*** In response the Principal reported that the Students were having an impoverished experience academically and socially as their time at College is both limited and restricted. He agreed that this was hard to quantify and that a half term Student Survey had been carried out and the outcome will be reviewed by SMT. It was agreed that the Principal would ask SMT to consider this suggestion of whether to include a Student wellbeing risk, aside from the Safeguarding ones and whether it should be a permanent risk or Covid specific. **ACTION: William Baldwin**
- The Principal also agreed to take forward another suggestion from the Committee – namely investigation whether certain controls take account of what each Staff member is doing, identify workloads and sets priorities so that this becomes more manageable. **ACTION: William Baldwin**
- ***At this point it was also suggested that regarding fire drills, it would be worth reviewing how long it would take for the IT systems to recover if there was a problem associated with this and to determine how disruptive it may be.*** The Principal agreed to raise this with Jacquie Punter this week too and to test a disaster scenario along these lines. **ACTION: William Baldwin**
- ***The Committee asked whether the College was doing enough to mitigate the long term impact of Covid 19 in terms of long term learning etc and whether this may stem the flow of Students applying to BHASVIC in the future in light of ongoing remote learning etc*** The Principal confirmed that although a return to normal on site learning which was affecting the whole sector, over the last 6 months the remote learning and 2/3 model has working well for most Students. Having said that, the majority of Students were very keen to return on site which suggests that the overall attraction of being on the College site, remains the priority for most

Students. SMT will consider post pandemic, what elements of the curriculum delivery could be taken forward including whether some remote learning should be retained. SMT will ensure that the provision is adapted in light of the pandemic experience so that an improvement in the overall Student experience is made.

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

2.7 Risk Assurance Map – including assurances from Corporation Committees

The paper was considered by the Committee and Jutta Knapp confirmed that the Map had been updated to reflect any feedback from the other Committees and also noting as per the Risk Register updates above, that there had been a change in the level of risk. The Committee also noted the sources of assurance provided to the various Committees and that each Committee (Q & C and Resources), were satisfied with the assurances given in respect of their respective risks.

At this point Neil Perry left the meeting.

In response to a question from the Committee regarding financial forecasting, Jutta Knapp confirmed that Colleges in the sector were required to prepare 2 year forecasts (cash flows to July for 24th months) with and these were presented to Governors via the Resources Committee. A longer term financial forecast may be produced if part of a new capital project. From a going concern aspect, it was suggested that it may be useful to see the cash flow forecasts at Audit Committee in future, but following consideration about whether this would be duplication the External Auditors' work, it was agreed that it wouldn't be necessary to bring to Committee too. ACTION: Jutta Knapp

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

SECTION 3 CONSENT AGENDA

POLICIES AND OTHER DOCUMENTS

Freedom of Information Publication Scheme – link provided to document on website for Governors to review – agreed to recommend to Corporation that document be approved, as unchanged. ACTION: William Baldwin

SECTION 4: OTHER MATTERS

4.1 FRAUD REPORT

There were no instances of fraud of which the College was aware, since the last meeting. Also refer above additional commentary regarding fraud within item 2.2 above.

4.2 ANY OTHER BUSINESS - None

4.3 Date of Next Meeting – Thursday 11th March 2021

SECTION 5: CONFIDENTIAL BUSINESS

5.1 Confidential Minutes from the Last Meeting – None

5.2 Matters Arising – n/a

5.3 Any Other Business (confidential) – refer to confidential minutes

Louise Pennington

Clerk to the Corporation

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Chair of Audit Committee

Dated.....