

BRIGHTON HOVE AND SUSSEX SIXTH FORM COLLEGE
MEETING OF THE AUDIT COMMITTEE HELD ON
TUESDAY 28TH JUNE 2022 (DEFERRED FROM 23RD JUNE 2022)

VIA TEAMS

Present: Jo Davis and Simon Porges.

In Attendance: William Baldwin, Jutta Knapp and Louise Pennington

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: Neil Perry and Sarah Bovill

It was resolved that Simon Porges would chair the meeting.

The meeting was quorate.

1.2 Minutes of the Meeting held on 25th November 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.

Referring to page 5 of the papers and the reference to SLT re-visiting the bank covenants, Jutta Knapp confirmed that SLT always looked at these quarterly together with the Management Accounts and she confirmed that the College is currently meeting all the covenants.

Referring to item 4.2 in the minutes, it was noted that Simon Porges, had been appointed by Corporation as the Deputy Committee Chair.

1.4 Declarations of Interest – None

At this point it was discussed whether the Principal's Update should be included here in line with the agenda items included in the other Corporation Committees. However, taking into account that the updated Principal's Report would be presented at the forthcoming Corporation meeting, it was agreed that it wouldn't be necessary, unless the Principal thought there was anything critical to raise, relating to the reports given to Q & C and Resources Committees. In response the Principal gave the following brief update relating to examinations, as follows:

- Examinations: this year is the first time in which the current cohort of Students have sat examinations and the last examination was held yesterday. Overall, these have gone smoothly with few incidents and involving significant resources, logistical issues and numerous invigilators. It was reported that all examination centres have an inspection but this year, the College didn't have to go through this. Thanks were recorded to all Staff for their work in connection with the examination process.

SECTION 2: AUDIT AND INTERNAL ASSURANCE ITEMS

2.1 External Audit Plan

Jutta Knapp presented the External Audit document, the contents of which were noted by the Committee. The following points were highlighted:

- Broadly prescribed format and similar to last year.
- There has been a slight increase in work, as reported in the Autumn Term Meeting arising from the change in the ESFA's funding agreement where the latter no longer provides assurance on funding, which has resulted in more audit work on the income element of the external audit. This has also created additional work for the College and particularly the CIS Team. RSMUK will keep their additional work to the minimum required to enable the appropriate level of assurance to be given regarding funding.
- The plan is comprehensive and the audit team remains the same as last year, the latter of which was the first time they were able to come on site, post Covid, which made the whole audit experience much easier. The audit team will be on site next week to start the Teachers' pension audit (2 days and at a cost of £1,850 plus VAT which is in line with the previous year). The auditors will also be working on the Skills Development fund grant audit work (reference page 10 of their report); the related fee reference was noted too as detailed on page 21 of the meeting papers pack.
- Page 20 of the papers details the indicative financial statements fee which was within the expected fee range.
- Regarding the fee element, the Chair reported on comments submitted by Sarah Bovill, prior to the meeting – "next year will see significant fee increase driven by new requirements so 2022/2023 audit fee increase is more in line with inflation and it would be useful if the EAs could provide a fee comparison over the last 4 years (rather than currently, with only the previous year as a comparison), together with explanatory notes if possible and Jutta Knapp agreed to put in a request to this effect. **ACTION: Jutta Knapp**
- Regarding fees and referencing item 2.6 below, Jutta Knapp explained that in light of the change in the ESFA funding agreement, Colleges were required to re-tender every 5 years, although there is no requirement to change the audit company. This exercise will be dealt with next year and despite the fact that RSMUK was not likely to be the cheapest quotation, it was recognised how experienced and respected they were in this sector, so once the tender documents have been received, it was suggested that along with cost, expertise, advice and standing within the sector should be taken into account via the Panel's scoring criteria. It was noted that the Chair of Audit Committee would be invited to join the Tender Panel for this re-tendering process. **ACTION: Jutta Knapp**
- The Committee noted that RSMUK had been the College's financial statements' auditors since 2003 and queried whether there was any concern arising from over familiarity etc. In response Jutta Knapp advised that the current audit firm had arisen following various mergers over the years and that the firm had regularly rotated its audit partners, currently being Dominic Blythe. It was agreed that it was acceptable to remain with an audit firm if the College was satisfied with the service and fees and also noted the reference above to re-tendering etc. At this point the work of the External Auditors was noted in comparison to the Internal Audit work, the form being based on more legislative and prescribed requirements, together with a useful knowledge of the education sector, which RSMUK has acquired. Reference was also made to the grant audit work carried out by RSMUK which had been difficult to navigate and which they'd handled very carefully.
- Reference was also made to RSMUK's Emerging Issues document which was available to the Committee and other Governors via the Governors 'Audit Committee Team folder for this meeting.

The External Audit Plan was recommended to Corporation for approval. **ACTION: Jutta Knapp**

2.2 Internal Audit Plan

The contents of the Plan were noted.

- This is the second year of audit using MacIntyre Hudson, since their first appointment via the usual tender process and Jutta Knapp confirmed that to date, the arrangement was working very well.
- The Plan has been drafted following an audit review of the College's risk register, together with discussion with SLT and follow up discussions with Jutta Knapp.
- The internal audit areas proposed this year are – learner numbers (being a requirement of the reduced scope audit every year), financial control (also required annually) – and this year this will focus on budgetary controls and targets, and the third area is a Governance audit. The latter was agreed following a recommendation from S & G Committee in light of the new requirement to seek an External Board Review; assurance will be sought from the governance audit that the College is ready for an EBR. The Chair of Governors has discussed the details requirement from MacIntyre Hudson and the final scope will be agreed with Sandra Prail.
- The Committee queried whether there were other areas which had been considered and it was noted that following a significant restructuring of the Student Services and Guidance areas. However, it was proposed that it would be better to delay this audit for one more year until 2023/2024, so that the new structure has time to develop.

- The Chair reported on a point raised prior to the meeting by Sarah Bovill: before reviewing the strategic plan, she noted the importance of checking the various key risk areas are included and it was noted that risk details were listed in the plan. However, it was questioned whether business continuity would cover crisis management or should this be raised as a proposal for the internal audit plan for the following year. In response Jutta Knapp reported that the IT element was included in the current audit work on Cyber security which is still ongoing (see below), and she confirmed that the most important element of business continuity was based upon IT. She also added that crisis management would be covered within business continuity. In conclusion, it was agreed that assurance should be obtained from the Internal Auditors that business continuity and crisis management were taken into account as explained above. **ACTION: Jutta Knapp**
- The Committee also questioned the IT Health check and Cyber Security audit mentioned earlier, noting that this work had not been completed yet. As the IT Strategy has been revised and is a high risk on the risk register, it was queried whether this should be re-audited regularly. In response Jutta Knapp that the internal audit strategy enclosed is only for next year and that each year the audit work will be considered, which entail a review of this area, if it was thought necessary. It was agreed that the matter should be reviewed once the outcome from the current IT Cyber Security audit has been completed, including the various action plan items, before deciding on further audit work in this area. **ACTION: Jutta Knapp**
- The Chair asked whether any thought had been given to how the new sustainability initiatives would be audited in the future and noting that the College now had its Net Zero Carbon Trust Action Plan and that this would be useful upon which to base audit work at some point. It was agreed to include this in the future list of possible audit areas, within the 5 year plan. As the Internal Audit work is based upon the risk register, it was agreed that next year (next term) a new risk should be added to the register relating to the failure to meet 2030 Net Zero Action Plan **ACTION: William Baldwin/Jutta Knapp**
- Page 33 – the fee information was noted which was in line with the original tender figures, increased below CPI, which were recommended for approval. **ACTION: Jutta Knapp**

2.3 Internal Audit Reports and ESFA Funding Audit Report (Management Letter)

The contents of the Report were considered by the Committee and the following points were recorded:

- ESFA funding audit was completed last September and Jutta Knapp explained that the College was selected at random by the ESFA, noting that as there were fewer SFCs now, there were more frequent funding audits within the sector. Following the audit, KPMG (who tasked to carry out the work on behalf of the ESFA), advised that there were no recommendations required which in respect of any impact on funding. At this point Jutta Knapp explained how this audit compared with one commissioned by the College as part of our Internal Audit Plan, whereby the latter will look at the risk register and controls in place, but not comment on any impact on ESFA funding. The ESFA test the sector funding to ensure that the number of Students enrolled matches the funding provision and where this is shown not to be the case, a proportion of the funding would be clawed back. Jutta Knapp referred to the issues arising during the funding period audited owing to Covid, with some revised processes, less documentary evidence, signatures and Student information which KPMG were able to take into account in its judgement and recommendations. Post Covid the College has moved back to its original processing which were more robust, particularly from an evidence perspective.
- The Chair reported on an observation received from Sarah Bovill regarding the positive outcome from the funding review, which she stated was impressive and this was endorsed by the other Committee Members. Congratulations were recorded to the CIS Team for their work on this audit, during very busy times.
- As the College had had the ESFA Funding Audit, it was not deemed necessary to have the usual Learner numbers' audit, so to avoid duplication, this audit will be carried forward to next year. Accordingly, for this year, instead of the usual 3 internal audits, there were 2.
- Cyber Security audit – as reported earlier this is ongoing and the report one completed, will be circulated to the Audit Committee next term.
- Financial Controls audit – a good outcome was achieved, with substantial assurance being awarded. There was a low priority recommendation relating to procedures for fee updates in respect of debtors and income collection, which will be carried forward as an action and check by the auditors via their follow up audit work. At this point the Committee discussed the detail within the College's business procedures and endorsed Jutta Knapp's recommendation to remove and separately record some detailed procedures, so that the business procedures' document does not become too long, with lots of operational detail. Another minor recommendation which has been agreed by the College is in respect ensuring that 2 signatures are required for all catering income, especially cash, notwithstanding that the cash element is now minimal so the risk has

diminished. The Committee was very reassured following this audit work and report and thanks were recorded to the Finance team for their work.

- Referring back to the interim report on IT Cyber security, and questions raised by Committee Members, Jutta Knapp advised that this had been included in the meeting papers, so that the Committee could see the progress made to date, involving the IT Department and Digital Director. She explained the reasons for the delayed audit work, reporting that as the IT Department had some IT work scheduled to be carried out during the Easter break (less disruption for Staff and Students), it was felt that that it would be more appropriate to have the audit work, after IT had finished the various updates needed. An action plan drafted by the Digital Director and IT Manager, will be brought to the next meeting too. The Committee agreed that it was useful to see the interim report as this was a significant audit, noting that with all the recent changes and implementations relating to digital matters, the College had improved significantly, providing assurance to Governors. The Chair referred to comments received from Sarah Bovill who also found the IT update very useful and had questioned the risk element, noting that cyber risk was scored at the highest level of 9. In response the Principal advised that until the above work has been completed, SLT thought that the risk should remain at a score of 9, and would be reviewed after completion. He referenced the current programming of updating Teachers' Think Pads with a 2 factor log in authentication, being the minimum expected standard in the sector, after which the College's devices will be less vulnerable. Jutta Knapp picked up on Sarah Bovill's point from the audit report, where the auditors have stated that the risk score is too low – but it is at the highest category within the College's risk register. It was suggested that the auditors may have referred to an older version of the risk register (where the risk scores were different) and Jutta Knapp agreed to verify their observation. **ACTION: Jutta Knapp**
- It was confirmed that the final cyber security audit report will be issued next term, with the auditors recommendations and the College's responses, together with a timeframe for implementing any actions necessary.

The financial controls' internal audit report received to date was endorsed by the Committee and recommended to Corporation and the second interim audit report on cyber security, was noted. **ACTION: Jutta Knapp**

2.4 Update on Audit Recommendations

Referring to page 67, Jutta Knapp gave a brief update to the Committee which noted the following:

- Internal Audit Single Central Record – reported to the Audit Committee at the Autumn Term 2021 meeting, with 1 medium priority recommendation. It was confirmed that with immediate effect references were now sought for all posts including invigilators and that the associated procedures had also been updated to reflect this requirement.
- External Audit -3 minor housekeeping recommendations were identified in the Autumn Term 2021 and reference was made to that relating to the fixed asset register which had been action to ensure all evidence was collected/recorded eg Student passports (noting that requirements/evidence had been relaxed during Covid and remote enrolment processes); again, the College's business procedures have been updated too.
- At this point reference was made to the detail incorporated within the business procedures, as discussed earlier, and where appropriate separate operational procedures were established, to avoid including too much operational detail in the business procedures.
- In response to a question from Governors regarding the recommendation in connection with raising purchase orders for everything – Jutta Knapp confirmed that this would not be implemented for examinations as this comprised largely 1 off expenditure in the year and also for electricity; to reflect these one off, significant items, the procedure wording has been revised too.

In respect of all of the recommendations, the auditors will review progress in their follow up audit work next year.

2.5 Performance Indicators for External Auditors

Jutta Knapp informed the Committee that she was very pleased with the EA team, who worked well with the Finance Team, developing good relationships over the years and that they understood the sector, particularly that for SFCs. There were no issues to report relating to their work.

The Committee queried whether the scoring (grade 1, 2 etc), could be used to prioritise and request specific improvement actions for the auditors, but noting that it may not be value added to aspire to achieve a grade 1 in all areas.

Jutta Knapp explained how audit companies worked in terms of the structure of the audit team and it was noted that this traditionally comprised – an Audit Partner, Audit Manager, Audit Supervisor and a Junior Auditor, the latter of whom dealt with the day to day audit work, which provided a good progression.

2.6 Reappointment and Remuneration – Internal Auditors and External Auditors

Reference was made to the fee details recorded earlier in the meeting, together with the associated work plan and Jutta Knapp confirmed that both fee levels were as expected, with the Internal Auditors' figures in line with the tender documents agreed last year and the External Auditors' fees in line with their verbal quotation provided last year (November Audit Committee 2022) recognising the increased work required as detailed above, relating to the funding audit work.

The Committee recommended the reappointment and remuneration in respect of both the Internal and External Auditors, noting that the Internal Audit tender outcome agreed was for a 5 year period. **ACTION: Jutta Knapp**

SECTION 3: CONSENT AGENDA

Policies and Other Documents

1.2 Risk Register

The document was taken as read and reference was also made to the revision recommended for next term relating to Sustainability risk, as recorded above. **ACTION: William Baldwin**

The Committee discussed risks which could be affected by inflation including increase in costs, current national pay negotiation outcomes and potential strike action.

In conclusion, it was resolved to review and revise as necessary the Risk Register early next term, following SLT's termly review. **ACTION: William Baldwin**

The Committee were also reminded that as agreed at a previous meeting, next term the Register would incorporate the T3 column to assist Governors in seeing comparisons with the previous year. **ACTION: William Baldwin**

Taking into account the points raised above, the risk register was recommended to Corporation for approval. **ACTION: Jutta Knapp**

1.3 Risk Assurance Map

The contents of the paper, presented by Jutta Knapp were noted and she confirmed that the document had taken account of the assurance received from the other Corporation Committees, in respect of those risks scoring 6 or 9.

The Map was recommended to Corporation for approval.

1.4 **Anti-Fraud and Irregularity Policy** – noted and agreed as unchanged.

SECTION 4: OTHER MATTERS

4.1 **FRAUD REPORT - it was resolved that owing to the sensitive nature of the business, the record would be transferred to confidential minutes.**

4.2 **ANY OTHER BUSINESS** – None

a) Committee Annual Self-Assessment and Review of Terms of Reference and review of Committee Members' Training Needs

The Committee reviewed the various questions included within the annual committee self-assessment form together with the latest version of the Committee's terms of reference and the following points were recorded:

- The need to increase the number of Governors on this Committee was recorded, but noting that there was a Governor recruitment process underway and recommendations would be made to Corporation to approve new Governor/co-opted Committee member appointments this term, which was very welcome.
- The Committee was reminded that it had been agreed that a Spring Term Audit Committee was not necessary in this academic year, owing to a very light agenda.
- The Committee discussed the chairing of meetings and noted that should the Chair of Committee not be present, there was a proviso in the standing orders and Committee terms of reference which stated that “In the absence of the Committee Chair, the members attending the meeting shall select one of their number to “chair” that meeting”.

The terms of reference were recommended as unchanged, to Corporation for approval. **ACTION: Louise Pennington**

b) AoC Audit and Finance Committee Chairs’ Networking Meetings

Jo Davis reported on the recent online, first networking meeting for Audit and Finance Committee Chairs organised by the AoC which she had attended and highlighted the following topics discussed:

- Slides from the meeting were due to be circulated by the AoC and it was agreed to circulate these to Committee Members when available, noting that there had been various breakout sessions during the event. **ACTION: Jo Davis/Louise Pennington**
- There was more finance discussion at the meeting compared to audit issues.
- ONS reclassification review (whether to reclassify SFC and FE Colleges as public sector rather than private sector organisations).
- This was the first AoC Network meeting and more were planned – dates to be advised.

4.3 Date of Next Meeting – to be agreed.

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) – None.

Thanks were recorded to Simon Porges for chairing.

Louise Pennington

Clerk to the Corporation

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Chair of Audit Committee

Dated.....