

BRIGHTON HOVE AND SUSSEX SIXTH FORM COLLEGE
MEETING OF THE AUDIT COMMITTEE HELD ON
THURSDAY 22ND JUNE AT 6.00 P.M. IN THE PRINCIPAL'S OFFICE

Present: Sarah Bovill, Jo Davis (Chair), Paul Lovegrove, Rob Milton, Neil Perry and Simon Porges.

In Attendance: William Baldwin, Jutta Knapp and Louise Pennington

Chris Rising Internal Auditor (MacIntyre Hudson) joined the meeting via Teams

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

Welcomes: Chris Rising (MacIntyre Hudson)

Apologies: None

The meeting was quorate.

It was resolved to take items 2.2 and 2.3 at the start of the meeting, after which Chris Rising, who was present via Teams to present both items, would then leave the meeting – refer item 2.2 and 2.3 items below.

1.2 Minutes of the Meeting held on 16th March 2023

The minutes of the last meeting were agreed and signed as a correct record of the meeting, subject to the following amendments.

- Simon Porges had submitted apologies for the meeting.
- Revise item 1.6 Tender for External Auditors to read Recommend for approval Alliotts as the College's External (Financial Statements) Auditors, effective from 1 April 2023 for a five year term."
- Item 2.3 Performance Indicators: sub-item a) should read "External Auditors" and sub-item b) should read "Internal Auditors".

ACTION: Clerk/Chair

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.

1.4 Declarations of Interest – None

1.5 Principal's Update

William Baldwin made reference to the updated College Development Plan (CDP) which would be presented to the next Corporation Meeting on 3rd July 2023. He highlighted the following points:

- 1) **Funding:** reference was made to the Budget for 2023/2024 which was presented earlier in the week to the Resources Committee and SLT was able to present a balance budget with a £50K surplus, having spent a long time reviewing all budgets and working practices to reduce expenditure, including proposing new class sizes for next year, so that more Students could be recruited. Regarding the latter, the local demographics are such that there should be opportunities to increase Student numbers during the next few years until 2028. It was noted that the latter was unsustainable going forward without extending the College's estates. SLT is also proposing to lengthen the College day by adding another timetable block and consultation with Managers

and Staff is underway. Unfortunately, the College was unsuccessful in its recent capital bud submission. Furthermore, SLT intends to consolidate the number of GLH (guided learning hours) relating to Student activities, which involves Staff contact time with Students. Overall, the proposals will have an impact on Staff workload, both Teaching and Support Staff, but they are already aware that without such changes being implemented, SLT would have to look for cuts in spending which could extend to redundancies. Next year there will be a funding uplift to the base rate of 2.2%, whereas the cost uplift is 8-10%. The current Staff pay increase in the budget is 4%. It was agreed that Colleges urgently required more funding support and also noting that the NEU Union continued to strike for pay to be improved.

- 2) **Staff Recruitment:** nationally recruitment of Staff in both Teaching and Support areas has been under pressure and BHASVIC has been sufficiently fortunate this year to have all Teaching posts filled for next year, despite some initial difficulties in gaining many applications and some vacancies have had to be re-advertised. The College continues to have specialist Teachers in every subject.
- 3) **BTECs** – Government is proceeding with removing and de-funding BTECs, which currently caters for 250,000 Students nationally and 10% of BHASVIC's Students are studying BTECs. The local FE Principals met with the Education Secretary, Gillian Keegan, recently and she stated that she was not interested in hearing evidence in favour of BTECs and the decision to move to T Levels will be going ahead, regardless of whether these are suitable for Students or that they haven't been tested. The transition will occur in 2024 and Colleges will have to have the details regarding BTEC alternatives for the prospectus due to be published by Christmas 2023 and also have to inform relevant Students enrolling this year, about the changes. It was also thought that the change in qualifications was very unlikely to change even if there is a new Government, following next Autumn's General Election. The Principal disclosed that the Education Select Committee had advised the Government not to introduce alternative qualifications until they had been tried and tested, but the Government has decided to proceed regardless. The College's Curriculum Team is investigation options which will best suit the College and prospective Students.
- 4) **ONS reclassification:** The Committee were reminded of some of the immediate impacts upon the College from the reclassification from the private to the public sector, including the restriction on bank borrowing. The Principal reported that the 1994 VAT ruling did not make reference to Colleges and therefore Colleges weren't entitled to VAT relief, unlike other educational institutions in the public sector. The uncertainty remains regarding Colleges' financial year end, which is currently 31st July and a consultation is underway at present. It's likely that the DfE will want to bring Colleges year end to match the rest of the public sector – being 31st March. However, this won't be helpful to Colleges in light of the academic year commencing in August/September, when enrolment numbers are finalised. ***In response to a question from the Committee regarding the impact of the ONS reclassification on the College's resources, Jutta Knapp confirmed that there had been some additional work to date (completion of a return of spend spreadsheet from 29/11/22 to 31/3/23, together with a further verification exercise), but that there would undoubtedly be more if/when the financial year is revised. It was also noted that consent from the DfE for various matters would be required in respect of bank borrowings, debt write off if more than £40K, and Principal's pay if more than £150k.*** The College's financial regulations have had to be revised to reflect the various ONS requirements, following the change.
- 5) **Corporation Strategy Event – 5th October (from 5 pm)** – The intention will be to discuss the future of SFCs at this event in light of the reducing number within the sector. Governors were also informed that when the existing bank loan terms end (May 2025), and requires re-negotiation, consent is required from the DfE and their processing time is 6 months, so this will have to be included in the calendar.
- 6) **Operational point** – the examination season has progressed well and should finish on 27th June, with an additional day on the 28th June as a contingency. On one of the College's busiest examination days, the JCQ Regulators visited the College to review the administration of exams, which involved a significant number of Students and 25 different on-site venues.

SECTION 2: AUDIT AND INTERNAL ASSURANCE ITEMS

2.1 External Audit Planning Memorandum (Annexes available on request)

Jutta Knapp introduced the item to the Committee and the following was recorded:

- The Committee was reminded that Alliot's had been appointed this year following a retendering process in line with the ESFA Funding Agreement requirements and succeeded RSM, the College's existing external auditors. Thanks were recorded to RSM which had provided an excellent service.

- Jutta Knapp advised that Alliotts were offering a similar approach to RSM which was to be expected within the sector.
- Prior to the latest draft Plan being presented to Governors, Jutta Knapp had met with Alliotts' Partner and the Audit Senior who would be the main point of contact, to review the work and agree the timetable.
- ***In response to a question regarding the letter to be signed***, Jutta Knapp advised that regarding the general audit confirmations referenced in the letter, that there were no fraud issues relevant to this year.

The EA Planning Memorandum was recommended to Corporation for approval, noting that the Audit Committee Chair would be required to sign the audit Letter once approved, at Corporation on 3rd July 2023. The Committee also recommended the proposed remuneration as detailed in the document. **ACTION: Jutta Knapp/Jo Davis**

2.2 Internal Audit Plan

The contents of the Plan, as presented by Chris Rising (Internal Auditors, MacIntyre Hudson), were noted, as follows:

- Proposal for internal audit work during 2023/2024 was drafted in discussion with Jutta Knapp and then endorsed by SLT. The three proposed areas for audit work are quality assurance (with a focus upon data quality assurance), which has not been audited for several years; Premises/estates and facilities, which is classified as a high risk (6); and for financial controls - procurement and creditors has been selected, noting that this due under the rolling programme.
- Section 2 of the Report provides further details and the plan is also linked to the relevant sections within the risk register, where appropriate.
- Section 4 sets out the strategic plan over the 5 year period and also details the audit work results which has been delivered to date.
- Section 5 lists the questions which the auditors suggest the Audit Committee may wish to consider.
- ***The Committee remarked that the audit areas seemed to be lower risk areas and whether this was appropriate.*** In response the Committee was reminded that the audit areas had already been discussed and set out in the original audit strategy and plan. Jutta Knapp reminded the Committee that the safeguarding internal audit area had been deferred by 1 year as the College wanted to complete further work in this area relating to online safety, before having the audit work (noting that the audit only audited work which had been done and not work which was in the planning stage). The Committee reviewed the 3 audit areas, noting that quality assurance was an inherent risk, accepted that not all areas were classified as higher risk, but that there was value in getting independent assurance
- Reference was made to last year's audit on IT health and Cyber security and the time allocated to that.
- ***The Committee also queried whether 1 audit day allocated for follow up, was sufficient in light of the amount of work carried out on IT health/Cyber Security audit work*** and it was noted that additional day/s could be added if necessary. In effect there may be 2 follow up days to cater for the cyber security audit work follow up – being 1 day for this year and 1 day for the following year, particularly if the other follow up work is unlikely to require much time. Chris Rising confirmed that he was waiting for the latest updated programme on the implementation of the audit recommendations made this year.
- ***Governors queried whether there were any new cyber security areas which should be audited*** and in response it was reported that new guidance was due to be issued shortly and that this could be investigated once available. Chris Rising reported that the cyber essential guidelines were a good baseline for the initial cyber security audit, comparing how the College performs against these, with recommendations to be implemented from the internal audit as a first step. **ACTION: Chris Rising/Jutta Knapp** At this point, the Principal referred to the discussions held at the recent Resources Committee regarding the cyber security action plan, reporting that the Committee had asked that the risks which were still classified as “red”, should be placed a cyber security risk register, with a termly update on progress being presented to that Committee – including residual risk, progress and mitigating actions etc
- ***The Committee asked about AI and whether there were any opportunities which the College had or would take forward*** and in response, the Principal confirmed that SLT had started discussions on this with their IT Team, including benefits which could be of advantage to Staff and Students together with emerging risks.

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

2.3 Internal Audit Reports

The contents of the Reports on Learner Numbers and Financial Planning/Budgetary Control, were considered by the Committee and the following points were recorded:

- Both areas audited have resulted in a substantial assurance conclusion in terms of their effectiveness/controls.
- Budgetary Control audit – 1 audit recommendation: in some instances where a departmental budget has overspent, there was not always justification for this on file.
- Learner Number systems audit – 2 audit recommendations, one of which was a medium priority – implementation of the Cedar system, especially in respect of Students, who are required to sign their agreements via e-signature, it was noted that this process had not been well received by Students in year. It was noted that processes to take this forward had been identified in order to implement this requirement effectively, including weekly reminders/prompts to Tutors to check that the Students had completed the necessary actions in a timely manner. The second recommendation, which was low priority, related to the recording of the work experience numbers on the system and it was recommended that this should be completed by the start of the financial year – hence this record should be in place by the start of 2023/2024. **Regarding the ratio of agreements signed by Students 2 out of the 30 sampled), the Committee queried the impact and risk** and in response it was confirmed that this had no impact on funding income and that should the ESFA visit the College to complete a funding audit, they would note that the College hadn't followed due process, but this would not generate any impact on funding itself. It was noted that the main focus of a funding audit was to confirm and seek evidence that all Students were genuine, one of the tests being whether the College has signed learner agreements, but tutorial records and class attendance would also be examined by the ESFA. The Principal also advised that the Learner Agreements with the Students includes clauses to cover general issues and compliance matters such as acceptable use of IT and photo images for College marketing etc.
- **The Committee referred to the budget control audit queried how many budget holders there were and Jutta Knapp confirmed that there were no more than 30.** She also explained that where a budget holder was expecting to exceed their budget, the usual process was to approach the Finance Director regarding the overspend. In almost all cases, this would then be offset by other budgets underspending. It was also noted that payroll was a centrally controlled part of the budget. Regarding the purchase order process, it was confirmed that not all purchases would be made via this process. Unexpected overspends were noted such as examination costs, which has gone significantly over the budget by approximately £100k and again this has been offset by other budget setting areas. It was recognised that the majority of any budget overspend was usually outside the budget holder's control. From October onwards, the Finance Director runs a monthly forecast review of the budgets in order to closely monitor and manage the budget.

The Committee noted the internal audit reports. Thanks were recorded to Chris Rising, after which he left the meeting.

2.4 Update on Audit Recommendations

The contents of the paper were recorded by the Committee noting that there were no actions outstanding in respect of the governance audit.

Regarding the Cyber Security audit, the updated report on this, which went to Resources Committee last week had been omitted in error from the Audit Committee papers and it was agreed to circulate this by e mail after the meeting **(LEP ACTIONED)**. Jutta Knapp gave a summary of the discussion held at the Resources Committee where the updated report had been presented by Jacquie Punter (Assistant Principal, Digital and Communications) and it was noted that the Committee had reviewed the action taken and actions still to be progressed on a line by line basis, with recommendations being made to take forward the outstanding red actions as soon as possible. This included a decision to establish a cyber security risk register relating specifically to the outstanding red actions, to ensure progress is monitored closely and assessed. It was also reported that significant progress had been made in various other areas of the action plan which had been implemented, with only a few outstanding "red" items still to complete.

The Principal reported on the other cyber security related discussion held at the Resources Committee, namely whether it was realistic to accept substantial assurance in this area, and would it be more appropriate to accept "adequate" assurance, bearing in mind in some cases, the unrealistic cost and resources implications, for some of the actions required. The Committee discussed the issues particularly the resource and cost limitations (including upskilling the existing IT Team and/or outsourcing cyber expertise to a consultant etc), and it was recognised that

owing to this, it may not be possible to prevent some risks occurring. It was reported the College had exchanged information regarding the management of cyber security with another College, with the aim of identifying action which could be taken to improve the management of cyber security at BHASVIC.

The Committee discussed common issues relating to cyber security and also questioned management about the key risks where the College's operations would be compromised, together with consequential reputational damage. The Principal gave a summary of these areas, particularly the risk of not been able to access the College's essential data during key points in the year eg examinations and enrolments. The recent breach at a S7 College was noted, including its recovery and action taken to access its data.

During the next academic year, SLT will focus on continuing to implement and progress the outstanding cyber security actions, together with further updates to the Cyber security recovery plan. It was agreed that in 2024/2025 it would be a good time to re-audit cyber security, so that action taken by the College since the recent internal audit in this area, could be audited and further assurance provided to the College; it was also noted that this would fit well with the business continuity audit which is scheduled for 2024/2025. **ACTION: Jutta Knapp**

In response to a question from the Committee regarding the College's Cloud roadmap, the Principal advised that almost everything was in held via Cloud storage, apart from the residual legacy applications, being a significant improvement compared to last year; however Student data is not yet securely stored in the Cloud – currently on "Unit-E" (core Student data) and "Cedar" (new student data system), the latter of which should be resolved shortly. Unit-E is not being replaced hence the College will have to rely on its existing backup storage (3 different back up arrangements are in place for this), which makes this the College's biggest information risk area.

Regarding "Unit-E" and the back up arrangements with Capita, the College's data systems provider, in response to a request from the Committee, the Principal agreed to liaise with Capita and check the contract terms relating to back up, responsibilities, IT failures and consequences and back up operations. **ACTION: William Baldwin**

2.5 Reappointment and Remuneration – Internal Auditors

The Committee noted the remuneration details within page 37 of the papers (Internal Audit Plan) and following assurances provided by Jutta Knapp, the Committee resolved to recommend to Corporation that the auditors be reappointed on the terms provided, noting that this was a 5 year contract and that the fees were in line with the original agreement submitted via the original tender document. **ACTION: Jutta Knapp**

2.6 Risk Register

William Baldwin presented the Register to Audit Committee and the following points were recorded:

- The recommendations from the EBR Report will be considered at Corporation meeting and it was noted that there was a recommendation therein to separate strategic and operational risks and to reduce the overall number of risks listed – which SLT would be taking forward, subject to Corporation approval. Regarding this work, the Committee agreed that in light of the fact that this recommendation would require the Risk Management Policy to be updated, together with a revision to the Risk Register, it would be acceptable for the Committee to receive both revised documents at its next Audit Committee meeting in the Autumn Term, but noting that SLT would be operating under the new Risk Register and RM Policy with effect from the start of the academic year. As a safeguard to determining any issues arising from the revisions, prior to the Committee's formal review and adoption (or not), it was resolved that the Principal should circulate the proposed updated documents during the Summer, including reasons for making such changes. The Principal confirmed that the intention would be to move from 3 ratings to a 5 rating system, the latter of which the Committee endorsed, along with a proposal to add another column into the Risk Register to detail and take forward actions required to reduce risk. **ACTION: William Baldwin.**
- ***In response to a question from the Committee***, William Baldwin gave a brief summary of future strategy ideas for developing the College in light of the difficult funding climate and reduction in the number of SFCs in the FE sector – further details to be discussed at the Strategy event in October.
- The Committee also discussed AI and potential impacts and benefits for the FE sector, noting that this was at a very early stage in terms of making use of the various possibilities – such as analysis, reducing Staff workload in certain areas. However, it was noted that Teaching Staff were taking advantage of some early AI opportunities such as reference writing. It was suggested that an AI discussion could also be added to the Strategy event in October. **ACTION: William Baldwin**

- Regarding strategic framework Paul Lovegrove offered to share ideas with the Principal and it was agreed that this should be done outside the meeting. **William Baldwin/Paul Lovegrove**

Subject to the points and actions already set out above, the current Risk Register was recommended to Corporation for approval. **ACTION: William Baldwin**

2.7 Risk Assurance Map (category 6 or 9 risks)

Jutta Knapp introduced the Map, noting that the key risks remain unchanged and reminding the Committee that the assurance column had been left blank in order for the Committee members to discuss each item and add their agreed level of assurance.

Assurance from each Corporation Committee regarding the risks for which each was responsible, was noted by the Committee.

The Committee discussed and confirmed the following:

- **Risk 3.8 Removal of BTEC qualification impacts on sustainability of study programmes for learners and quality of outcomes:** The Audit Committee was content with the oversight being with Q & C and noted that there was currently no independent assurance, and the latter would not be an option until the College decides its future route for Students who traditional enrol on BTEC courses. It was agreed that this would be kept under review and that no independent assurance could be sought at this time. Therefore, the Committee confirmed that no further assurance was required at this time.
- **Risk 4.1 Adverse Government (pensions, NI, VAT), SFCA (staffing, wages), decisions affect financial health.** The Committee agreed that as per the various entries recorded, it has sufficient assurance in respect of this risk.
- **Risk 4.4 Failure to provide essential accommodation:** despite the risk, there was no further assurance available, apart from the mitigating actions as per the information provided earlier by the Principal in his Update about the proposals to extend the timetable with another block and increase Student numbers etc. Reference was also made to the internal assurance work on premises/facilities scheduled for the next academic year, the outcome from which may have an impact on this.
- **Risk 5.4 Interruption owing to industrial action leads to adverse student experience and impact on staff culture:** In response to a question from the Committee, Jutta Knapp confirmed that the College did not have insurance to cater for this risk. The Committee agreed that the assurance in respect of the risk was sufficient and that there was no independent assurance available for this.
- **Risk 6.7 Significant cyber attack means a period without access to key IT business and communication systems and resources.** The Committee referenced the current situation and on-going issues and work underway as recorded earlier in the meeting, noting that the Committee has up to date assurance following the recent independent review (Internal audit report), together with the action plan and recovery plan, together with future monitoring/risk register for red risks etc.
- **Risk 6.8 Unexpected/unbudgeted increases in cost base (eg inflation, volatility of energy prices), and problems with supply chains lead to budget overspend and resource disruption.** Sufficient assurance had been received by the Committee, particularly in light of the recommendation from the Resources Committee regarding the budget for next year, also showing a small cash surplus.

Jutta Knapp agreed to complete the final column on the Map in line with the decisions recorded above and the Committee recommended this to Corporation for approval. **ACTION: Jutta Knapp**

SECTION 3: CONSENT AGENDA

Policies and Other Documents - None

SECTION 4: OTHER MATTERS

4.1 FRAUD REPORT

It was confirmed that there were no instances of fraud of which the College was aware, since the last meeting.

4.2 ANY OTHER BUSINESS – None

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

The Committee considered each of the standard questions and there were no issues arising in respect of these, noting that last year the Committee membership had been strengthened with 2 new Members.

It was noted that subject to the Chair/s election process due to take place in the July 2023 Corporation meeting, if Simon Porges (current member of Audit and Deputy-Chair of Audit Committee), was elected as one of the Co-Chairs of Corporation, he would have to step down from the Audit Committee. As mentioned above, as the Audit Committee has been strengthened with 2 new members, it was agreed that the membership remained strong, but should be kept under review by the Audit Committee and Search and Governance Committee. A new Committee Deputy-Chair would also need to be appointed. **ACTION; Louise Pennington/Jo Davis**

Referring to the discussion above, following a review of the current Audit Committee terms of reference, it was resolved to revise the wording relating to selecting a Chair at a meeting should the current Chair be absent, noting that this should be re-worded to record that the Deputy Committee Chair would take the Chair in that instance. **ACTION: Louise Pennington**

Other AOB items:

1) Front Sheet Papers to Accompany Papers to Corporation for approval or for information

It was resolved that the front sheets in respect of items to be included in the Corporation meeting papers, should include a record of the discussion, and recommendation held at the Committee Meeting, along with the meeting paper (revised if necessary). Regarding papers included within the consent agenda, it was confirmed that links would be included in the agenda to those papers, although the front sheet would be included in the meeting pack. **ACTION: Jutta Knapp/William Baldwin/Louise Pennington**

2) External Board Review (EBR) Report

Simon Porges reported on his email to the Committee members regarding the EBR report which was received at the end of last week and referred to the 1 audit committee recommendation, which stated "include an explicit agenda item for a private meeting between the Committee and Audit Teams. The Committee discussed this and in conclusion resolved to add an agenda item at the start of the meeting, at one of its meetings during the year (probably Autumn Term, when both the External and Internal Auditors are due to be present). This would allow, in the absence of management, for the auditors and Committee members to raise any issues they may have relating to the management of the audit with the College team. **ACTION: Louise Pennington**

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) – not applicable

The meeting closed at 7.40 p.m.

Louise Pennington

Clerk to the Corporation

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Chair of Audit Committee

Dated.....