

**Greater Brighton Metropolitan College  
Audit Committee**

**Minutes of a meeting held at the West Durrington Campus on  
Monday 4 December 2017 commencing at 17.30**

**Present:** Natalie Brett, Kathleen Downes, Eileen Houghton (Chair), Rob Lee

**In attendance:** Dominic Blythe (RSM UK Audit Ltd), Jenny Brooker (Governance Adviser), Mark Crowter (RSM UK Audit Ltd), Graham Gillespie (Wylie & Bisset), Nick Juba (CEO), Jon Rollings (COO), Sonya Panova (Grant Thornton),

**Apologies:** Jim Hynes (Staff Governor)

*(Prior to the start of the Meeting, the Audit Committee Members held an 'in camera' session. Confidential notes of the session were recorded by the Clerk).*

**MINUTES OF THE MEETING OF 9 OCTOBER 2017**

45. The minutes of the meeting held on 9 October 2017 were taken as a correct record and signed by the Chair.
46. It was reported that the minutes of the last meeting of the Audit Committee of each predecessor institution had not been formally approved. The minutes of the City College Brighton & Hove Audit Committee held on 5 March 2017 were taken as a correct record and signed by the Chair. The minutes of the Northbrook College Audit Committee held on 7 March 2017 were taken as a correct record and signed by the Chair.

**MATTERS ARISING**

47. The Committee received and noted a schedule outlining the progress of actions from the minutes of the last meeting. All actions were complete or on schedule. It was confirmed that Wylie & Bisset had been appointed for a three year contract with the option to extend by two years.

**2016-17 FINANCIAL STATEMENTS AND EXTERNAL AUDIT REPORT**

48. The Committee received for consideration the GBMet 2016-17 financial statements, the draft audit findings report for the year ended 31 July 2017 and the draft audit findings report for City College Brighton & Hove (CCBH) for the period ending 30 March 2017.

**City College Brighton & Hove**

49. Presenting the Auditor's Management Report on the dissolution accounts for CCBH, Dominic Blythe advised that outstanding was an fully updated draft of the CCBH

Financial Statements and a reconciliation of income against the confirmation statement from the Education & Skills Funding Agency (ESFA) confirming funding for the period to 30 March 2017. Although there were a number of adjusted misstatements these were primarily presentational with a net impact on the Income Statement of only £35k.

50. In response to queries from Members, it was confirmed that:
- There were no material issues at the year-end regarding capital grants but some slight differences regarding grant release profiles and depreciation which would need to be resolved as part of the standardisation of fixed asset accounting for the consolidated merged College.
  - With regard to internal controls review points, an issue regarding control over journals input would be rectified by a process of formal management review.
  - The identified need for the register of interests to be shared with the finance team would aid the identification of any related party transactions.
  - The stock transfer form for City Apprenticeships limited had not been dated by the Eversheds during the merger process. It was noted that RSM UK Audit was liaising with Jon Rollings on the strike off of the company.
  - The only key difference to the standard letter of representation was that the pension actuary calculation was completed in March rather than at the year end.

### **Greater Brighton MET External Audit**

51. Presenting the external audit report for GBMet, Dominic Blythe reported that, using merger accounting, the financial statements treated the two prior entities as if they had been one for the full financial year. Some outstanding information was awaited from management but the majority of this had been supplied earlier that day.
52. In response to queries from Members it was confirmed that:
- A breakdown of each entity up to the point of merger was included within the accounts.
  - There was provision for claw back of £220k of ESFA funding, in line with the College's forecast position.
  - With regard to going concern – there had previously been concern over a relatively small level of headroom in the banking covenant tests. Jon Rollings advised that based on the latest calculations, headroom was approximately £90k and was therefore no longer an issue.
  - Greater Brighton Skills Ltd had been consolidated within the financial statements, and separate accounts would be prepared.
  - There were more adjustments than may be expected and this was attributed to two institutions being brought together and a number of minor differences in approach between the predecessor Colleges.
  - Depreciation policies on both predecessor institutions had been appropriate with both depreciating over estimated useful life. However, the estimated useful life had been different for both institutions and harmonisation should be considered going forward.
53. The Governance Adviser said that marketing were ensuring that the website included all information that was required under legislation and regulation. In the light of recent news events, the importance of ensuring course information was accurate was identified.

### **2016-17 GBMet Financial Statements**

54. Jon Rollings confirmed that the draft financial statements were in the standard form and followed the prescriptive requirements set out by the ESFA.

**Resolved:**

**The final version of the draft accounts to be sent to Eileen Houghton and Rob Lee for comment in advance of the Board meeting.**

**Resolved to Recommend:**

- (i) That, on the basis of the opinion offered by the Corporation's external auditors, RSM UK Audit LLP, the 2016-17 financial statements be approved by the Corporation.
- (ii) The letters of representation and regulation be signed by the Chair.

[Dominic Blythe and Mark Crowter left the meeting at this point]

## **INTERNAL AUDIT REPORTS**

### **Annual Report of the Audit Committee**

55. The Committee received for consideration the draft Annual Report of the Audit Committee for 2016-17. Presenting the report, the Governance Adviser stated that under the Audit Code of Practice, the Committee was required to produce an annual report for the Corporation which included:
- a summary of the committee's work during the year
  - any significant issues arising including significant matters of internal control
  - the committee's view of its own effectiveness and how it has fulfilled its terms of reference
  - the committee's opinion on the adequacy and effectiveness of the corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets
56. The content of the report included the work of both internal audit services for 2016-17 and the annual opinion of Mazars which was that "governance, risk management and internal control arrangements are generally adequate and effective to manage its achievement of the college's objectives".
57. In discussing the report, it was confirmed that the Committee was responsible for arriving at its own opinion and this was based on the internal audit work undertaken through the year.

**Resolved:**

**The 2016-17 Annual Report of the Audit Committee be approved and submitted to the Corporation and the ESFA.**

## **INTERNAL AUDIT REPORTS - Brighton (Grant Thornton)**

*Supporting papers presented by Sonya Panova, Grant Thornton*

58. Sonya thanked the Committee and the College for the support she had been provided at this, the last meeting of Grant Thornton.
59. The Committee asked that their thanks to Grant Thornton and Sonya Panov be placed on record. Jon Rollings advised that there had been a significant improvement in communications with Grant Thornton since Sonya Panov had been appointed as the colleges' audit manager and he thanked her for her work.

### **Follow Up Report**

59. Of the 15 recommendations followed up, ten were complete, one was in progress and seven was superseded. The one in progress was in relation to data protection and would be implemented as part of GDPR regulations.

### **Annual Report**

60. An outline of audit reports conducted during the year was provided within the report. Two high priority recommendations had been raised during the year– one related to marketing for student recruitment and one for health and safety. It was confirmed that the recommendations were being taken forward in the merged college.

## **INTERNAL AUDIT REPORTS - Worthing (Mazars)**

### **Follow Up Report (Draft)**

61. Of the 49 recommendations followed up, 25 were complete, 12 had been superseded, 11 were outstanding (4 of which the target date was not yet due) and 1 was in progress.
62. In response to queries, Jon Rollings advised that in advance of the reports being produced, he had met with Grant Thornton and Mazars to go through all recommendations and identify those that had been superseded.
63. He confirmed that priority one and two recommendations that remained relevant and had not been implemented would be taken forward and an action log created to allow the Committee to monitor progress.

### **Annual Report**

64. The Mazars Annual Report had been received and circulated earlier that day. Their annual overall opinion was that systems were generally adequate. Due to the delay in the receipt of the document, it was agreed that Members would review the document and provide and feedback or questions on its content to Jon Rollings.
65. The Committee asked that their thanks to Mazars and Dan Canham, for the work for Northbrook MET be placed on record.

[Nick Juba arrived at the meeting at this point]

## **PROGRESS REPORT ON THE IMPLEMENTATION OF AUDIT RECOMMENDATIONS**

66. Jon Rollings reported that outstanding audit recommendations for implementation had been included within the follow up reports of both internal auditors.

**Resolved:**

**The schedule of outstanding audit actions to be brought to future meetings of the Committee with an overview by the newly appointed internal auditors.**

[Sonya Panova left the meeting at this point].

**AUDIT OF COMPLIANCE WITH THE CODE OF GOOD GOVERNANCE FOR ENGLISH COLLEGES'**

67. Presenting the report, the Governance Adviser stated that the evidence for the audit had primarily come from Board papers and minutes for the 2016-17 period. The Corporation was deemed to be in compliance with all clauses of the Code with the exception of two best practice clauses relating to a Search Committee as the Corporation did not have such a Standing Committee.
68. Arrangements under seven clauses had been identified as areas of governance that could possibly be enhanced. These related to corporate social responsibility, the content of a public value statement, the regularity of monitoring of complaints by the Board, oversight of GB Skills as a subsidiary company, the potential production of an annual report by the Remuneration Committee and a further review of the governor role description to ensure it met expectations with regard to governor time for student and staff engagement.
69. Members sought further information on governance oversight of Greater Brighton Skills Ltd, a subsidiary company of the Corporation. The Governance Adviser reported that she had sought advice from external audit on this issue and been advised that the current level of materiality of the company meant that it was currently low risk. A report to the next meeting of the Corporation had been commissioned which would provide an overview of the company and its activities and propose that governance oversight include consideration of the Company annual accounts in December and the Company budget in July. It would also ask Members if they would like any supplementary information such as minutes of the quarterly Director meetings.
69. It was agreed that management would consider the recommendations for governance enhancement and a report on the outcome of this would be submitted to the Board for consideration.

**Resolved:**

- (i) That the Board had complied with the Code of Good Governance for 2016-17 excluding those elements relating to a Search Committee.**
- (ii) That Management consider the areas identified for enhanced governance and make recommendations to the Corporation on these areas.**
- (iii) A report to the Corporation on governor oversight of Greater Brighton Skills, be circulated to the Committee.**

**PLAN FOR THE DEVELOPMENT OF THE INTERNAL AUDIT STRATEGY**

70. Due to the timing of the appointment, a full strategy had not yet been developed but a plan had been produced for the development of the Strategy. Presenting the plan, Graham Gillespie advised that the Strategy would be developed taking consideration of prior audit reports, the risk register, information provided by management and discussion with Audit Committee Members.
71. With regard to the timescale, it was envisaged that the Strategy would be available for approval in January. In response to concerns that insufficient internal audit work had been conducted in recent months, Jon Rollings advised that internal audit generally undertook most of their field work between January and May. This was confirmed by Graham Gillespie.
72. The importance of the Strategy being developed as soon as possible was discussed.

**Resolved:**

**The internal audit strategy be approved by written resolution.**

**RISK MANAGEMENT UPDATE**

**Risk report, Key Risks and Assurance map**

73. Presenting the risk management report, the COO advised that the risk register had been revised to align with the Strategic Plan. The Assurance Map had not yet been updated and would be revised to be in line with the new key risk schedule.
74. In response to queries, the CEO explained the rationale for the high probability score given to the risk of the curriculum not meeting student/employer requirements. There were multiple sector changes taking place including the introduction of T levels and apprenticeships moving from frameworks to standards. In addition, the College was developing curriculum strategies and its potential HE offer.
75. It was identified that it could be argued that actions being taken to mitigate risks could mean the level of probability was overstated but it was agreed that it would prudent to err on the side of caution as some issues were outside the Colleges' control e.g. the work/actions of local Universities.
76. Reflecting on the risk register, the Committee welcomed the new format as more user friendly and relevant than the prior template. In response to queries, Jon Rollings advised that actions were monitored through specific projects included in the Annual Operating Plan (and monitored by the Post Merger Implementation Board) or business as usual, (monitored via the monthly CEO Report).
77. The Committee considered whether it would require further information on the work underpinning each risk and whether it should conduct a deep dive into a risk theme from time to time. It was identified that the monthly CEO report should be circulated to the external members of the Committee to ensure they were kept informed of College performance and forthcoming risks, together with the bi-annual review of progress against the Annual Operating Plan.

**Resolved:**

- (i) External Members of the Committee to be provided with the monthly CEO report and reports on the implementation of the Annual operating plan.**

- (ii) **Nick Juba, Jon Rollings and Jenny Brooker to discuss the potential for the Committee to conduct a deep dive into risk areas.**
- (iii) **Input from Wylie & Bisset be sought on the development of the assurance map**

## **FINANCIAL HEALTH DASHBOARD**

78. The Committee received for information a letter from the Education and Skills Funding Agency (ESFA) regarding the College's financial health accompanied by a financial health dashboard. The ESFA had graded the College's financial health as Satisfactory for 2016/17 and 2017/18.
79. In response to queries, Jon Rollings advised that the financial health assessment was based on operating performance, gearing (ratio of borrowing to income) and liquidity (cash balances). He advised that the College was relatively low geared but the liquidity position was lower than ideal. The college had a revolving credit facility of £3m which was undrawn and therefore not represented in the ESFA model.

## **FRAUD, IRREGULARITY & WHISTLE-BLOWING**

80. The Committee was advised that there was nothing to report on this standing agenda item.

## **2016-17 COMMITTEE SELF-ASSESSMENT**

81. Presenting the report, the Governance Adviser stated:
- All decisions made by the Committee during the year had been in compliance with the Committees' terms of reference.
  - All elements of the committees' terms of reference had been achieved with the exception of the review of anti-bribery, fraud & whistleblowing procedures which had been reviewed directly by the Board in advance of the merger.
  - A summary of the skills and experience of Committee Members demonstrated that key areas such as 'financial management, audit and risk' and 'strategic finance' were well covered.
82. The Committee considered responses to a number of questions set to aid the committee self-assessment process. Members agreed it had been a transitional year and having one internal auditor for the whole College would facilitate the work of the Committee. It was identified that:
- Papers should be circulated on Wednesdays preceding the Monday meeting of the Committee, in line with Board practice
  - All papers should be accompanied with the standard Corporation meeting cover sheet.
  - The composition of the committee would need to be reviewed in the light of the governor recruitment process taking place.

### **Resolved:**

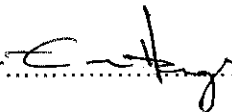
- (i) **The Committee complied with and achieved its terms of reference for 2016-17 (with the exception of the review of anti-bribery, fraud & whistleblowing procedures).**
- (ii) **That the deadlines for supply of meeting papers be circulated to auditors**

(iii) That the composition of the committee be reviewed in the light of the current governor recruitment process.

**DATE OF NEXT MEETING**

83. It was confirmed that the next meeting of the Committee was scheduled to take place on Monday 5 March 2018 at 17.30 at the Brighton Central Campus.

The meeting closed at 7.10pm.

Signature of Chair  Date 5/3/2018