



Minutes
Meeting of the Audit Committee
Wednesday 4 October 2017 at 4.30pm
Principal's Office

Present :	Neil Dew-Gosling	Governor
	John Petitt	Governor
	Frank Pitkin	Governor
	Andrew Try	Governor (<i>Acting Chair</i>)
 Apologies:	 Gareth Osborn	 Governor (<i>Committee Chair</i>)
 In attendance:	 Richard Munday	 Finance Director
	Gillian May	Principal
	Tracy Reeve	Clerk to the Corporation
	Mark Ashton-Blanksby	ICCA (Internal Auditors)

32/17 Chair's Agenda Item

There was no Chairs agenda item.

33/17 Apologies for absence

Apologies had been received from Gareth Osborn.

34/17 Notification of any other business

There was none.

35/17 Notification of any interests

There was none.

36/17 Minutes of the Audit Committee meeting held on 21 June 2017

The minutes were approved and signed by the Chair as a correct record.

37/17 Matters Arising

- Benchmarking review of MIS staff costs (min. 18/17 page 1): It was noted that this internal audit report (10.16/17) would be brought to the next Audit Committee meeting as the management responses from the College were still being finalised.

There were no other matters arising that were not already covered by the agenda.

38/17 Audit Committee Annual Schedule of Business

The Clerk presented the 2017/18 Annual Schedule of Business for approval.

The Annual Schedule of Business for the Audit Committee 2017/18 was APPROVED as presented.

39/17 Draft Audit Committee Annual Report to the Corporation 2016/17

The Clerk presented a paper outlining the work of the Audit Committee for the Financial Year to 31 July 2017. This would be presented to the Corporation in

December 2017 to provide assurance around the Audit Committee's work during the 2016/17 year. Members were reminded that this document had to be submitted to the ESFA with the College financial statements. It was suggested that the report should include the Ofsted inspection undertaken at BCA in March 2017 which included positive findings on governance.

It was noted that this initial draft would be re-presented for final approval at the November 2017 Audit Committee meeting when the auditor's performance indicators would be agreed and appended to the report. The auditors would be asked to self-assess against the performance indicators in advance of this meeting.

It was AGREED that:

- i) The draft Audit Committee Annual Report 2016/17 to be approved with the addition of a reference to the positive outcome from the March 2017 Ofsted inspection.***
- ii) The auditors should self-assess against the annual performance indicators in advance of the November 2017 meeting.***

40/17 Internal Audit Visit Reports:

08.16/17 Apprenticeship Provision

MAB presented a verbal update on the recent internal audit visit which had looked at Apprenticeship provision at the College. It was noted that this had been commissioned following the Ofsted Inspection to review progress with the College having taken the provision of Apprenticeships back in-house, in autumn 2017. MAB highlighted that the draft report had been issued and contained some quite detailed complex recommendations which management were considering. The outline recommendations were noted by the meeting and Governors sought confirmation on when the final report would be presented to Audit Committee; this was confirmed as the next meeting. RM highlighted that the contribution analysis was very complicated and was currently being finalised.

The meeting noted that this ICCA review would inform the College strategy for Apprenticeships moving forward. Governors sought clarification from the SLT on how they saw current progress after taking the provision back in-house. The Principal reminded the meeting that although the apprenticeship provision was not yet break-even this was in line with the stated strategy and timeline. It was noted that the recent changes to Apprenticeship funding and the introduction of the levy paying system was extremely complicated and had generated resource issues within the Apprenticeship team at BCA. Governors were pleased to hear that the quality of the provision had increased during the last year and was now above the national average benchmark. GM was confident in delivering the growth plan but the issue around efficiencies of delivery was more difficult as learning the new systems and processes was a challenge against the drive for efficiency. Governors sought clarification on when they would see an update on the strategy for Apprenticeships and GM confirmed that this would be brought to the next Governors Strategy and Training Day in spring 2018. The College strategy would be to focus on land-based apprenticeships where there were higher margins and less competition from other colleges and private providers. MAB reminded the meeting that the college should undertake careful due diligence before embarking on any new curriculum areas to ascertain whether they would be a good strategic fit within the overall BCA portfolio.

05.16/17 Higher Education (HE) Strategy

The meeting noted this advisory review of the College's HE Strategy which had been undertaken earlier in the year. The audit had looked at the following seven control objectives within HE: structure; strategy; financial forecasts; return on investment of programmes; financial support; operational planning and delivery; and marketing support. The two areas for improvement were noted as being in relation to the HE strategy and marketing support. Governors discussed the recommendation around ensuring that the HE strategy was realistic in terms of targets and reflected lower recruitment onto several HE courses. The Principal informed Audit Committee that the new Veterinary Physiotherapy course had recruited so well that the 2017/18 enrolment for HE was now above target. There had also been 14 additional enrolments to the HE Child Development course (accredited by Reading University) once the requirement for GCSE English and maths had been removed by the awarding bodies earlier in the year. Governors sought clarity on the viability of Floristry as an HE option as numbers were low. The Principal confirmed that the majority of the floristry courses would move over to an apprenticeship model but that an element of floristry could be run on a marginal cost basis with small numbers of HE students being 'dropped into' a workshop model with other levels. The meeting was reminded that BCA had pulled out of the HE Sport delivery before 2016/17 due to it not being financially viable; the resource had been diverted to the Vet Physio course which played to BCA's strengths and specialism. The meeting discussed the challenges around maintaining a strategic land-based HE offer in the face of stronger competition from Universities who were looking at delivery of higher level apprenticeships. It was agreed that the College would need to have a very clear understanding of its strengths and areas for improvement, and develop a strategy around differentiation which was adhered to.

The meeting sought clarification on how the recommendations would be implemented and the Principal confirmed that the HE Strategy would be reviewed after the HE Quality Review Visit (10-11th October 2017). It was also noted that a separate review of HE provision would be included in the College's termly Quality Review Board (QRB) timetable with immediate effect.

***The IAS visit report 05.16/17 Higher Education Strategy was RECEIVED
The IAS visit report 08.16/17 Apprenticeships would be presented to the next Audit Committee meeting in December 2017.***

41/17 Annual Internal Audit Service Report 2016/17

MAB presented the Internal Audit Service (IAS) Annual Report 2016/17 from ICCA; this contained an unqualified opinion (reasonable assurance) on the College's systems of internal control, governance and risk management. It was noted that the two IAS reports deferred for presentation to the next meeting (Benchmarking of MIS and Apprenticeships) were both advisory reports so would not have an impact on the IAS opinion in the annual report. MAB clarified that 'reasonable' assurance was the highest level available; it was either 'reasonable' or 'limited' if fundamental weaknesses were identified. The meeting considered the 'summary of internal audit activity' table on page 4 and noted the preponderance of 'green' ratings; MAB confirmed the strong profile and also highlighted the 100% implementation of recommendations which had been identified by the in-year 'follow-up' work. Members were pleased to be reminded that five of the six formal IAS visit reports during 2016/17 had generated substantial assurance, with the sixth being graded at 'reasonable' assurance. For a second consecutive year there had been no high priority recommendations made during 2016/17. The members thanked ICCA for their useful input during the year which had continued to be a source of good

practice and a force for positive change and improvement in processes at BCA. The Principal highlighted how useful the four 'advisory' reviews had been in providing challenge for the SLT. NDG as a new member of the Audit Committee sought clarification on the cost of the 31 days IAS provision; this was confirmed as circa £14,000.

IAS Plan 2017/18: The FD informed the meeting that there had been one amendment to the IAS Plan agreed in June 2017; the SLT had decided to remove the ICCA review of College residences/ student accommodation out of the plan. Governors sought, and were given, reasons for this change and it was noted that this review could be undertaken more effectively by internal BCA staff. It had been decided that a more effective use of ICCA's time, in relation to risk, would be to review the College's strategy for the new General Data Protection Regulation (GDPR) coming into force on 25th May 2018.

The IAS Annual Report 2016/17 was RECEIVED.

42/17 External Audit: Timetable for Annual Accounts 2016/17

Members received an update on the timetable for the annual financial statements audit from the Finance Director (RM). RM confirmed that the external auditors, RSM UK Audit LLP, had just finished on site and would be completing the work on the financial statements during the next few weeks. The Audit Senior from RSM, Sarah Mason, had been into BCA earlier in the week (3rd October) for a closing meeting. The timetable would allow for completion of the accounts so that a draft was available in mid-October and they would be brought to Audit Committee for approval on 6 December 2017 along with the results of the detailed testing in the management letter. Governors sought, and were given, assurance that the management letter would also be reviewed by ICCA in case it needed to inform their IAS work plan for 2017/18. Governors sought, and were given assurance that the external auditors had not raised any issues around the 'going concern' judgement. The FD informed the meeting that the College had been in a apposition to give the auditors assurance over the cash position for the 2 years 2017/18 and 2018/19. The surpluses generated in 2015/16 and 2016/17, the improved cash position and the improved operating position of BCA during the last financial year made the 'going concern' judgement more secure. The Principal commended the Finance Director and his team for achieving another clean audit – the third consecutive year - with only minor adjustments which had no impact on the Income and Expense account.

The meeting discussed the positive contribution of the HoDs as budget-holders at BCA and their interaction with the College's financial controller on a regular basis. This close monitoring at departmental level as well as within the Finance Team had enabled costs to be kept under tight control. Governors agreed that it would be nice for Governors to feedback this positive commendation to HoDs during Link Governor visits.

NOTED

43/17 Board Assurance Framework/ Risk Register

The meeting considered the College Assurance Framework and Risk Register report which had been updated since the last Audit Committee meeting in June 2017. Audit Committee members were reminded that the Risk Register report had been discussed in detail at the Corporation meeting the previous week. The meeting was reminded that the following updates had been made; the risk around

the listed asset had been raised to a 'red' rating of 20 post-mitigation; the risk rating around Health and Safety had been reviewed and even though the SLT were assured by the very competent Health & safety Manager it had been agreed that due to the nature of the BCA Campus and curriculum this required a risk score of 15 and an 'amber' risk rating. The Principal confirmed that the risks around the new GDPR requirement would be added to the College Risk Register once the specific risks had been identified by the ICCA review; this would be before the December Audit Committee meeting.

Governors sought additional detail around Risk 9 'Lack of succession planning and staff retention strategies'; FP questioned that the risk score was still 'red' after ongoing investment in CPD. The Principal confirmed that being a small college BCA had limited opportunities for career progression and that budget constraints had meant that the overall CPD wish-list could not be met. The CPD budget for 2017/18 was capped at £70k and the wish list had amounted to £130k. The meeting agreed that in common with other small organisations BCA remained vulnerable to the loss of key personnel and agreed that the College should have an action plan to mitigate any negative impact. The Principal reminded the meeting of the pay-cut applied to all BCA staff in January 2014 and that staff were still due back an element of that cut: 4% of salary for SLT, and 2% for other staff. However it was noted that most members of staff (apart from SLT) had received some upward salary movement due to job re-alignment or taking on additional responsibility during the last 3 years. Governors asserted the need for data on the actual gap between BCA salaries and the benchmark data and an action plan to get salaries back to the sector benchmark position. The meeting was reminded of the additional 'softer' benefits being provided to staff such as counselling services, health and wellness days and social clubs. The FD confirmed that anecdotally staff morale was good which was validated by the results of the staff survey.

The meeting considered the risks around IT and ransomware attacks and sought confirmation that the College had adequately considered disaster recovery. The FD informed the meeting that the College's new insurance brokers had been into BCA and had looked at the College's Disaster Recovery plans; they would be providing a report with any relevant recommendations.

The Board Assurance Framework/ Risk Register was RECEIVED.

The Risks around GDPR would be added to the Risk Register once clarified by the internal audit in October 2017.

It was AGREED that the Disaster Recovery report from the insurance brokers should be presented to the next meeting of the Audit Committee for information.

ITEMS FOR INFORMATION

44/17 Register of Outstanding Audit Recommendations

Members noted that all of the outstanding recommendations related to internal audit reports. The meeting commended the clear format of the report with RAG ratings highlighting any areas where progress for implementation was running late. It was noted that those recommendations cleared by the internal audit follow-up visit in June 2017 had been removed from the report. The FD clarified that the 'current status' column related to BCA Management's view of progress; the recommendations would only be deemed to have been completed when ICCA undertook their follow-up audit of previous years recommendations (in term 3 of

2017/18). Members were pleased to note that there were no outstanding recommendations rated 'red' and were assured that the remaining 'amber' recommendations were all moving towards a 'green' classification by the year-end.

The report was NOTED.

45/17 Debtors Report

The meeting noted the Debtors Report which was now a standing item on the Audit Committee agenda. Governors were pleased to note the ongoing positive movement in aged debt and the progress made with tightened credit control within the College. The FD commended the Finance Team staff continuing to focus on this area; the debt write-off at year end 2016/17 was at a very low level (£5,000 - £10,000). JP sought clarification around the credit of £48,000 on page 3; this was a pre-payment for the whole year from London Borough of Hillingdon for High Needs Learners.

The Audit Committee asked management to pass on their thanks to the Finance Team.

The Debtors Report was RECEIVED.

46/17 Record of Fraud, Irregularity or Whistleblowing 2017/18

The meeting noted this nil return for the year to date 2017/18.

NOTED

47/17 Dates of next meetings

The Audit Committee meeting dates for 2017/18 were confirmed as:

- Wednesday 6th December 2017 at 4.30pm
- Wednesday 7th March 2018 at 4.30pm
- Wednesday 20th June 2018 at 4.30pm

NOTED

48/17 Any Other Business

• LGPS Pension deficit

The Finance Director (RM) presented a paper which had been circulated to Audit Committee members and the Chair of Governors on 29th September. The paper was an update on the LGPS paper which had been discussed at the Corporation meeting on 20th September 2017. Audit Committee members were reminded that as stated in the reports BCA had two separate issues with the LGPS pension scheme: the continuing increase in the deficit as calculated under FRS 102; and the recent request from the Pension Fund Manager for the actuarial deficit to be repaid (by 2030). RM clarified that the paper under consideration related to the first point only; a final update about the repayment request would be provided at a future date (and at the Corporation meeting in December at the very latest). RM informed the meeting that work was currently being undertaken to remedy the impact of University of West London stopping contributions on the 4 FE College 'partners' in BCA's pension pool. Governors noted that the next meeting of the Pension Fund would take place in November and it was hoped that UWL would be removed from the pool at this point. The meeting sought clarification around any risk and it was noted that there could be a small element of risk sharing reserve across the 4 FE colleges but this would be considerably smaller; the expected level of repayment for BCA would reduce from £335,000 per annum to circa £140,000.

The meeting was reminded that the supplementary paper issued on 20th September included a statement from the FD that ‘in light of the comments made above, and information received from FDs at other FE colleges, I intend to ask for the deficit calculations to be reworked using the following assumptions (all other assumptions to remain the same): salary increase to be reduced from the current 4.2% assumption to 3.5%; pension increase to be reduced from 2.7% to 2.2%.’ The meeting was reminded that the request for the reduction in the pension increase was based solely on rates used by other funds. The likely impact of these changes had been estimated as a deficit reduction of £1.8m.

The meeting noted the detail of the revised report from the actuaries using the adjusted assumptions referred to above and the important features in relation to the overall Liability, Assets and Net Deficit in the pension fund. The meeting was pleased to note that the revised assumptions would result in a decrease to the previously advised net deficit as at 31 July 2017 by £2.04 million; the revised deficit would be £8,512,000 compared with the previous figure of £10,552,000. This would also represent a reduction compared to the prior year figure of just under £0.5 million (from £9.01 million).

The FD informed the meeting that the audit partner and manager at RSM believed that the challenge to the assumptions was reasonable but asked that the SLT obtain formal Corporation approval to the changes. This would be brought to the extraordinary Corporation meeting to be held at 6.00pm meeting on 4 October and then formally to the December 2017 Corporation meeting with the 2016/17 Financial Statements. Governors sought clarity on whether this change would have a material impact on the financial forecasts and it was noted that it would have a minimal impact - £10,000 to £15,000 - for 2017/18 as only 4 months of the year would be impacted. However, the effect on the bottom line for 2018/19 would be a positive variance of £80,000 - £90,000. The meeting agreed that the high risk score on the Risk Register around LGPS should be maintained until the College had received written confirmation around both aspects of remedial action.

It was AGREED that the Audit Committee should APPROVE the changes to the LGPS actuarial assumptions as outlined above and recommend them to the Corporation for approval.

There was no other business. The meeting closed at 5.40pm.

Signed.....

Date.....