



Part 1 Minutes

Meeting of the Audit Committee Wednesday 21 June at 4.30pm Principal's Office

Present:	John Petitt	(JP)	Governor (<i>Acting Chair</i>)
	Frank Pitkin	(FP)	Governor
Apologies:	Gareth Osborn	(GO)	Governor (<i>Chair</i>)
	Andrew Try	(AT)	Governor
In attendance:	Gillian May	(GM)	Principal
	Richard Munday	(RM)	Finance Director
	James Newton	(JN)	RSM (<i>External Auditors</i>)
	Tracy Reeve	(TR)	Clerk to the Corporation
	Scott Winter	(SW)	ICCA (<i>Internal Auditors</i>)

13/17 Chair's Agenda Item

There was no Chair's agenda item.

14/17 Apologies for absence

Apologies had been received from Gareth Osborn and Andrew Try. The meeting elected John Petitt as Acting Chair. Members were reminded that Neil Dew-Gosling (newly appointed Corporation member) would be joining the Audit Committee from September 2018.

15/17 Notification of any other business

There was none.

16/17 Notification of any interests

There was none.

17/17 Minutes of the Audit Committee meeting held on 17 March 2017

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

18/17 Matters Arising

- **Whistleblowing** (*minute 6/17 page 2*)

The Acting Chair (JP) sought clarification within the College Whistleblowing Policy on who any 'whistle-blowers' would approach if their issue was with the Principal or a member of SLT. The Clerk confirmed that she was the stated point of contact within the Whistleblowing Policy for these cases.

Noted

- **Benchmarking Review of MIS staff costs** (*minute 7/17 page 3*)

The FD (RM) confirmed that ICCA would be undertaking a follow-up to their benchmarking review of BCA support staff costs as planned. The Principal reminded the meeting that this 'deep dive' into MIS costs had been required due to the apparent high

level of staff costs in this department at BCA compared with sector benchmarks which had been highlighted in a previous ICCA review. ICCA would be in College to look in more detail at this issue week commencing 10th July 2017; the visit report would be brought to the September 2017 Audit Committee.

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

19/17 BCA Finance Regulations

The meeting considered an updated version of the BCA Finance Regulations; the FD (RM) tabled an additional paper which clearly showed the levels of delegated authorisation in relation to the different categories of expenditure. RM confirmed that this revision had been based on sector good practice but no major changes had been made compared with the College's previous Finance Regulations. FP sought, and was given, clarification on the relevance of Annex A EU Threshold Levels. The meeting considered the document and suggested the following changes:

- The authorisation for Capex >£30k was set to Audit Committee sign-off and this should be changed to Corporation approval (Audit Committee did not have the required delegated authority).
- Debt write-offs >£5k should be changed to Corporation approval (and reported to Audit Committee).
- Competitive quotes: £25k to EU limits; the Finance Regulations should specify the requirement for three quotes under sealed tender.
- Change to text on page 8, at the 5th paragraph: remove the '?' after Clerk to the Corporation. Delete the subsequent line 'The remuneration of the Clerk to the Corporation is also considered by the Committee'.

Subject to the amendments listed above, the revised Finance Regulations were APPROVED and would be recommended to the Corporation for final approval on 5th July 2017.

20/17 Appointment of Insurance Brokers and Insurance cover proposal 2017/18

The FD (RM) informed the meeting that the current 3 year contract with insurance brokers Hettle Andrews (with insurance provided by NFU) would end on 31st July 2017. The meeting noted that during the last few months RM had undertaken detailed analysis of the market and identified a best option for BCA moving forward. The meeting was reminded that to comply with the new Finance Regulations of BCA any change to insurance arrangements had to be approved by the Audit Committee; the meeting considered a proposal to change brokers from 1st August 2017. The meeting noted a copy of the premiums, limits, excesses etc. that the proposed new brokers FE Protect – a trading style of Butterworth Spengler Commercial Ltd - would put in place from 1st August 2017 along with the three references that the Finance Director has received from their current clients.

The FD highlighted the following points for the members of Audit Committee:

- The FD had annotated the FE Protect proposal with the current equivalents alongside all the figures in the documents, where there were like-for-like comparisons (this was shown for the vast majority of categories).
- As things stood with the current proposal the total cost including IPT and the brokers fees would be £96K for 2017/18 compared to £173K at present.
- The FD had asked for a further review of the motor fleet and agricultural vehicles policies – the total cost proposed was £24K compared to £16K at present.

- The FD was in the process of comparing the travel and personal accident cover arrangements in detail; any changes to the premium would be minimal in the context of the overall cost.

The meeting sought, and was given, assurance that the level of cover and levels of excess on claims would not be affected in a detrimental way by the considerably cheaper premium. Governors sought, and received, specific assurances around the level of fire damage cover in light of the recent Grenfell Tower fire. Positive references had been received including one from staff at Abingdon and Witney College who had suggested FE Protect as a potential insurance broker for BCA. Governors sought, and were given, assurance that the requirements of the College Finance Regulations had been met in relation to the number of quotes received for the business. RM confirmed that he had sought quotes from two different brokers as well as challenging the current suppliers (NFU via Hettle Andrews) to meet the FE Protect quote.

The Audit Committee agreed that it would make sense for the College to opt for cover for three years (so that BCA would qualify for a maximum 10% profit share bonus on the Commercial Combined policy). Governors sought additional clarification on the level of this profit sharing and noted that it was likely to be in the order of £4,000 per annum. The meeting sought clarity on whether the rate was fixed over the term of the contract; RM confirmed that it was a fixed rate but any large claim in year 1 could potentially lead to price increases in subsequent years.

Governors asked the FD to seek additional confirmation from FE Protect that if premium prices were raised due to a large claim the College would have the freedom to break the 3 year contract and seek an alternative provider.

Subject to satisfactory confirmation of the ability to break provision if there was a claim and subsequent price rise the Audit Committee APPROVED:

- i) ***The appointment of FE Protect – a trading style of Butterworth Spengler Commercial Ltd. – as the College insurance brokers from 1 August 2017 for a 3-year contract.***
- ii) ***Insurance cover for BCA from 1 August 2017 to be provided by Aviva, ERS and Syndicate 2525 as detailed in the quote from FE Protect dated June 2017***

21/17 Internal Audit Visit Reports

• **05.16/17 Safeguarding & Prevent**

The meeting received a copy of the audit visit report from ICCA which provided management and the Audit Committee with an independent assurance opinion that the College had effective systems and controls in place to meet statutory duties, legislative requirements and Ofsted criteria in respect of Safeguarding and 'Prevent'. SW reminded the meeting of the importance of this area as it had been shown to be a limiting grade during some recent Ofsted inspections. Governors were pleased to note that the assurance opinion was 'substantial' with 'adequate' design and 'good' application. The meeting considered the 3 recommendations in more detail (2 medium priority and 1 low); 2 in relation to Safeguarding and one to Prevent. The meeting noted that the recommendation to update the College Safeguarding Policy to include 'peer-on-peer' abuse would be implemented in summer 2017 before the start of the new academic year. The low priority recommendation in relation to the minuting of Safeguarding Committee meetings had also been accepted in full and had been implemented immediately. The medium priority recommendation in relation to the Prevent Strategy and the suggested RAG rating of risks on the Prevent Risk Assessment would be implemented for 2017/18. Governors were reminded that the Colleges work around Prevent and British Values had

been commended during the recent Ofsted inspection and 3 other FE colleges had subsequently visited BCA to see examples of good practice since March.

The IAS visit report 05.16/17 was NOTED and RECEIVED.

- **06.16/17 Learner Records and Funding**

The audit objective for this annual review was noted as providing assurance that 'the control framework in operation at BCA in respect of the ESFA funding supports compliance with the relevant agency requirements as defined within the ESFA funding rules for 2016/17'. The meeting considered this report and noted that the overall assurance which had been given by ICCA around this area was 'substantial'. The design and application of the control environment was judged to be effective with no significant weaknesses; design was deemed 'good' and compliance was 'adequate'. All 3 recommendations (1 medium priority and 2 low) were in relation to application/compliance. SW highlighted that 'substantial' assurance was a good result as this area of work was fraught with detail and possible errors of application. All 3 recommendations had been accepted by management and action had already been taken to correct the minor errors in coding and start date. The meeting discussed the possibility of the College being selected during the random element of the ESFA Learner Records audit which was undertaken in autumn each year. SW confirmed that the Colleges to be visited within the sample would be made public during the next couple of weeks but he had heard that the 'random' element of the sample would be greatly reduced for the 2016/17 audit due to ESFA restructuring and budget reductions. The meeting agreed that this external assurance supported the mitigation of risks in this area on the College Risk Register. ***The meeting commended the Director of MIS and her team for their excellent work and asked that their comments be passed on to the MIS Team.***

The IAS visit report 06.16/17 was NOTED and RECEIVED.

- **07.16/17 Follow-Up**

The meeting considered this report and noted that ICCA were able to provide the Audit Committee with 'substantial' assurance that progress with implementing previously agreed internal audit recommendations had been timely and effective. The meeting was reminded that 'substantial' was the highest grade possible. The report also gave the Audit Committee assurance that the College had reported the status of implementing the recommendations accurately. The follow-up review had considered 9 recommendations from reports 05.15/16, 07.15/16 and 08.15/16 undertaken by ICCA during 2015/16; the Audit Committee noted and accepted the reasons why reports 01.15/16 to 04/15/16 and 06/15/16 did not require follow-up. The review had found that: 100% of the 9 previously agreed recommendations had been fully implemented by management. The meeting noted that this level of completion was very unusual and the Principal commended the forensic control of the Finance Director and his tenacity in ensuring that audit recommendations were implemented in a timely manner.

The IAS visit report 07.16/17 was NOTED and RECEIVED.

- **08.16/17 Higher Education (HE) Strategy**

The meeting noted that the field work for this report had been completed in May 2017 but at the time of the meeting management had not yet discussed the findings with ICCA. A meeting to discuss this report and the College management responses was scheduled for Tuesday 4th July.

It was AGREED that the internal audit report 08.16/17 from ICCA would be presented to the September 2017 meeting of the Audit Committee.

22/17 Internal Audit Plan 2017/18

The meeting considered the draft plan for 2017/18 and the Internal Audit Strategy showing coverage each year from 2014/15 to 2019/20 which was presented by ICCA for approval. The plan had been closely aligned to the College Risk Register as well as covering all assurance issues. SW confirmed that college management had been closely involved in this draft and that it was risk-based. It was noted that the plans to include the Audit Committee Chair in the pre-planning work when the audit strategy was being agreed had been thwarted by a last minute unavoidable diary change. Members commended the updated Annual Organisational Assessment provided in the report which assessed the current risk to BCA against a number of financial, organisational and external measures. The major risk continued to be the ongoing uncertainty around the college's long-term financial health and the risk that BCA's status as an independent College would be lost. Governors agreed that this detailed review and the benchmarking data within it was very useful for the College. The meeting also noted the Internal Audit Charter which had been provided by ICCA within the document to meet the requirements of the Public Sector Internal Audit Standards.

The detailed internal audit plan for 2017/18 was considered in detail by the meeting. Members noted the areas that would be reviewed within the annual 31 day audit plan: this would be split into risk-based coverage and non-risk based coverage. The risk based reviews in 2017/18 would include the following: a strategic review of maths and provisionally English (4 days); Residential Strategy (4 days); a post implementation review of the new IT infrastructure, i.e. the July 2017 move to the Google cloud-based data solution (3 days); a follow-up review of Apprenticeship Provision (3 days); and the annual review to ensure compliance with ESFA Learner Records and Funding rules (4 days). The non-risk based reviews would cover: sickness absence management (4 days); Corporate Governance (4 days); and Follow-up of previous internal audit recommendations (1 day). In addition the plan included 4 days for management, planning and attendance at all Audit Committee meetings. The meeting noted that the daily rate was £10 higher than in the prior year (an increase of 2%). The meeting commended that the audit plan was not centred on compliance issues but would also continue to provide assurances around efficiency for the Corporation; this was crucial in the current funding environment. The meeting considered the plan years 2018/19 and 2019/20 in outline. Governors noted that ICCA would be represented at each Audit Committee meeting; the ongoing input from ICCA as a critical friend was commended by Governors and SLT.

It was AGREED that the draft Internal Audit Plan 2017/18 and Internal Audit Strategy 2018/19-2019/20 be APPROVED and taken to Corporation for approval in September 2017.

23/17 External Audit Timetable for annual accounts 2016/17

JN presented the Audit Plan for the year ended 31st July 2017 BCA Financial Statements, on behalf of BCA's external auditors RSM. Members noted that the audit team for BCA from RSM had already been into BCA to meet with the FD and the Principal to plan the annual financial statements audit and the regularity audit which would take place at the same time. Members were informed that detailed audit planning work would be undertaken by RSM on 16th to 18th August 2017 and then the audit team would be on site at BCA for just over a week during September 2017 (week commencing 25th September 2017). The timetable was for a draft management letter to be discussed at the clearance meeting to enable the audited accounts and management letter to be considered by the Audit Committee on 22nd November 2017. JN highlighted that RSM Tenon would be providing two separate opinions: one on the Financial Statements and a separate opinion on Regularity assurance. The meeting considered the key risks affecting the audit plan

which were outlined within the RSM report (a lot of these were noted as generic risks affecting the FE sector): income recognition; going concern; pension scheme liabilities; and management override of controls. RM informed Governors that – as in previous years - there would be no issue around going concern for BCA as the short-term overdraft which would be required in spring 2018 to cover the period between ESFA funding payments was already arranged. The meeting considered the sector wide issue of pension scheme liabilities in more detail and noted the ongoing uncertainty over the future impact. RM reminded Governors that he had recently met with the local LGPS Manager and other local College Finance Directors to try and lobby for a reduction in the additional contributions that the scheme was seeking from Colleges in 2019/20 onwards; this was to contribute towards the current LGPS deficit. JN suggested that the College should challenge on the basis of the unrealistic assumptions used in the actuarial calculation of the pension deficit e.g. 3.9% pay increase per annum. The Principal highlighted the need to include the risks around the pension deficit on the College Risk Register; this was not currently included as a risk. The meeting also noted a change in the Audit Principal; Chris Mantel had left RSM and his replacement on the BCA audit team would be Sarah Mason (SM). The Principal and FD confirmed that they had already met with SM at the audit planning meeting. JN drew the meetings attention to Appendix D to the report which outlined ‘Governance, Control and Independence’.

The timetable for the Financial Statements Audit 2016/17 was AGREED it would be RECOMMENDED for approval at the Corporation meeting in September 2017.

It was also AGREED that the Risk Register should be amended to include the risk around the LGPS deficit before being taken to the Corporation on 5th July 2017.

24/17 Board Assurance Framework and Risk Register Report

The meeting considered the College Assurance Framework and Risk Register report which had been updated since the last Audit Committee meeting in March 2016. The meeting considered the one ‘red’ RAG rated risk:

Risk 1 ‘Failure to Retain independent Status’ (Risk score of 25 ‘red’ after mitigation): The Principal asserted the need to keep this risk as ‘red’ even though the planning application for the care village had been approved in principle by the recent RBWM Planning Panel. Governors agreed that there was still a great deal of uncertainty about the final outcome which necessitated a high risk score.

The Principal confirmed that there had been no changes to the Risk Framework since last considered by the Committee in March 2017. The Acting Chair challenged the SLT on whether the Risk Register was overly optimistic in terms of the final risk scores and RAG ratings post-mitigation. As an example, risk 3 around the issue of poor quality teaching not being addressed – currently rated as green with a risk score of 8 post mitigation - was considered in more detail. Governors sought, and were given, further assurances on the ongoing professional development of staff which had included mentoring sessions for new teaching staff, strong performance management processes, and CPD sessions being run in-house and by an HR specialist. The meeting noted that as part of the budgeting process all departments submitted CPD wish-lists covering all staff the total requested for 2017/18 had been £107,000 compared with the budget of £75,000. It was agreed that RM would circulate this wish-list to Audit Committee members after the meeting for information and to give governors more clarity around the range of CPD offered to staff. The meeting was reassured that a lot of staff would receive funding for externally provided CPD during 2017/18.

After further discussion it was agreed that the SLT should reconsider whether the risk register was overly optimistic in terms of the effect of mitigation. It was also agreed that the areas of risk highlighted in the external audit plan should be cross-checked for inclusion on the College Risk Register/ Board Assurance Framework. The meeting highlighted the need for this document to be considered in detail by all Governors at the Corporation meeting on 5th July as it was crucial to the successful operation and strategic direction of the College.

The Board Assurance Framework/ Risk Register was RECEIVED.

It was AGREED that:

a) The SLT should critically review this document in advance of it being taken to the Corporation on 5th July 2017 to reflect the following:

- i) All areas of risk highlighted in the external audit 2016/17 plan and internal audit plan 2017/18 should be included;***
- ii) The impact of mitigation should be reviewed to ensure that final RAG ratings and scores were not overly optimistic.***
- iii) The risk around the LGPS pension scheme to be added (as discussed at 23/17 above).***

b) The Risk Register/ Board Assurance Framework should be discussed in detail at the Corporation meeting on 5th July 2017.

c) The FD should circulate the staff CPD wish-list 2017/18 to Audit Committee members (via e-mail) for information.

25/17 Future Meeting Dates 2017/18

The meeting considered the suggested dates for Audit Committee meetings in 2017/18 as presented by the Clerk:

- Wednesday 20th September 2017 at 4.30pm
- Wednesday 22nd November 2017 at 4.30pm
- Wednesday 7th March 2018 at 4.30pm
- Wednesday 20th June 2018 at 4.30pm.

It was noted that FP was unavailable on 20th September so this meeting would be rescheduled. The Clerk informed the meeting that the proposed Audit Committee dates would be presented to the Corporation meeting for approval within the context of the whole meeting schedule 2017/18.

The dates and times of Audit Committee meetings in 2017/18 would be confirmed after the Corporation meeting on 5th July 2017.

26/17 Register of Outstanding Audit Actions

Members noted that all of the outstanding recommendations related to internal audit reports. Members were pleased to note the low number of outstanding recommendations on the report and that they were all in relation to recent internal audit reports. The meeting also commended the fact 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 meeting noted that the recommendations from the visit reports considered earlier in the meeting (visits 05 – 06.16/17) had already been including on this report; all were classified as amber or green.

The report was NOTED.

27/17 Debtors

The meeting noted the Debtors Report which was now a standing item on the Audit Committee agenda. The FD informed the meeting that at £33,522 the debt was at a very low level on a total of circa £2 million invoices. RM assured the meeting that although there had been a staffing change in the Finance Team the control over debt remained strong.

The Debtors Report was RECEIVED.

28/17 Record of Fraud, Irregularity or Whistleblowing 2016/17

The meeting noted this nil return for the year to date 2016/17.

NOTED

29/17 Any Other Business

There was no other business the meeting closed at 6.10pm.



Part 2 Minutes

Meeting of the Audit Committee Wednesday 21 June at 4.30pm Principal's Office

Present:	John Petitt	(JP)	Governor (<i>Acting Chair</i>)
	Frank Pitkin	(FP)	Governor
Apologies:	Gareth Osborn	(GO)	Governor (<i>Chair</i>)
	Andrew Try	(AT)	Governor
In attendance:	Gillian May	(GM)	Principal
	Richard Munday	(RM)	Finance Director
	Tracy Reeve	(TR)	Clerk to the Corporation

30/17 Reappointment of internal auditors

The Finance Director reminded the meeting that ICCA had been appointed for a three year contract from 1st August 2014 but the additional value that they continued to add through their internal audit provision was currently invaluable to BCA. The Governors supported this view and were in agreement that the ICCA contract for internal audit provision should be extended for a 2 year period until 31st July 2019. It was agreed that at this point (in spring 2019) the College should go out to tender for the internal audit contract in order to comply with the College Finance Regulations.

It was AGREED that ICCA should be re-appointed as the internal audit service providers for BCA for a 2 year contract until 31st July 2019.

31/17 External Auditors

The meeting was reminded that the current years financial statements audit was the last one within the current contract with RSM.

The meeting NOTED that the Audit Committee would need to go out to tender for the external audit contract 2017/18 in spring 2018.