



**Part 1 Minutes  
Meeting of the Audit Committee  
Wednesday 7 March 2018 at 4.30pm  
Principal's Office**

|                       |                  |       |                                   |
|-----------------------|------------------|-------|-----------------------------------|
| <b>Present:</b>       | Neil Dew-Gosling | (NDG) | Governor ( <i>Chair</i> )         |
|                       | Frank Pitkin     | (FP)  | Governor                          |
|                       | Andrew Try       | (AT)  | Governor                          |
| <b>Apologies:</b>     | Ian Thomson      | (IT)  | Governor                          |
| <b>In attendance:</b> | Gillian May      | (GM)  | Principal                         |
|                       | Richard Munday   | (RM)  | Finance Director                  |
|                       | Tracy Reeve      | (TR)  | Clerk to the Corporation          |
|                       | Scott Winter     | (SW)  | ICCA ( <i>Internal Auditors</i> ) |

**1/18 Chair's Agenda Item**

The management team left the meeting and the Chair sought, and was given, confirmation that there was nothing that the auditors or other Committee Members wished to discuss under this item.

**2/18 Apologies for absence**

Apologies had been received from Ian Thomson.

**3/18 Notification of any other business**

There was none.

**4/18 Notification of any interests**

There was none.

**5/18 Minutes of the Audit Committee meeting held on 6 December 2017**

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

**6/18 Matters Arising from the Audit Committee meeting held on 6 December 2017**

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

**FOR DECISION/ APPROVAL**

**7/18 Internal Audit Visit Reports**

• **02.17/18 Apprenticeships Follow-Up**

The meeting considered this advisory report from ICCA (internal auditors) which had been commissioned to support the College in making changes to the Apprenticeship model following the issues highlighted by Ofsted in March 2017. Governors were reminded that ICCA had undertaken an initial Strategic Review of Apprenticeship provision at BCA in June 2017.

SW presented the report which covered the follow-up review of the following areas of the Apprenticeship provision at BCA: leadership and management; financial efficiency of the delivery model; organisational governance processes including monitoring and reporting; delivery structure; and assessor case-loading. The meeting was reminded that as this was an advisory review ICCA had not provided an assurance opinion. Governors were pleased to note the findings that BCA management had taken action to implement the recommendations of the last review; of the 6 advisory recommendations made 4 had been fully implemented and the other 2 had been actioned through an alternative (but appropriate) action plan. The report cited that 'the College has made significant progress on the recommendations made from the previous advisory review.' The meeting also noted that ICCA had reviewed the issues around Apprenticeships which were raised by Ofsted during the March 2017 inspection and the subsequent action; a significant improvement in achievement rates over the last year had demonstrated positive impact. As part of this follow-up visit ICCA had also reviewed the impact of the new structural arrangements for the management of apprenticeships at BCA which had been put in place in early autumn 2017. The four new recommendations in relation to this structural review were noted, along with the one recommendation in relation to testing moving forward. The 4 'structural review' recommendations were in relation to: management capacity (curriculum); the assessor/ trainer role; business development; and the apprentice manager role. The meeting discussed the recommendation for a review of the Apprentice Manager role in more detail in relation to the management responsibilities, administrative responsibilities and the quality remit. Governors noted that all of the new recommendations had been accepted by the College Management Team and actions were in place - with the associated accountability highlighted - to ensure timely completion. The Chair sought, and was given, confirmation that the short deadlines on the implementation plan were achievable. The Principal assured the meeting that changes had already been put in place around the Apprentice Manager role. It was also noted that Governor Andrew Try had been into College to talk to the Apprenticeship Team as an employer involved in the Apprenticeship Programme; the importance of meeting employers' expectations had been discussed at this meeting.

The meeting discussed the fact that the Apprenticeship delivery was not yet making a positive contribution to bottom-line profit; the Principal confirmed that the infrastructure was now in place to enable the College to scale up delivery so that it became profitable. The use of on-line distance learning and blended learning would help to increase profitability whilst maintaining quality provision. Current income was circa £280,000 (138 'live' learners) and this needed to be circa £340,000 (approximately 160 'live' learners) to give the provision a net contribution. The Principal assured the meeting that she was confident this increased scale would be achieved during the next year at BCA. It was noted that the recent submission to the Transaction Unit had forecast apprenticeships to be making a net contribution of £100,000 by 2019/20. The strategic decision that Governors had taken to focus on land-based specialist provision was now paying dividends; green-keeping and arboriculture were proving very popular with employers. The Chair sought clarity on what might be the biggest hurdle to achieving a successful Apprenticeship programme at BCA; this was defined as being competition from other FE Colleges and in some cases private providers. The meeting agreed that strong employer relationships would be crucial to overcoming the competitive tension and a positive experience for employers and learners was key to driving repeat business and a strong reputation.

The Chair asked management to consider how they would self-assess Apprenticeships at this point (in light of the 'Requires Improvement' grade from Ofsted in March 2017). The Principal informed the meeting that this was now self-assessed as 'good' due to the improved success data and quality of delivery; SW concurred and supported this self-

assessment from an audit perspective. The Principal assured the meeting that the College management team would continue to monitor quality and staffing in this important area of provision very closely.

***The ICCA advisory visit report 02.17/18 on Apprenticeships follow-up was RECEIVED***

### **8/18 General Data Protection Regulation (GDPR) Action Plan**

The meeting considered the outline Action Plan which had been developed to ensure that the College met the requirements of the new GDPR which would come into force on 25<sup>th</sup> May 2018. Governors were reminded that the Principal would be acting as the nominated Data Protection Officer (DPO) for the College; this was a role required under the new legislation. However, implementation of the Action Plan would be delegated to a number of College Managers with specialist remits including the Director MIS; they would form a GDPR Working Group. It was noted that the risk around GDPR showing on the Board Assurance Framework/ Risk Register would be downgraded from 'red' to 'amber' (the likelihood score would be reduced from 4 to 3 so the total risk score would be 15). Governors commended the progress in this important area of compliance.

Governors (AT) highlighted the need for the College to think carefully about what would constitute a 'data breach' - i.e. what data and what circumstances – to identify the risks around data breach and to have an action plan to manage those risks.

***The GDPR Action Plan was NOTED and RECEIVED.***

## **FOR INFORMATION**

### **9/18 Board Assurance Framework and Risk Register Report**

The meeting considered the Board Assurance Framework which clearly detailed the key strategic risks against the four strategic priorities for BCA. This item was now a standing item for consideration at each Corporation meeting. Governors noted that this document had been updated since last presented to the Corporation in February 2018 and the changes were now clearly highlighted. The Chair sought clarification on the process for changes to the Risk Register; this was confirmed as via the Executive Team, SLT, Audit Committee and then Corporation. The Principal also reminded the meeting that this key document was presented to the ESFA at the monthly monitoring meetings.

The meeting discussed the following key risks which were currently rated as 'red' and the ongoing mitigation that was being provided against their crystallisation:

***Risk 1 'Failure to Retain independent Status' (Risk score of 20 'red' after mitigation):*** The Principal asserted the need to keep this risk as 'red' due to the ongoing uncertainty around the application to the TU for restructuring funds which necessitated a high risk score around possible 'forced' merger.

***Risk 2 'LGPS deficit expected to be significant' (Risk score of 20 'red' after mitigation):*** The meeting was reminded that this risk was essentially outside the control of the College but governors were given assurance that College management were doing all possible to mitigate the increases and any future demands for 'top-up' payments. As previously advised the FD was continuing to work with other local FE College Finance Directors to challenge the actuarial assumptions and to minimise any actual financial impact on the College. Although RM was hopeful for a large reduction in the forecast payments (reduced from £335,000 per annum to £125,000 pa) this had not yet been confirmed and was subject to approval by the local LGPS Pension Fund Committee.

Risk 8 'Insufficient capital investment in the listed assets, specifically the mansion house' (Risk score of 20 'red' after mitigation): The meeting was reminded that the issue of securing the requisite funding for the future maintenance of the heritage assets was still very uncertain.

Risk 10 'Insufficiently developed succession planning/ staff retention strategies (Risk score of 20 'red' after mitigation): The FD reminded the meeting of all the recent initiatives put in place by the HR team which did not cost a great deal of money but provided benefits for staff.

Risk 17 'Failure to comply with GDPR requirements from May 2018 (Risk score of 20 'red' after mitigation): The meeting was assured regarding progress against the GDPR Action Plan which would be a standing agenda item at all future meetings during 2017/18.

***The Board Assurance Framework/ Risk Register was RECEIVED.***

### **10/18 Revised College Financial Procedures Manual**

The meeting noted an updated College Financial Procedures Manual. Governors were reminded that the BCA Finance Regulations had been rewritten in June 2017 following the recent ICCA internal audit review of procurement at the college. The Finance Director (FD) informed the meeting that the Financial Procedures Manual had now been revised to reflect the update Finance Regulations and to ensure that it reflected current practice at BCA. The Chair challenged the FD (RM) on where any areas of weakness would lie within the BCA process if audited. RM confirmed that any concern would be around payments to suppliers as there were so many scams and frauds being perpetrated in this area. RM assured the meeting that the College had tightened up procedures around suppliers following the fraud which occurred in November 2017 (as previously reported to Audit Committee). The Chair sought confirmation on where the levels of financial delegation and authority were specified; this was confirmed as being within the Financial Regulations. SW confirmed that ICCA were content with the segregation of duties outline in the Finance Procedures Manual.

***The revised BCA Financial Procedures Manual was APPROVED***

### **11/18 ESFA Allocation 2018/19**

The meeting noted a paper tabled by the FD which gave Audit Committee members a detailed breakdown of ESFA funding for 16-18 year olds from 2014/15 to 2018/19. The meeting was informed that agency funding income had risen from £5.6m in 2011 to the current figure of £9.169m in 2018. This report included detail of student numbers by funding band, retention factor, disadvantage funding and high needs funding. The Principal highlighted the large percentage of 16-18 learners who were included in the highest funding bands which worked to maximise funding income. The meeting noted the difference that this made: funding rates ranged from £4,000 for Band 5 to £2,133 for Band 2. The meeting also considered the 16 to 19 revenue funding allocation statement 2018/19 from the ESFA which gave Audit Committee members the detail of the £9,169,263 allocation. It was noted that the funding allocation for 2018/19 was £100,000 above the financial plan; of which £50,000 would be used on work placement expenditure. Governors sought, and were given, confirmation that High Needs provision income made a net contribution to income (circa 5%) as the funding was offset by expenditure on staffing etc. RM confirmed that the College were using a forensic software package to ensure that all costs of High Needs delivery were being accounted for and passed on to the Local Authorities. The meeting discussed the new T levels and the significant amount of work placement (90 days over 2 years) that was required within these new level 3 programmes.

***The Report was NOTED.***

### **12/18 Register of Outstanding Audit Actions**

Members noted that all of the outstanding recommendations related to internal audit reports; the meeting was reminded that there had been no recommendations from the external audit of the Financial Statements 2016/17. The meeting commended the clear format of the report with RAG ratings highlighting any areas where progress for implementation was running late. The FD reminded Governors 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.***

### **13/18 Debtors**

The meeting noted the Debtors Report which was now a standing item on the Audit Committee agenda. Governors were pleased to note the ongoing tight credit control within the College even though the aged debt was slightly higher than previously reported. This was noted as being largely due to the '4 month +' debt in relation to HE students who had withdrawn and the Student Loans Company element was taking time to be re-paid. The FD (RM) reminded Governors that he reviewed the detail of the debtors' report with the Finance Manager on a fortnightly basis. RM highlighted the large proportion (£186,132) of the total debt (£298,095.32) which was being re-paid by instalment. Governors commended the low level of debt.

***The Debtors Report was RECEIVED.***

### **14/18 Fraud, irregularity and whistleblowing report**

- Fraud

The meeting noted that there had been no new cases of fraud since the last Audit Committee meeting in December 2017. Members were reminded of the one case of fraud to date in 2017/18. This had been a 'bogus supplier' fraud perpetrated against BCA in November 2017 which had resulted in a £5,324 loss (as reported and minuted in December 2017).

- Corruption/irregularity

The meeting noted the report which was a nil return for the period 1 August 2017 to date.

- Whistle-blowing

The meeting noted the report which was a nil return for the period 1 August 2017 to date.

***The Report was NOTED.***

### **15/18 Date and Time of Audit Committee meetings 2017/18**

The meetings were confirmed as:

- Wednesday 20 June 2018 at 4.30pm

### **16/18 Any Other Business**

There was no other business the meeting closed at 6.15pm.