



**Minutes**  
**Meeting of the Audit Committee**  
**Thursday 20 June 2019 at 4.30pm**  
**Principal's Office**

|                       |                  |       |                           |
|-----------------------|------------------|-------|---------------------------|
| <b>Present:</b>       | Neil Dew-Gosling | (NDG) | Governor ( <i>Chair</i> ) |
|                       | Ian Thomson      | (IT)  | Governor                  |
|                       | Andrew Try       | (AT)  | Governor                  |
|                       | Frank Pitkin     | (FP)  | Governor                  |
| <b>In attendance:</b> | Gillian May      | (GM)  | Principal                 |
|                       | Richard Munday   | (RM)  | Finance Director          |
|                       | Tracy Reeve      | (TR)  | Clerk to the Corporation  |
|                       | Sarah Mason      | (SM)  | External auditor, RSM     |
|                       | Martin Harrison  | (MH)  | Internal auditors, ICCA   |

**17/19 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 wished to discuss under this item. Governors went onto have a discussion which is minuted at the start of the Part 2 confidential minute (see page 7, minute 35/19).

**18/19 Apologies for absence**

There were no apologies for absence, Martin Harrison was attending the meeting in place of Scott Winter from ICCA.

**19/19 Notification of any other business**

There was none.

**20/19 Notification of any interests**

There was none.

**21/19 Minutes of the Audit Committee meeting held on 6 March 2019**

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

**22/19 Matters Arising from the Audit Committee meeting, 6 March 2019**

- **ESFA Checklist: Indicators for potential fraud** (*minute 14/19 page 6*): The meeting noted the completed checklist which had now been reviewed by the Executive Team. The vast majority of the indicators were deemed as low risk at BCA. Where the assessment had resulted in a factor being deemed as medium risk (there were only 2 incidences), Governors were assured that controls were in place to mitigate the risk. It was agreed that the recent external audit of the mid-year accounts had provided additional external assurance for Governors.

***The ESFA checklist was NOTED and RECEIVED.***

- **Learner growth forecast** (*minute 10/19 page 5*): The Principal presented a paper which further analysed the potential growth in learner numbers at BCA through to 2022 as requested at the last meeting of the Audit Committee. The paper provided information on the demographic profile for 16-18 over the next four years; competitor analysis; possible growth by curriculum area; growth in high needs provision; apprenticeship

growth plan; and a summary of current market share by geographical area. It was agreed that this paper would be further developed for the next Governors Strategy Day to inform strategic thinking.

***The report was NOTED***

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

## **FOR DECISION/ APPROVAL**

### **23/19 Internal Audit: ESFA Learner Records Audit, ICCA (April 2019)**

Martin Harrison (MH) presented the internal audit report from ICCA who had visited BCA in March 2019 to undertake an audit of ESFA Learner Records. Committee members were reminded that this report had been commissioned by the College within the internal audit strategy 2019/20. The audit objective was to provide management and the Audit Committee with an independent assurance opinion that the control framework in operation, with respect to ESFA funding, supported compliance with the agency's requirements as defined within the ESFA funding rules for 2018/19. Governors were pleased to note the 'substantial' assurance opinion given with design of the system rated as good and application rated as adequate. The 2 recommendations (both in relation to the application of the controls) were considered by the meeting; one was medium priority and one was low. The meeting noted that the low priority recommendation in relation to learner eligibility had been accepted by management and actions were in place to ensure full compliance for enrolment 2019. The second recommendation in relation to Learner Support Funding was not accepted by College Management who intended to continue with its EAS claim on the small group size basis so the recommendation would not be relevant. Governors sought some benchmarking data and were assured that this report was one of the 'cleanest' issued by ICCA for similar audits. The Chair sought confirmation from MH on what they had identified as a particular strength during the audit; MH confirmed that this was the design of the controls system at BCA. The Director of Finance reminded the meeting that although the audit of learner records was not a formal requirement, it would be seen as good practice and he would be recommending that it was repeated on an annual basis. Audit Committee agreed that this audit provided strong assurance for Governors and management against the threat of funding clawback due to non-compliance of Learner Records.

***The Learner Records audit report was NOTED and RECEIVED; the low level of recommendations and substantial assurance was commended.***

### **24/19 External Audit: Mid-year review of management accounts, RSM**

Sarah Mason (SM) presented a report of factual findings from RSM following their review of the BCA Management Accounts for the period ended 31 March 2019. This work had been commissioned by the Audit Committee at the suggestion of the Executive Team to mitigate against one of the risks on the College Risk register 'over-reliance on key personnel'. The meeting noted the factual findings report and the specific procedures performed which conformed with ISRS 4400 'Engagements to Perform Agreed-upon Procedures Regarding Financial Information'. RSM had undertaken the following procedures:

- Checking all balance sheet reconciliations were up to date and agreed to the accounting records
- Checking that bank balances agreed to the cashbook and bank reconciliations
- Checking the wages and salaries amounts agreed to payroll records
- Agreeing mainstream income to funding letter allocations
- Review and corroboration of individual administrative expenditure transactions (excluding wages and salaries) over £25,000

- Review and corroboration of major or unusual cash book transactions
- Corroboration of fixed asset additions over £25,000
- Corroboration of significant debtor or creditor balances over £10,000
- Agreeing that the management accounts had been properly prepared from the trial balance
- Review and corroboration of any journal adjustments (including ledger and management information postings).

SM drew the Audit Committee's attention to five factual matters contained in the report; none of which caused the Governors any concern. The first, in relation to fraud on an employee's payroll details had already been reported via Audit Committee. The Director of Finance (RM) informed the meeting that the five items of accrued expenditure totalling £88,000 were in place as a contingency and Governors were happy with that prudent approach. The meeting agreed that the factual findings report from RSM gave them valuable external assurance around their duty as Governors to ensure that accounting records were maintained which showed and explained BCA's transactions and disclosed with reasonable accuracy, at any time, the financial position of the College. It was agreed that this review of the mid-year management accounts should be repeated in 2019/20 for the period ending 31 January 2020. The Chair sought, and was given confirmation on the cost of this factual findings review; RM confirmed this as £3,400 plus VAT (£4,080).

***The RSM factual findings review on the BCA management accounts to 31 March 2019 was NOTED and RECEIVED.***

***It was AGREED that this review of the mid-year management accounts (for period end 31 January 2020) should be repeated in 2019/20.***

## **25/19 Risk Register/ Board Assurance Framework**

The meeting considered the Board Assurance Framework which clearly detailed the key strategic risks against the five agreed strategic priorities for BCA. This item was now a standing item for consideration at each Audit Committee and Corporation meeting. Changes made since last presented to the Corporation in March 2019 had been highlighted and the meeting noted that the risks had been re-ordered to show the most highly rated risks on the front sheet of the Risk Register. The meeting was reminded that any change to the Risk Register was made after consideration at the Executive Team (the 4 SPHs), SLT, Audit Committee and then Corporation. The meeting discussed the following changes as well as the key risks which were currently rated as 'red' and the ongoing mitigation that was being provided against their crystallisation:

***Risk 1 'Insufficient Capital investment in the listed asset, specifically Hall Place Mansion. (Risk score at 20 'red')***: The work on the pre-app was still ongoing after its submission to RBWM in December 2018; the formal written response from planners had now been circulated to all Governors and would be discussed at the Corporation meeting on 3 July. The project to repair Jacob Bancks Room (specifically funded by the DfE from restructuring funds) was progressing to meet the agreed timetable, the ceiling repairs and refurb to the room would be completed in time for the stakeholder event on 26<sup>th</sup> June 2019. However the issue of securing the requisite funding for the future maintenance of the heritage assets was still very uncertain.

***Risk 2 'Student Transport and lack of effective tracking of learners' (Risk score at 25 'red before and after mitigation')***: The Principal highlighted this new risk which had just been added to the Risk Register. Mitigation for this risk would be effected when, and only if, the College moved to outsource the management of its Student Transport to Coachhire.com as recommended by College management. The FD assured the meeting that the College had done a lot to improve student safety in relation to the transport provision – the coach park had been moved to the centre of the campus, fencing installed

and close management of learners leaving and boarding coaches had all helped to reduce risks. The move to Coachhire.com would remove the remaining risk around the College not knowing which learners were definitely on a coach or minibus. Audit Committee Members were reminded that this proposal – which had already been circulated to all Governors - would be discussed at the Corporation meeting on 3 July.

*Risk 3 'Secure full registration with the office for Students (OfS) as a matter of priority' (Risk score reduced from 20 'red' to 15 'amber' after mitigation):* The Principal reminded the meeting that the College had now received notice of successful registration with the OfS but there were conditions attached; a quality improvement plan would be monitored by the new HE Oversight Committee of the Corporation as well as the OfS. The meeting noted that the College was still in discussions with the Royal Agricultural University to look at other delivery/ accreditation/ franchising options for the provision of the Vet Physio Course delivered at BCA.

*Risk 3 'LGPS and TPS deficit could be significant. Increase of TPS contributions from September 2019 (Risk score still at 15 'amber'):* The DfE had only confirmed funding to cover the first year of the substantial TPS employer contribution.

*Risk 4 'Insufficiently developed succession planning/ staff retention strategies (Risk score of 20 'red' after mitigation):* The Principal highlighted that this was still an ongoing issue which was largely due to BCA being such a small college and limitations around internal progression for staff. The meeting was given assurance around the ongoing development programme for middle managers and the promotion of CPD for all staff where possible.

*Risk 5 'Safeguarding and H&S legislative and statutory requirements are not met (Risk score reduced to 10 'green' after mitigation):* Governors noted that the Leaders in Safeguarding audit and 'badge' as well as the positive result from the March 2019 Ofsted Education Inspection Framework pilot had been added to the external assurance column.

The Chair asked auditors whether there was anything that they could identify that was not on and should be on the College's Risk Register; they did not add any items. SM tabled a recent RSM publication 'Further Education Risk Register Analysis; managing risks effectively, efficiently and proportionally – 2019 analysis'; a copy was made available to Audit Committee Members. The Executive Team would review this document over the summer break and see whether any changes or improvements could be made to BCA's Risk Register. The Director of Governance would issue copies of this RSM report to other BCA Governors at the Corporation meeting on 3 July 2019.

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

***Exec Team to review the RSM document 'FE Risk Register Analysis 2019' in advance of autumn 2019.***

### ***26/19 Internal Audit Strategy 2019/20 onwards***

Following the discussion at the last Audit Committee meeting on 6 March 2019 (minute 9/19) the meeting considered a paper from the Finance Director which suggested the areas to be included within the Internal Audit Plan for 2019/20. The standing items for inclusion were noted as: mid-year review of management accounts; key financial controls; and learner records. It was agreed that the key financial controls audit should focus on payroll during 2019/20. In addition the College would commission 'specialist call-off' internal audits into: Disaster Recovery/ Crisis Management; Health and Safety; and a quality review of Teaching Learning and Assessment e.g. via externally validated lesson observations. The Director of Governance suggested, and the meeting agreed, that the Health and Safety audit and the Safeguarding audit should be undertaken on a biennial basis moving forward on alternate years.

***The internal audit plan 2019/20 was AGREED as detailed above; it would be predicated on BCA sourcing specific audits from specialist audit providers.***

**27/19 External Audit Plan and timetable for Year End 31 July 2019**

SM presented the Audit Plan for the year ended 31<sup>st</sup> July 2019 BCA Financial Statements and the associated Regularity Audit, on behalf of BCA's external auditors RSM UK Audit LLP. Members noted that the audit team for BCA from RSM had already been into BCA to meet with the FD and the Financial Controller 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 8<sup>th</sup> to 9<sup>th</sup> August 2019 and then the audit team would be on site at BCA for just over a week during September 2019 (week commencing 19<sup>th</sup> September 2019). 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 27<sup>th</sup> November 2019. SM highlighted that RSM 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; pension scheme liabilities; going concern; and management override of controls. SM drew the meetings attention to Appendix D to the report which outlined 'Governance, Control and Independence'. The fees for the three stage process – planning, fieldwork, and preparation of the final report - were noted as £20,750 (this was an increase of £600 or 3% on the prior year). The meeting considered Appendix E to the Audit Plan which outlines the emerging issues within the FE sector. Key factors were noted as: the new insolvency regime; financial challenges and the financial health of the sector; support and intervention; DfE good governance guidance; the new audit code of practice and the increased focus on Remuneration Committee activity and remuneration of senior post-holders and executive staff.

***The timetable for the Financial Statements Audit 2018/19 was NOTED and AGREED.***

**28/19 Ardmore – change to lease agreement**

This item was moved to the Part 2 meeting as it was deemed commercial in confidence; see minute at 36/19 on page 7.

**29/19 Financial Delegation/ authorisation levels**

The meeting noted a paper in relation to a review of the current authorisation limits within the College Financial Regulations and some suggested amendments. The Audit Committee asked RSM to ascertain some benchmarking data on whether the proposed authorisation limits were in line with sector norms before they considered this matter.

***It was AGREED that this item should be deferred for consideration until the September 2019 Audit Committee.***

***RSM to confirm whether proposals for new Financial authorisation limits were in line with sector norms.***

**FOR INFORMATION****30/19 Register of Outstanding Audit Actions**

The meeting noted that all of the outstanding recommendations related to internal audit reports. Audit Committee 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.***

**31/19 Fraud, irregularity and whistleblowing report**

- Fraud/ corruption/ irregularity

The meeting noted that there had been no cases of potential fraud since the last Audit Committee meeting in March 2019. There had been one case of fraud in the year-to-date which was discussed in detail and minuted in the confidential part 2 minutes of the November 2018 Audit Committee meeting (see minute 84/18).

- Whistle-blowing

The meeting noted the report which was a nil return for the period 1 August 2018 to date.

***The Report was NOTED.***

**32/19 Governors Liability Insurance**

The meeting noted details of the current indemnity cover that was in place for Governors; the limit was currently £5 million.

***NOTED***

**33/9 Date and Time of Audit Committee meetings 2019/20**

The Director of Governance (TR) presented the suggested dates for the Audit Committee meetings during 2019/20. These were noted as:

- Wednesday 18 September 2019 at 4.30pm
- Wednesday 27 November 2019 at 4.30pm
- Wednesday 4 March 2020 at 4.30pm
- Wednesday 24 June 2020 at 4.30pm

Audit Committee members were asked to feedback any non-availability in advance of the full meeting schedule being considered by the Corporation on 3 July 2019. TR confirmed that she would send electronic calendar invitations for the meetings once confirmed.

***NOTED***

**34/19 Any Other Business**

There was no other business the meeting closed at 6.25pm.