



Minutes
Meeting of the Audit Committee
Wednesday 6 March 2019 at 4.30pm
Principal's Office

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

1/19 Chair's Agenda Item

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

2/19 Apologies for absence

It was noted that Scott Winter from internal audit providers ICCA was not attending the meeting as there had been no internal audit activity from ICCA to date during 2018/19.

3/19 Notification of any other business

There was none.

4/19 Notification of any interests

There was none.

5/19 Minutes of the Audit Committee meeting held on 29 November 2018

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

6/19 Matters Arising from the Audit Committee meeting, 29 November 2018

• ***Review of temporary increase to Principal's PO limit (minute 74/18 page 5):***

The meeting reviewed the temporary increase to the Principal's Purchase Order (PO) authorisation limit which had been agreed at the last meeting. The Finance Director (FD) confirmed that as the Jacob Bancks project had now been fully paid for it would be operationally acceptable for the Principal's previous PO limit to apply.

The temporary increase to the Principal's PO limit was REVOKED; the previous limit of £100,000 to be reinstated.

• ***SEELS lighting replacement project (minute 55/18, September 2018):*** The FD confirmed that this project was proceeding with the College taking up the option of an interest free loan from Salix Finance (DfE sponsored) for £154,000 with payback over a 5 year period. Governors commended the long-term savings and the improved carbon footprint that would result from this change of lighting throughout the College campus.

NOTED

- **Curriculum Planning (minute 50/18, September 2018):** The meeting noted a report which outlined the new curriculum planning model down to department. Governors sought, and were given confirmation that the level of financial contribution for a viable course was circa 55%. The Principal assured the meeting that this new modelling system had been used to construct the 2019/20 curriculum and data was available down to course level. Governors sought, and were given, additional clarity on how the central costs and support staff costs were treated within the model. The meeting commended the clear business focus and the ongoing focus on financial viability. The Chair asked the SLT what had been the biggest revelation from employing this new model; this was confirmed as the impact of group sizes and the benefit of incremental students before a new group had to be created. The FD highlighted that the income reconciliation which accompanied this curriculum planning model was very close to his existing income figure derived from the budgeting process. The difference was only 0.4% when he would have accepted a tolerance of 2-3%. This accurate forecasting was commended and Governors were reminded that the issue of weak curriculum planning had been highlighted in recent FE Commissioner reports as a major contributing factor to College failures. Governors asked for the issue of weak curriculum planning to be added to the BCA Risk Register.

It was confirmed that the curriculum planning software was an ongoing tool; the College was required to run the model every 3 months to provide information for the Transaction Unit. However, the Principal highlighted that the model would be largely static in-year after the 6 week census point. Audit Committee members discussed how often this report should be presented to Governors and it was agreed that it should be presented during the planning phase in June each year and at the end of the 6 week census period.

The curriculum planning report was NOTED.

It was AGREED that:

- ii) **The Curriculum Planning report should be presented to Audit Committee (AC) in June each year and then taken to the Corporation meeting in July.**
- iii) **An update would go to November AC and December Corporation.**
- iv) **The Curriculum Planning Report to be added to the AC and Corporation annual schedule of work.**
- v) **The issues and risks around weak/ inaccurate curriculum planning to be added to the BCA Risk Register / Board Assurance Framework.**

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

FOR DECISION/ APPROVAL

7/19 Internal Audit:

- **Safeguarding Audit, January 2019**

Members considered the internal audit report from specialist external consultant, Dr Dan Grant from Leaders in Safeguarding who had visited BCA for two days in January 2019. Audit Committee members were reminded that this report had been commissioned by the College within the internal audit strategy 2018/19. The very positive report was commended and Governors were pleased to note that BCA was one of 11 organisations nationally to hold the Leaders in Safeguarding accolade. The Leaders in Safeguarding consultants had conducted a rigorous and thorough audit of the safeguarding arrangements at BCA and approved the College as meeting the standards required. Dr Dan Grant, safeguarding expert and the founder of Leaders in Safeguarding, stated 'BCA has received this accolade because they have created a strong culture in which all learners and apprentices are safe. We congratulate BCA and recognise their highly effective and robust safeguarding arrangements. They work very hard and are highly committed to keeping children, young people and vulnerable adults safe'.

The meeting considered the 4 recommendations from the Safeguarding Audit report and noted that all had been accepted by the SLT and would be fully implemented; Members were reassured that all recommendations were low priority/ housekeeping issues. The Principal informed the meeting that the recommendations in relation to HR practices had already been actioned. Governors sought, and were given, confirmation that this positive award would be included in College literature and on the BCA website. The FD confirmed that the recommendations from the Safeguarding Audit Report would be added to the Register of Outstanding Audit Actions.

The safeguarding audit report was RECEIVED and the Governors commended the very positive findings.

8/19 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. Governors noted that this document had only required minor changes since last presented to the Corporation in November 2018; the changes had been highlighted. 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 'Failure to retain independent status'. (No change to risk score of 10 'green' after mitigation): The FD assured the meeting that the College was on track for the forecast surplus to be achieved during 2018/19. However he highlighted that the financial health grade for the year might be 'satisfactory' rather than 'good' in the final outcome as the ESFA model was currently showing a very borderline 'good'. The meeting noted that this change was due to the fact that there had been an error in the treatment of the estates strategy element of the restructuring funds within the ESFA spreadsheet which calculated the Financial Health Grade. However, the meeting was given assurance that the Financial Notice of Concern was still on track to be lifted in early 2020. The FD informed the meeting that for 2019/20 onwards the current model was showing BCA's financial health grade as 'good'. Governors were also reminded of the ongoing quarterly reviews to the very detailed CFADS ('cash-flow available for debt service') model which was required by the Transaction Unit (TU). The meeting agreed that this ongoing scrutiny from the TU along with regular reviews with College bankers Lloyds gave the Corporation very rigorous additional external assurance around College finances.

Risk 3 'Going Concern issues. Failure to meet income targets' (Risk score at 10 'green' after mitigation): This had previously been reduced following receipt of restructuring funds from the Transaction Unit. The narrative had been amended to reflect the assurances around the systems in place to recover the substantial High Needs and Additional Learning Support funding – circa £1.6m per annum - from a number of different local authorities.

Risk 4 'Quality and Funding issues associated with apprenticeship provision are not addressed' (Risk score at 10 'green' after mitigation): The narrative had been amended to include the Timely Success data at 74% compared with the national average of 59%.

Risk 5 'Poor Quality teaching is not addressed' (Risk score at 10 'green' after mitigation): The narrative had been amended to include the January 2019 retention data at 96% (the end year figure 2017/18 was 92.3%).

Risk 6 'Secure full registration with the office for Students (OfS) as a matter of priority' (Risk score at 20 'red' after mitigation): The Principal highlighted this as the major current

threat to BCA's strategic priorities. Governors were updated on the appeal which had been lodged to the OfS in response to their notification of their intent to refuse BCA's registration as Higher Education (HE) providers. The meeting was reminded that the impact of this would mean that BCA learners were not able to apply for student loan funding so it would have a detrimental impact on HE recruitment. The Principal assured the meeting that the appeal lodged was extremely robust but there was no guarantee of success; OfS registration was proving problematic for a number of Colleges throughout the FE sector. Governors were informed that in order to have a plan if the appeal was not successful the College was also 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. The meeting was reminded that the Childcare and Development HE provision at BCA was delivered on a sub-contracting basis for Reading University; this would not be affected by non-registration with the OfS. Governors were assured that the College was talking to the OfS to look at a potential exit strategy if the very robust appeal against non-registration was not accepted.

Risk 8 'Insufficient capital investment in the listed assets, specifically the mansion house' (Risk score of 20 'red' after mitigation): The issue of securing the requisite funding for the future maintenance of the heritage assets was still very uncertain. Restructuring funds could not support the heritage assets at BCA.

Risk 10 'Insufficiently developed succession planning/ staff retention strategies (Risk score of 20 'red' after mitigation): The Principal highlighted the addition of a specific issue with recruiting specialist staff for the College's High Needs provision to the narrative. This had been raised at the Governors Strategy day in February 2019.

Risk 15 'Safeguarding and H&S legislative and statutory requirements are not met (Risk score of 15 'amber' after mitigation): Governors asked that the Leaders in safeguarding audit and 'badge' be added to the external assurance column.

The Board Assurance Framework/ Risk Register was RECEIVED.

It was AGREED that the January 2019 Leaders in safeguarding audit and 'badge' should be added to the external assurance column of the Risk Register.

9/19 Internal Audit Strategy 2019/20 onwards

The meeting considered a paper from the Finance Director which summarised the areas covered by internal audit reviews undertaken during the last four years at the College. Governors were reminded that Audit Committee had discussed the internal audit strategy for 2018/19 at the September 2018 Audit Committee meeting. This had led to the current year's strategy for the annual Key Financial Controls audit and Funding audit to be undertaken by ICCA with specialist audits being commissioned from other organisations who could provide expert input e.g. the recent safeguarding audit. After discussion Audit Committee members agreed that the College should continue to pursue this 'specialist call-off' of internal audits into 2019/20 as it appeared to provide more detailed reporting and assurance for Governors.

The meeting considered which areas should be included for 2019/20 in advance of the formal internal audit strategy being brought to the June 2019 meeting of the Audit Committee. Governors agreed that Key Financial Controls (KFC) and Funding should remain as an annual internal audit review. The Clerk confirmed that an audit review of Health and Safety and Safeguarding should be undertaken on a biennial basis. In terms of other areas for internal audit in 2019/20, the issue around GDPR implementation was a possibility which would be further investigated by RM. The meeting also suggested that a review of the College's disaster recovery and crisis management plans would be of value. The Clerk suggested that it might aid sourcing of an internal audit firm to provide a KFC audit for the contract to be awarded on a 3-yearly basis (this had been her anecdotal experience in another FE College).

The meeting AGREED that the internal audit strategy 2019/20 should be presented at the June 2019 Audit Committee meeting; it should be predicated on BCA sourcing specific audits from specialist audit providers.

FOR INFORMATION

10/19 ESFA Allocation 2019/20

The FD presented the report which showed ESFA Funding for BCA (previously EFA and SFA) going back to 2014/15. The overall ESFA income figure at circa £9.9m for 2019/20 was noted this figure was noted as being circa £220,000 more than forecast. Governors commended the growth in learner numbers over the last 3 years; with a flat 16-18 year old demographic this represented the College increasing market share. However, Audit Committee members asked for further analysis to be undertaken on where the growth had come from; this labour market intelligence would help with future planning. Governors also asked for the 5 year growth trajectory based on increasing 16-18 demographics from 2020 to be brought to the Corporation for information.

The report was NOTED. It was AGREED that further analysis on the source of the growth in learner numbers at BCA over the last 3 years would be brought to June 2019 Audit Committee along with a 5-year growth forecast based on 16-18 demographic forecasts.

11/19 Register of Outstanding Audit Actions

- **Internal Audit**

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. 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.

- **External Audit**

The FD provided the meeting with a verbal update on progress with the five recommendations made after the audit of the College's Financial statements 2017/18. The meeting considered a detailed update report on the new processes and controls put into the Motor Vehicle Department and Finance to cater for work being done on staff and student cars. The stated purpose of this work was now clearly aligned with the requirements of the curriculum and the benefit to learners of having the additional cars to work on; the benefit to staff and students was now clearly not a motivating factor. The new process on booking cars in, ordering parts and raising invoices for payment was noted. RM confirmed that this rigorous process had been developed by the Financial Controller and her staff in liaison with the Motor Vehicle Team.

The report was NOTED.

12/19 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 November 2018. 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.

13/19 Debtors Report

The FD informed the meeting that he had circulated the Debtors Report in the interests of full transparency as an 'exceptional' item as the current levels of debt were higher than usual. He gave the meeting assurance around the '4 months +' category (showing at £66,115); this was now nearly cleared with a few write-offs. Within this category the £32,500 funding for High Needs learners had now been paid by RBWM and the funding for 14-16 learners from schools (£26,797) was also secure. Governors were reminded that the FD reviewed this debtors schedule on a fortnightly basis with the Financial Controller to ensure that the College kept a tight control of debtors.

NOTED

14/9 ESFA Guidance 'Indicators for Potential Fraud'

The meeting noted a recent guidance document from the ESFA 'Indicators for Potential Fraud: a generic checklist for education providers', which was published in January 2019. The aim of the document was to provide a checklist for education providers to use where concerns existed that fraudulent activity may be taking place. Governors suggested that this checklist might inform the internal audit strategy for the College and that it might be beneficial for auditors to review this checklist in relation to BCA during 2019/20.

The guidance was NOTED.

It was AGREED that SLT should review this checklist and consider including its review by an external third party in the internal audit strategy for 2019/20.

15/9 Date and Time of Audit Committee meetings 2018/19

The meeting was confirmed as:

- Wednesday 19 June 2019 at 4.30pm

16/19 Any Other Business

- **Transaction Unit Funding from Department for Education**

The Finance Director presented a detailed summary of the drawdown on the restructuring funds which had been completed to date. He confirmed that all of the deadlines for submission of grant claims had been met and the College was on track to receive the maximum sum allocated under the grant/ loan.

The update was NOTED

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