



Minutes
Meeting of the Audit Committee
Wednesday 22 April at 4.30pm
 Video conference via Google Meet

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)	Director of Governance

11/20 Chair's Agenda Item

The Chair informed the meeting that this item would be deferred to the end of the meeting and the management team would leave the meeting at that point.

12/20 Apologies for absence

There were no apologies.

13/20 Notification of any other business

The Principal informed the meeting that she would bring a short verbal update on HE provision under AOB.

14/20 Notification of any interests

There was none.

15/20 Minutes of the Audit Committee meeting held on 27 November 2019 and 25 February 2020

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

16/20 Matters Arising from the Audit Committee meeting, 27 November 2019 and 25 February 2020

• ***Landbased Training: progress against business plan (minute 60/19)***

The meeting noted that the HoD of Landbased Training (LBT) had now left BCA as she had secured a role in another college; a replacement had been secured from within BCA. The Principal (GM) informed the meeting that all LBT operations had ceased on 23 March 2020 in line with government guidance on Covid-19. However, the College was currently scheduling courses – at employer request – for delivery from 1 June 2020 when restrictions on educational settings were likely to be relaxed to some degree. GM confirmed that no LBT staff had been furloughed as they were either employed on sessional contracts or were engaged in other work. The business development work for LBT was still being undertaken remotely to maintain the pipeline moving forward as the lockdown was lifted.

NOTED

- **BCA Health Science Centre: confirmation of grant funding:**

The meeting noted a letter from the Thames Valley Berkshire LEP confirming the success of BCA's bid for funding under the Local Growth Deal for the Health Sciences Centre. The meeting was reminded that the LEP funding of £850,000 for this new facility would require the work to be completed by March 2021. The Principal reminded the meeting that there was no requirement for planning consent for this work as it was essentially refurbishment of existing residential accommodation space. Current thinking was that there would be no delay to the project and the first drawdown of grant funding would be in June 2020. The meeting commended the management team on securing this funding for this new teaching facility.

NOTED

There were no other matters arising from the November 2019 meeting or the Audit Committee meeting on 25 February 2020 that were not already covered on the agenda.

FOR DECISION/ APPROVAL

17/20 Internal Audit Reports

- **Management accounts and payroll review**

RM presented a report of factual findings from RSM following their review of the BCA Management Accounts for the period ended 31 January 2020. 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 of any journal adjustments (including ledger and management information postings).
- Agreeing a sample of 10 staff expense claims to supporting documentation. Reviewing to ensure that the claims have been appropriately authorised and relate to acceptable expenditure.
- Agreeing a sample of 5 staff joiners back to supporting documentation ensuring that they have been added to payroll records with the appropriate salary and at the correct start date
- Agreeing a sample of 5 staff leavers back to supporting documentation ensuring that they have been removed from the payroll at the correct end date
- Agreeing a sample of 5 staff pay changes in the period back to supporting documentation ensuring that the changes have been appropriately authorised and implemented at the correct date

RM drew the Audit Committee's attention to the one factual matter contained in the report in relation to funding revenue being accounted for on a cash basis rather than an accruals basis. Governors were reminded why this system was used and that the only difference it made to the management accounts was on a timing basis. 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. The FD commended his Finance Team who had all contributed to this clean report and who were continuing to do a great job whilst having to work remotely. The Audit Committee Chair sought, and was given, confirmation that this positive report had been shared with the Finance Team.

The RSM factual findings review on the BCA management accounts to 31 January 2020 was NOTED and RECEIVED.

It was AGREED that this review of the mid-year management accounts (for period end 31 January 2021) should be repeated in 2020/21.

- **Internal Audit Reviews 2019/20**

RM informed the meeting that two of the planned internal audit reviews had been postponed due to the pandemic. The funding review of Apprenticeships and Learner Numbers would not now take place during the current academic year. Governors were assured that it would be highly unlikely for the College to be selected within the ESFA sample for funding audit in autumn 2020; current thinking was that these would not take place for 2019/20 funding data. RM also informed the meeting that the planned audit of Cyber Security (due to take place in March 2020) had been delayed due to one of the auditors self-isolating with Covid symptoms. It was highly unlikely that this would be undertaken before the end of the current academic year; it would be rescheduled for 2020/21. Audit Committee members asked the SLT to try and secure some form of cyber security audit as soon as possible – even if it had to be conducted remotely. The threat of a cyber-attack was even greater when staff were working remotely.

NOTED

It was AGREED that SLT should endeavour to reschedule the planned internal audit of Cyber Security as soon as possible even if it had to be undertaken on a remote basis.

FOR INFORMATION

18/20 Board Assurance Framework/ Risk Register Update to reflect Covid-19

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 been comprehensively reviewed to reflect the impact of the Covid-19 pandemic across all of the strategic priorities. This had significantly increased the risk ratings with the four biggest risks now remaining as 'red'; - with a risk score of 20 or above – post mitigation. 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 and the key risks which were currently rated as 'red' and the ongoing mitigation that was being provided against their crystallisation:

Risk 1 'Failure to address reductions in external funding results in the College being unable to remain a going concern. Failure to meet income targets. (Risk score post-mitigation at 20 'red'): This risk was now far more of a threat due to the impact of Covid-19 on commercial income and cash. The meeting noted and discussed the forecast

financial impact on the College and the limited mitigation that had been put in place. The Principal highlighted the issues around the cash position which would be particularly difficult in spring 2021 and could impact on the 'Going Concern' judgement. Governors were reminded that the ESFA had now confirmed that there would be no clawback of funding for 2019/20 and allocations for 2020/21 were also secure. The meeting was pleased to note that all of BCA's apprentices were continuing in learning – there had been break in learning so this funding was also secure. The meeting noted and commended the decision to get an overdraft facility in place.

Risk 2 'Insufficient Capital investment in the listed asset, specifically Hall Place Mansion. (Risk score at 20 'red'): The meeting was reminded that the issue of securing the requisite funding for the future maintenance of the heritage assets was still very uncertain as any development of 'greenbelt' land was still a highly contentious issue. The meeting noted that work continued on the fully costed conservation plan to underpin the argument for the requisite 'Very Special Circumstance' criteria needed for greenbelt planning approval. The possible delay to any planning application due to Covid-19 was noted but this was not yet confirmed. The plan was still to submit a full planning application in June 2020. GM informed the meeting that there had been more than 600 visits to the College microsite which outlined the planning proposals; this would show good engagement with local stakeholders when the planning application was being considered. However, the meeting was reminded that the likelihood of success was still relatively low due to the ongoing constraints around development of green-belt land.

Risk 3 'Significant disruption resulting from Covid-19 pandemic' (Risk score at 20 'red'): The meeting was reminded that the issue of implementing the government guidance was very much an operational responsibility but governors should take assurance that the SLT were doing all they should to meet guidelines and all they could to secure quality ongoing learning for BCA students. The College had started to plan a move to online delivery from the beginning of March 2020 and GM highlighted the numerous examples of positive feedback on the move to online learning (which took place on 23 March 2020) from students and parents. The College counsellors had continued to work with learners and worked through the Easter break; they were continuing to support learners remotely or in a few cases on a face-to-face basis to ensure that all additional needs were being met. However, GM highlighted the potential requirement for some face-to-face delivery for learners who required a practical assessment in order to finish their qualifications. Current thinking was that this could be undertaken if the lockdown restrictions were reviewed from 1 June 2020. Governors were assured that the SLT would continue to plan and implement any phased return to campus on the basis of the guidance from the DfE. Governor (FP) informed the meeting that he had a telephone catch up with one of his Link HoDs from Sport & Public Services earlier in the day; he had taken comfort from this update and the remote learning seemed to be working very well in S&PS. The meeting highlighted that although Covid-19 was a major risk the move to online learning and digital delivery should also be seen as an opportunity. It was agreed that the best aspects of this new delivery model should not be lost when the pandemic threat had receded.

The meeting AGREED that the risk score post-mitigation for Risk 3 was too high at 20, evidence suggested that the likelihood score should be reduced to 4 from 5 with an overall risk score of 16 'amber'.

Risk 4 'Secure a franchise agreement with the Royal Agricultural University (RAU) for all but the UoR provision. Improve the quality of the HE student academic experience as identified by the OfS' (Risk score now raised to 20 'red' from 15 'amber' after mitigation): The meeting was reminded that the HE Oversight Committee had been looking at the ongoing viability of HE provision at BCA. The Principal highlighted that the current contribution figure of this provision overall was circa 16%; against a usual target of 50%. Any negotiations to move to a franchise agreement with the RAU had now stalled. The

meeting was informed that when the BCA HE Oversight Committee had met on 21 April 2020 they had agreed to recommend to the Corporation that HE provision – apart from the franchised UoR provision - at BCA should cease after a one-year teach out of the Foundation Degree Animal Behaviour and Welfare. Options to transfer the Vet Physio provision to another provider were currently being investigated. The Principal informed the meeting that the College was still waiting for the report from the QAA Inspection visit which had been undertaken during the first week in January 2020. Audit Committee Members asserted their support for this decision, as well as low contribution rates there was high opportunity cost for the resources currently assigned to HE provision e.g. the house at Greenacres. The meeting agreed that this solution would provide the best long-term outcome for the students, staff and the business. Governors noted that the detail of this recommendation and the proposal for how this transition would be managed for staff and students would be brought to the Corporation for decision on 29 April 2020.

Risk 5 'IT failure with loss of data for staff and students' (Risk score at 15 'amber' after mitigation): This risk score had been raised since the Risk Register was last presented. The cyber-security action plan and the audit of this area would further mitigate the risk.

Risk 6 'Student Transport and lack of effective tracking of learners' (Risk score at 12 'amber after mitigation'): The meeting noted the update on this risk which had been added to the Risk Register in May 2019. RM confirmed that the joint project team continued to trial a monitoring system; further updates would be brought to future meetings. The meeting was assured that progress was being made.

Risk 7 'Quality and funding issues associated with the apprenticeship provision are not addressed' (Risk score of 12 'amber' after mitigation): The meeting noted that NARTS data published in March 2020 showed that BCA performance for 2018/19 was in the upper quartile nationally.

- **H&S Covid Risk Assessment**

The meeting also noted the detailed Risk Assessment document RA.HAS.120 which had been drafted by the College's Health and Safety Manager to monitor site operations at BCA during the Covid-19 'lockdown'. The nature of BCA meant that the site could not close and staff would have to be on site to manage the animals and horses.

Governors highlighted the need for the College to have an action plan in place to mitigate against loss or incapacity of senior staff during the Covid-19 pandemic.

The changes and action taken with the lower scoring risks were noted by the meeting.

The Board Assurance Framework/ Risk Register was RECEIVED.

The College Risk Assessment in relation to site operations during the lockdown was NOTED.

It was AGREED that a plan to manage any incidence of Senior Post-holder Incapacity at BCA should be brought to the Corporation for approval on 29 April 2020.

- **Impact on College Financial Position**

The meeting noted a briefing paper from the FD which gave a clear outline of the current assessment of the financial impact of the current coronavirus pandemic.

Current financial year 2019/20:

The main effects during the current financial year to 31 July 2020 were noted as:

- Cancellation of all commercial activities, although Ardmore monies were largely guaranteed (commercial income was expected to be £170,000 lower but this would be partially offset by cost savings amounting to about £50,000).

- Delays in payments being made by third parties, leading to concerns about cash flow in both the short and longer term, but note that the college would remain within its overdraft facility throughout the current closure period (assumed to 1 June 2020).
- The need to agree sensible arrangements with main stakeholders - including Ardmore, Busy Bees, Baxter Storey, the coach operators and parents/students – in order to protect the College’s cash position and income and expenditure account, but also to look after the longer term relationships. Most of the arrangements were relatively minor and in some cases e.g. Busy Bees relate to deferring of rent charges only. The main potential effect related to student transport where SLT had assumed refunds of travel permits amounting to £143,000 for term three offset by cost savings of £121,000 against the coach contracts.
- Potential risks associated with claims for non-delivery by, for example, the local authorities that BCA dealt with in respect of High Needs students. A provision of £100,000 had been included in the revised forecast for the year but communications received in the meantime suggested that this may be overstated.
- Uncertainty as to when the College would be back to normal and what that would mean financially. What the overall impact would be on BCA’s financial health and the ability of the college to pass the covenant tests associated with the bank loans and the Restructuring Facility grant and loan.

The meeting was reminded that in February 2020 BCA’s operating surplus for the year was forecast at £53,000 and that the College earnings before interest, taxation, depreciation and amortisation (‘EBITDA’) would be £1.14 million. Cash balances at the end of July 2020 had been forecast at £764,000 and the College was expected to pass all the covenant tests set by the bank. The FD had now undertaken an extensive, line-by-line, review of the College’s income and expenditure account for the period from March to July 2020 based on the college being open for business from 1 June 2020. This review now indicated that income for the year would be £534,000 lower than previously forecast but that the effect of this would be mitigated by lower costs amounting to £281,000; the net adverse effect on the college’s bottom line would be £253,000. The meeting noted that this would result in a full year operating deficit of £0.2 million (£53,000 surplus less the £253,000). The adverse impact on cash would amount to £355,000 so the end year cash position would be reduced to £409,000. This new cash position would equate to approximately 11 cash days and, not the 19 previously anticipated. The meeting was reminded that the minimum required under the Restructuring Fund facility agreement was 17.

Next financial year 2020/21:

The meeting noted that the virus would continue to have an adverse knock-on effect in 2020-21, especially with regard to commercial income and cash. However, Governors were reminded that all FE colleges were in the fortunate position of knowing that their main source of income, ESFA funding for 16 to 18 year olds, was guaranteed for next year. In February 2020 this income had been forecast at £10.9 million, but SLT had now received confirmation of the 2020/21 allocation and 16 to 18 income would be £0.3 million higher than previously thought at £11.2 million. This would help the College financial position from both an I&E and a cash perspective. However, the lower cash balances at the end of July 2020 would roll forward into next year and Senior Management were concerned that at certain times of the year BCA might report cash days below the 17 required and may have to approach the bank for a short term facility overdraft (as the College had to for the current lockdown closure period). Governors noted that the cash-flow issue, with immediate effect and on a continuing basis, was currently the major threat to BCA’s financial health. The meeting commended the SLT

suggestion to consider having an overdraft facility in place on an ongoing basis to provide additional mitigation around any cash-flow issues.

The meeting was given assurance around the mitigation currently in place to minimise the impact of Covid-19 on BCA finances and to protect cash-flow.

- Pay costs were being scrutinised in conjunction with the curriculum plan. The need to keep any non-essential staff on will be discussed by the Exec. Team in the first instance and then with budget holders in order to meet the ESFA 65% target. The meeting noted that BCA had not furloughed any employees and it was highly unlikely that the College would so, given the agency income sources and the fact that staff had been asked to continue working, albeit from home.
- Capital spend for the rest of this year and throughout next year would be restricted to essential items only. SLT would not be asking budget holders to submit their normal wish lists for review but would, instead, limit spend to essential items in estates and facilities, IT and curriculum departments. As always, spend on Health and Safety, compliance and safeguarding would take priority. The budgeted spend for next year was £0.6 million, excluding the Health Sciences Building project; this would be reduced by at least £150K.
- SLT would approach Lloyds Bank with a view to agreeing a year-round overdraft facility so that the College had a safety net in place for the more challenging times of the year. The meeting noted the current thinking that BCA should request that the £250,000 overdraft currently in place from mid-March to mid-April 2020 should be made available throughout the year.
- SLT would negotiate hard with customers and suppliers with regard to claims associated with the virus, whilst recognising the need to make decisions that are fair to both parties
- BCA would continue to look for new sources of income and would ensure that the College obtained best value for money on all purchases

Impact on Financial Health Grade:

RM confirmed that he had reworked the IFMC to reflect these new financial assumptions after the advent of Covid-19. The meeting noted the detailed changes to the KPIs generated by the post-Covid Integrated Financial Model for Colleges (IFMC). The financial health score for the current year would move from 'Requires Improvement (RI)' to 'Inadequate' and the forecast for 2020/21 was for a RI grade. The meeting was reminded that under normal circumstances an 'Inadequate' financial health grade would trigger intervention by the FE Commissioner. However, the FD assured the meeting that having seen comments on various forums and having listened to the College's main contacts at the ESFA, it had become clear that many colleges would see a similar deterioration in their financial health and that relief in the form of an uplift, via moderation, to 'Requires Improvement' might be granted. Audit Committee Members would be updated as soon as more detail was known.

The meeting commended the clear information and the realistic scrutiny of the likely impact on the College.

The Finance Update to reflect the impact of Covid-19 was NOTED and RECEIVED.

It was AGREED that:

- i) SLT should progress the option of an ongoing overdraft facility with Lloyds Bank.***

- ii) Audit Committee would timetable an additional meeting on 21 May 2020 to approve a new version of the IFMC to reflect the current financial position; this was required for submission to the ESFA and the Transaction Unit.*

19/20 Internal Audit Strategy 2020/21 onwards

The FD informed the meeting that this would need to be further reviewed and discussed with SLT before a proposal for 2020/21 could be brought to the Audit Committee for approval.

The Internal Audit Strategy 2020/21 would be brought to the Audit Committee for approval in June 2020.

ITEMS FOR INFORMATION

20/20 ESFA 16-19 Allocation 2020/21

The meeting noted the detail of the ESFA allocation for 2020/21 which had already been discussed during the meeting. The increase in learner numbers and the strong retention factor at 97.2% now brought the total income figure to £11,320,480; an increase of 15% on the current year's allocation.

NOTED

- **Applications 2020/21 at April 2020**

The meeting noted the current position with applications for the next academic year at 10 April 2020. The total number of applications was currently 1,213 compared with 1,205 at the same point last year. Areas which were below their position last year were noted as Land and Animal Management. The Principal highlighted her expectation that the College would not see large-scale growth for the 2020/21 academic year; anecdotally when Animal Management applications were flat this was reflected in the overall enrolment. The meeting discussed the impact of the coronavirus pandemic on applications and agreed that the current level of uncertainty might encourage more learners to stay on into school sixth forms. This would be compounded by the lack of GCSE exams which might mean learners staying on to undertake A levels who would be better suited to vocational education. In order to deal with this possibility BCA would keep its enrolment window open for longer than usual, probably up until October half-term. Governors sought, and were given, assurance that the College marketing team were doing all they could to put taster videos online for Animal Management and any other areas where applications were lower. Governors were assured that online interviews were taking place and feedback from learners had been positive.

The Applications Report was NOTED

21/20 Register of Outstanding Audit Actions

The Finance Director gave the Audit Committee Members a verbal report to summarise the outstanding recommendations related to internal and external audit reports. Members were pleased to note that the two recommendations from the external audit 2018/19 - in relation to fixed asset verification and the input of payroll data – had both been actioned as recommended.

The report was NOTED.

22/20 Fraud, irregularity and whistleblowing report

The meeting noted the report which confirmed that there had been no additional incidences of fraud, corruption or irregularity perpetrated against the College since

reported at the last Audit Committee meeting. The meeting also noted that the Whistleblowing report was a nil return for the period 1 August 2019 to date.

The Report was NOTED.

23/20 Date and Time of Audit Committee meetings 2019/20

The meetings were confirmed as:

- Wednesday 17 June 2020 at 4.30pm

24/20 Any Other Business

- ***HE Provision at BCA 2020/21 onwards***

This matter had already been discussed when the meeting considered the BCA Risk Register (see minute 18/20 above).

NOTED

There was no other business the meeting closed at 6.45pm.

Part 2 Confidential Minutes follow on page 10



Minutes
Meeting of the Audit Committee
Wednesday 22 April 2020 at 4.30pm
Video meeting via Google Meet

PART 2 CONFIDENTIAL

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)	Director of Governance

25/20 Tender for External audit provision July 2020 onwards

The meeting discussed whether the College should go out to tender for the external audit of the College Financial Statements 2019/20; the current incumbents RSM had now been in post for some time without the College testing the market. After careful consideration the meeting agreed that due to a number of factors it would be in the best interest of BCA to maintain its existing relationship with RSM as external auditors. This was due in part to the planned retirement of the Financial Controller in autumn 2020 and the possible negative impact of Covid-19 on the College's cash position. This second factor might have a bearing on any 'going concern' judgement and it would make sense to stay with RSM who knew the College well and had seen the clear financial recovery over the last few years. Audit Committee members agreed that it would be useful for the College to maintain the continuity of its relationship with RSM for one more year but insisted that this contract should be put out to tender in Spring 2021 for the external audit provision from 1 August 2021.

It was AGREED that:

- i. BCA's contract with RSM for the College's external audit provision should be extended for one more year from 1 August 2020 to 31 July 2021.***
- ii. The external audit contract at BCA from 1 August 2021 should be put to competitive tender in spring 2021.***

Action points follow on page 11

SUMMARY ACTION POINTS – Part 1 and 2

Minute Ref	Action	By who	By when
17/20	External auditors to review BCA mid-year management account to 31 January 2021.	FD RSM LLP	March 2021 Audit Committee meeting
	Audit of cyber-security to be rescheduled ASAP even if it had to be undertaken on a remote basis.	FD AP Digital	ASAP
18/20	Risk Register to be amended: Post-mitigation score for Risk 3 'Disruption due to Covid-19' to be reduced from 20 (red) to 16 (amber).	Principal	Immediate
	Plan to manage any incidence of SPH Incapacity to be brought to Corporation for approval.	Principal/ Dir of Governance	29 April 2020
	SLT to progress option of ongoing overdraft with Lloyds Bank.	Principal/ FD	Immediate
	Extraordinary Audit Committee (AC) meeting to be timetabled for approval of revised IFMC.	AC Members SPHs	21 May 2020
19/20	Internal Audit Strategy 2020/21 to be presented to next meeting of Audit Committee.	FD/ Dir of Governance	17 June 2020
25/20	BCA contract with RSM LLP for the external audit of the College financial statements to be extended for one additional year.	FD RSM LLP	1 August 2020- 31 July 2021
	Contract for external audit provision at BCA from 1 August 2021 to be put out to competitive tender in spring 2021.	FD Audit Committee	Spring 2021