



DRAFT Part 1 Minutes

Meeting of the Audit Committee Wednesday 25 November 2020 at 4.30pm Remote access via Google Meet

Present:	Neil Dew-Gosling	(NDG)	Governor (<i>Chair</i>)
	Jo Croft	(JC)	Governor
	Frank Pitkin	(FP)	Governor
	Ian Thomson	(IT)	Governor
	Andrew Try	(AT)	Governor
	Gareth Osborn	(GO)	Governor (<i>items 1-6 only</i>)
In attendance:	Sarah Mason	(SM)	RSM UK LLP (<i>External Auditors</i>)
	Gillian May	(GM)	Principal
	Richard Munday	(RM)	Finance Director
	Tracy Reeve	(TR)	Director of Governance
	Anne Entwistle	(AE)	Vice Principal Curriculum & Quality
	Lucy Gill	(LG)	Assistant Finance Director
	Sam Armitage	(SA)	Dir Estates & Facilities (<i>item 1-5.2 only</i>)

72/20 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. The chair sought specific feedback from the external auditor, Sarah Mason, (SM) that there was nothing she wished to raise with governors in respect of the financial statements audit 2019/20. SM confirmed that the audit had gone well, the College finance team had been well prepared and had responded well to any queries raised by the RSM audit team.

73/20 Apologies for absence

There were no apologies. The Chair (NDG) welcomed Anne Entwistle to the meeting; she had asked to attend in advance of the FE Commissioner visit so that she was well briefed on any ongoing Audit Committee matters. NDG also welcomed Governor Gareth Osborn, and the Director Estates and Facilities Sam Armitage to present to the Audit Committee. Finally, he welcomed Lucy Gill to her first meeting since she had taken on the role of Assistant Finance Director at BCA.

74/20 Notification of any other business

There was no other business notified.

75/20 Notification of any interests

There was none.

76/20 Minutes of the Audit Committee meeting held on 15 September 2020

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

77/20 Matters Arising from the Audit Committee meeting, 15 September 2020

- ***Landbased Training Update (minute 58/20)***

The meeting noted a trading update on Landbased Training (LBT) which followed on from the detailed report to the Audit Committee in June 2020 and the update in September 2020. The trading income for the year-to-date on 31 October 2020 was £58,000 against a budget of £50,000; and gross profit was £37,000 against the budget of £27,000. The bottom-line contribution at 31/10/20 was £12,000 (21% contribution) against a budget of £7,000 deficit (-14% contribution). The positive variance of £19,000 contribution was commended by the meeting. The Principal confirmed that following a difficult start post-lockdown during August and September, bookings in Landbased Training had increased steadily. Courses were already over 50% booked for January 2021 and management were confident that most of the remaining places would be booked in advance. The continued improvement was in spite of the pandemic and without any substantial marketing or advertising which would now be increased over the next four months and beyond. The new LBT management team had re-built positive relationships with all of the College assessors and trainers and secured the services of new ones. Key accounts had been retained and regained, most notably The Crown Estate. A number of new courses and bespoke courses have been added to the LBT portfolio, including tractor driving, All-terrain vehicle (ATV), Lifting Operations and Lifting Equipment Regulations 1998 (LOLER) inspection and floristry leisure workshops. The meeting was assured that College management now had every confidence that Landbased Training would continue in the right direction; the year end forecast was an £80,000 (26%) contribution for the full year 2020/21. The Principal informed the meeting that Landbased Training income and expenditure would now be clearly identified on the monthly management accounts and commentary that were circulated to all Governors. This would provide clearer visibility on performance moving forward.

The Landbased Training Update was NOTED

- ***Estate Risk Report (Corporation minute 60/20 from 23/09/20):***

The Director Estates & Facilities (SA) gave a presentation which followed on from the paper which had gone to the Corporation meeting in September 2020. The meeting noted the potential risks categorised within three types: damage to property; damage to persons and damage to the environment.

The Audit Committee Chair sought confirmation from SA on what it was in relation to the estate related risks that most worried him. SA assured the meeting that nothing kept him awake at night as he felt that the College management had a good understanding of risks and had effective controls in place. SA believed that there were always things that could be improved e.g. tree management, but the Estates Team were working on this. Governors sought information on whether there were any underground structures – e.g. reservoirs or brick structures - within the BCA Estate; the historic nature of BCA would suggest this was a strong possibility. SA confirmed that the team was aware of some underground structures e.g. an old pumping station – but the scale of the Estate and the hidden nature of underground structures did not preclude there being more. He informed the meeting that he took time each week to visit an outlying section of the campus to look for any changes or any new risks. SA also assured the meeting that the rural nature of the BCA campus meant that it did not have a number of the risks that would be associated with an urban campus e.g. overhead power cables. The meeting thanked SA for his assurances.

NOTED

- ***FECA Capital dilapidations expenditure update (Corporation minute 60/20 from 23/09/20):***

The Director of Finance (RM) presented a schedule of current expenditure and committed expenditure under the £502,000 capital allocation from the ESFA. The status with agreed or proposed contractors was also noted on the schedule. The meeting was reminded that all projects would need to be completed by 31 March 2021. Governors commended the speed at which activity had started on this work with some projects already completed, some were work in progress and others still at the estimate stage. RM and SA confirmed that the College would make use of the full grant of £502,000 to meet the March 2021 deadline.

NOTED

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

FOR DECISION/ APPROVAL

78/20 Internal Audit Reports

- ***Health and Safety Review***

The meeting received the report resulting from a Health and Safety (H&S) Hazard Risk Assessment and Compliance Audit. This had been undertaken by a specialist environmental consultant Healthy Buildings International (HBI) on 9 September 2020. The meeting noted that the report had identified 21 health and safety hazards. These items had the potential to cause harm to people and/or damage to property and the meeting noted a summary of all the hazards and an assessment of the level of risk they represented along with the proposed remedial action. The Audit Committee members were pleased to note the following positive statement in the Executive summary of the report:

'Health and Safety management is the responsibility of Claire Conroy who has put together an effective system to control what is a large and varied organisation with multiple hazard groups. The overall view of the site and the Health and Safety processes was incredibly positive, hazards are generally well controlled by each department with Health and Safety overseeing the overall safety management. Health and Safety compliance was particularly good with virtually all areas covered by procedures, risk assessments and management control. Statutory compliance areas were covered by systems of control with all required checks being carried out by competent contractors within the required time scales. Extensive training has been conducted and recorded for many of the Health and Safety disciplines and there is clear evidence of refresher training being undertaken on a structured basis.'

In order to provide additional assurance for Audit Committee Members the Principal had invited the BCA Lead Governor for H&S, Gareth Osborn (GO), to review the H&S Audit Report with herself and the Director of Safety Security (Claire Conroy). GO had been invited to provide a short summary report within the meeting papers; he was also attending the meeting to answer any questions on his opinion. The meeting noted GO's report and his ongoing assurance around H&S at BCA. GO assured the meeting that he believed that the audit report was balanced and reflected the work undertaken by the SLT and Claire Conroy; it highlighted a number of very helpful areas, some of which had been actioned already. The meeting noted his comments that there had been an immediate action plan implemented with works being commenced in the October half term for the high-risk actions with works well advanced. Some medium risks had also either been resolved or were planned.

GO asserted that the Director of Safety and Support Services (CC) was doing a great job to embed a positive H&S culture throughout BCA. He believed that all staff were now mindful of their H&S obligations. The audit by a specialist organisation had been challenging but the 21 recommendations would all enhance the H&S practice at BCA

moving forward; the size and scope of the BCA campus meant that there was scope for very large numbers of recommendations and to only receive 21 was a credit to the work of the DSSS and the Director of Estates and Facilities at BCA.

Governors sought additional assurances on the risk identified in relation to the lighting in certain areas of the car park; SLT confirmed that there were sufficient controls in place to mitigate this risk. The timing of pick-ups had been staggered, students were now allocated separate bus-stops and there was a strong staff presence in the car park in the morning and evenings. The Principal (GM) confirmed that there had been no reportable incidents in the car park to cause concern but this was an area that would provide ongoing operational challenge.

The actions suggested within GO's report were NOTED and AGREED:

- i) All BCA Governors should review the BCA H&S Statement and Arrangement Policy dated Feb 2020 and the H&S Management Systems Procedures dated Nov 2019 which detailed their responsibilities.**
[TR to circulate with December Corporation paperwork]
- ii) The SLT/ Corporation would need to ensure that the recommendation for installing flood lighting in certain parking areas, (which would bring planning issues) was actioned and kept under review.**
- iii) Manual Handling processes - undertaken on a task-based assessment rather than stand alone at BCA – would be refined to reflect the comments.**
- iv) The HBI report highlighted the need for greater self-inspection and audit processes, which should be developed by the H&S team.**
- v) An external audit of Health and Safety should be a regular part of the risk assessment for the college and should take place every 3 years as a minimum.**
- vi) An update on this H&S Audit should be brought to the June 2021 meeting of the Audit Committee to demonstrate progress with input from HBI.**

It was AGREED that the recommendations (from HBI and GO) and actions from this audit of H&S would be added to the Register of Outstanding Audit Recommendations for the March 2021 Audit Committee meeting.

- **JISC Penetration Test and review of IT Security**

The Principal informed the meeting that the details of this recent JISC audit would be brought to the December 2020 Corporation meeting as she wanted all Governors to receive assurance from the Assistant Principal Digital on the work being undertaken to mitigate the risks around cyber-security.

NOTED

It was AGREED that AP Digital (DF) would attend the Corporation meeting on 9 December 2020 to provide an update for Governors on cyber security at BCA.

- **Update IT Policies for approval**

The Principal presented two recently update policies for Audit Committee approval which had been approved by SLT.

The meeting APPROVED the following policies as presented:

- i) Back Up and Recovery Policy**
- ii) Acceptable use policy (staff)**

79/20 External Audit:

- **Draft Annual Audit of Accounts and Report 2019/20**

Members considered the final paperwork for the Annual Audit of Accounts provided by RSM UK Audit LLP; the Report and Accounts to 31 July 2020 and the Draft Audit

Findings Report ('Management Letter'). SM presented the report and informed Members that the audit had gone well; the Finance Director (RM) and his team had made a valuable contribution to the audit; all requisite information had been readily available and had been shown to be robust and accurate. The audit had been undertaken on a predominantly remote basis with one site visit for 2 short days to enable the audit team to gain access to some hard copy paperwork. The audit was not quite complete as auditors had additional demands put on them for the 2019/20 FE college audit and the issue of going concern had to be finalised but she did not foresee any problems with sign-off in time to meet the current College deadline of 31 December for submission to the ESFA. However, SM did confirm that the numbers within the Financial Statements were now confirmed.

The final out-turn in the statutory accounts was an operating deficit of £864,000 after allowing for Restructuring Fund income and costs and LGPS pension related charges (prior year figure was £337,000 deficit). This was noted as being in line with all management account forecasts presented to Governors during 2019/20. The FD highlighted the reconciliation statement on page 7 of the financial statements that identified the specific adjustments made in relation to the forecast deficit shown in the management accounts. External auditor (SM) highlighted the importance of this reconciliation as the management accounts were key to College performance. The forecast operating deficit of £86,000 shown in the management accounts had been worsened by pension charges (£830,000) and estates strategy costs (£171,000) partially offset by grants paid under the restructuring fund (£223,000). Total income for the 2019/20 year had increased to £15.222m compared with £14.993m in 2018/19. The meeting noted that expenditure had increased by £756,000 in the year to £16.086m. This was attributed to an increase in staff costs of £1.278m (to £10.98m), partly offset by a decrease in other operating costs of £656,000 (to £3.620m). The net pension liability at £17.52m (compared with £10.82m on 31 July 2019), was noted and also the fact that this was an element of the accounts over which BCA had no control. Members were reminded that FRS17 was simply a book entry and was excluded when assessing financial health by both the ESFA and the banks. The meeting was reminded that the major factor that had caused the shift in liability was a decrease in the discount rate used by actuaries (from 2.15% to 1.4%) due to lower bond yields during the pandemic. The Chair expressed ongoing concern over the pension liability and the fact that it was outside the College's control, but it had such a negative impact on the accounts. RM also highlighted that the LGPS service charge had amounted to £830,000 in 2019/20, compared to £770,000 in the original budget and £813,000 in 2018/19. The meeting noted that the narrative to the accounts needed finalising in relation to the extra disclosure requirements imposed by the Office for Students. RM highlighted the year-end position with trade debtors being at £6,000; this low level was commended, and Governors agreed that it reflected strong control within the BCA Finance Team.

The Chair (NDG) highlighted his view that the format of the accounts included so much detail; this was confirmed as a standard template for FE Colleges – the Casterbridge format - which was required to meet funding agreements. SM did suggest that the College was at liberty to remove the budget/ variance information from the reconciliation statement on page 7 of the accounts. ***The Governors and Exec members agreed that this should be actioned.***

➤ *Additional reporting to stress test cash-flow forecast:* The Finance Director (RM) presented some additional cashflow reports which built in additional negative impacts of a loss or reduction of commercial income from Ardmore Language School and under recovery of High Needs Funding from the local authorities. The Assistant Finance Director reminded the meeting of the agreement reached with Ardmore Language School

where they would defer 50% of their rental charges due in 2020 and repay the deferred 50% from January 2021 to August 2022. The possible risks around the remaining Ardmore income due in 2020/21 (£163,000) was considered by the meeting. RM confirmed that he had undertaken this additional sensitivity analysis at the request of RSM. The meeting noted that cashflow had been reworked to reflect two different scenarios:

1. No rental income received from Ardmore and High Needs Funding (£1.8m) received in line with due invoice dates.
2. No rental income received from Ardmore and High Needs Funding received but delayed by 1 month.

The impact on BCA's cashflow was noted: scenario 1 would result in cash balances of circa £300,000 at the end of February and March 2021; the worst-case scenario 2 would result in zero cash balances. RM reminded the meeting that this had prompted the College to look at securing a definite cash bridging solution for this 3-month period in spring 2021. College management were currently talking to College bankers Lloyds about securing an overdraft of £500,000 for a three-month period mid-February 2021 to mid-April 2021. RM confirmed that the proposal had been approved by the College's Relationship Director at Lloyds and was now with their credit team for consideration; the outcome would be known within the next two weeks. Governors suggested that there was actually low risk attached to the Ardmore income as they were now part of a very large organisation backed by private equity.

The meeting commended this additional sensitivity analysis around BCA's cashflow which gave clearer visibility on any possible pinch-points. The meeting approved the ESFA template for cash-flow forecast through to July 2022 which would need to be submitted by Friday 27 November.

The BCA cashflow forecast to July 2022 was APPROVED as presented and this would be submitted to the ESFA to meet the end of November deadline.

The meeting SUGGESTED that the Finance Team should push hard for payment of any outstanding Ardmore invoices without delay and keep the Audit Committee informed of any ongoing delay in payment.

➤ Going Concern: Whitehall Finance proposal: The meeting noted a proposal for an alternative source of funding to cover the potential cash-flow pinch-point from mid-February to mid-April 2021. RM informed the meeting that in response to a suggestion by the Principal of Plumpton College, BCA management had approached a company called Whitehall Finance to seek an alternative source of funding (either instead of or in addition to anything that Lloyds agreed to). Whitehall Finance would obtain insurance cover for the college and they would then settle selected purchase invoices on behalf of BCA on or around the due date. BCA would then reimburse Whitehall at a later date, when funds were available (i.e. in mid-April following receipt of the 16-19 funding monies for that month). The meeting was assured that the model appeared to be very straightforward and RM understood that the platform that Whitehall provide was easy to use. The charge from Whitehall Finance would be 12% per annum but this was only charged for the period that funds were required and would be made up of a 6% finance fee and a 6% administration fee; the latter was subject to VAT. If BCA 'used' £100,000 for 30 days, the cost would be £986.30 plus VAT of £98.63. In addition, and because the requirement would be so short term, Whitehall would also charge a 1% arrangement fee of the facility level (the bank would also invariably charge this fee as well).

Governors sought confirmation on the collateral that Whitehall Finance would require and were informed that there would be none as Whitehall worked by taking insurance cover. The meeting sought clarity on what the bank terms were likely to be for an overdraft facility; this was noted as being base rate (0.1%) plus 2-2.5% as well as an administration charge of £3,000-£4,000. The meeting agreed that a secured overdraft

from Lloyds would be the preferred option but the SLT should continue discussions with Whitehall Finance in order to confirm all available options.

NOTED

• ***Audit Findings Report 2019/20***

Members considered the Final Audit Findings Report for the year-end 31 July 2020 which had been drafted for Governors by the external auditors RSM. Sarah Mason (SM), auditor for RSM highlighted the potential audit, accounting and regularity issues identified at the audit planning stage: income recognition; pension scheme liabilities; going concern; and management override of controls. SM highlighted the outstanding issue in relation to the conclusion of the review of going concern. She informed the meeting that tight cashflow during February-April 2021 was proving to be an issue in many FE Colleges. The audit had identified audit adjustments of £61,118 which would have a 7% impact on the deficit for the year before other gains and losses.

SM confirmed that there had been no significant deficiencies in internal control identified during the audit but there were five recommendations (none of which were categorised as significant). These five recommendations and the management responses were noted as follows:

- Netting off income and expenditure (Ardmore): income would be shown 'gross' in the future with no netting off.
- Procurement Policy: RSM had noted that the College Procurement Policy was not being adhered to. They had recommended that the procurement policy was reviewed to consider the following areas: use of an approved supplier list; controls surrounding the need for formal tenders to be carried out; formalising the criteria used to select exam providers; approval limits for dual approval of invoices Management Response. The FD confirmed that this recommendation was fully accepted. BCA's Existing procurement policy would be reviewed and amendments proposed to the Audit Committee (by email) by early December 2020 with a view to agreed changes being implemented, and the amended policy adhered to in full, with effect from January 2021 onwards.
- Fixed assets – replacement parts: Fully accepted by management. Replacement parts would be reflected as disposals in the future where the value exceeded £1,000.
- Disaster Recovery Plan should be regularly reviewed: This was currently underway within the College cyber-security plan.
- Deferred capital grant balance: The suggestion that the balance sheet accounts should be reconciled on a regular basis would be implemented; it would be added to the month-end checks with immediate effect.

The Audit Committee members were pleased to note that there had been nothing to report around management override of controls or any deficiencies in internal control. The meeting considered the internal control environment in more detail and agreed that the planned and executed internal audit process provided a high level of rigour and external assurance for Governors. SM asserted that she believed that the Audit Committee at BCA continued to provide the appropriate level of challenge and scrutiny.

• ***Letters of Representation***

SM confirmed that the letters of representation (one for the financial statements and one covering the integral regularity audit) would be in the standard format required by the Audit Code of Practice. However, if there was any ongoing issue around Going Concern an additional paragraph would be inserted into the standard template for the Financial Statements.

- **Regularity Audit Questionnaire**

The meeting was reminded that the Regularity Audit report from RSM had been considered within the Audit Findings Report and the unqualified regularity opinion was noted. The meeting noted and considered the Regularity Audit Self-Assessment questionnaire 2019/20; RM confirmed that there would need to be a couple of amendments to this document in light of the RSM findings in relation to adherence to the BCA procurement policy. Apart from this RSM were content with the College responses. This report was noted as a useful source of assurance for Governors and a clear reminder of the necessary 'checks and balances' that should be in place.

- **Letter of Engagement**

The meeting noted the letter of engagement from RSM UK Audit LLP dated 29 October 2020 for the audit of the Financial Statements and the Regularity Audit at BCA. The meeting noted an updated copy of RSM's Terms and Conditions.

The Chair thanked SM for her clear presentation of the Financial Statements and the accompanying reports as well as for the efficient external audit. The positive audit process and the input from the FD, the Assistant FD and the BCA Finance Team was acknowledged. The additional scrutiny that had been required by the Audit Code of Practice during the external audit 2019/20 was noted by the meeting. This had been achieved in a difficult year where remote auditing had become the 'norm'. Governors thanks SM and her team for making this transition to a virtual process as seamless as possible.

It was AGREED that the:

- i) **Budget/ variance information should be removed from the reconciliation statement on page 7 of the Report and Accounts.**
- ii) **Report and Accounts for the year ended 31 July 2020 be APPROVED and RECOMMENDED to the Corporation for approval (9/12/20) – subject to the amendment at bullet (i) above.**
- iii) **Regularity Audit Self-Assessment Questionnaire be APPROVED subject to the amendment in relation to the adherence to the BCA procurement policy and RECOMMENDED to the Corporation for approval (9/12/20).**
- iv) **Final Audit Findings Report and Regularity Audit Report from RSM should be RECEIVED and RECOMMENDED to the Corporation.**
- v) **Letters of Representation in standard format be APPROVED and RECOMMENDED to the Corporation for approval.**
- vi) **The letter of engagement from RSM was RECEIVED and APPROVED.**

80/20 Annual Audit Committee Report

The meeting considered the Audit Committee Report 2019/20 which had been considered in draft at the last meeting, (September 2020). The Chair sought and was given confirmation by the external auditor (SM) that there were no omissions from the coverage of this report. The key performance indicators of the external auditors would be completed and appended to the report before it was taken to the Corporation. See Part 2 minutes when self-assessment of the auditors against their KPIs was discussed.

The Annual Audit Committee Report 2019/20 was APPROVED and would be signed by the Chair of the Audit Committee. It would be presented to Corporation on 9/12/20 and then submitted to the ESFA with the 2019/20 BCA Financial Statements.

81/20 Audit Committee Review of Effectiveness

The meeting considered an extract from the self-assessment template which had been developed by the Director of Governance (TR) in November 2018. This template allowed TR to review the Corporation's compliance against its adopted code of good governance, 'The Code of Good Governance for English FE Colleges' 2016/17. The self-assessment was completed for all 10 elements of the code but only the section in relation to Financial Strategy and Audit was considered by the meeting. Audit Committee members noted that all elements of this self-assessment were RAG rated as green, BCA was fully compliant. The meeting also agreed that the mandatory Annual Audit Committee Report to the Corporation 2019/20, as discussed earlier in the meeting provided a comprehensive overview of the work undertaken by the Audit Committee on an annual basis.

Audit Committee NOTED the assurance provided and AGREED that it was fully meeting its stated purpose. Further review for the 2018/19 academic year to take place in November 2019 with the completion of the Annual Audit Committee Report 2018/19 and the Self-Assessment against the Code of Good Governance.

- **Bourneville Checklist**

The Director of Governance presented the Bourneville Checklist for annual review. Governors were reminded that this had first been circulated in July 2019, when the CEO of the ESFA Eileen Milner, wrote a three page letter to all college chairs of governors to draw attention to some lessons from a 2016 investigation into Bourneville College. The investigation report had catalogued a series of misdemeanours at the college which resulted in the replacement of its governing body and senior leadership in 2014/15 and its subsequent merger with South and City College Birmingham. The Bourneville Checklist had arisen from this example of poor management and governance.

The Bourneville Checklist included the 15 separate actions that ESFA either required or expected governing bodies, chairs or accounting officers to undertake in order to review their compliance. TR reminded the meeting that BCA's Audit Committee had reviewed the completed Bourneville Checklist in September 2019 and had asked for it to be standing item on the autumn Audit Committee agenda moving forward. The meeting considered the checklist which had been completed in relation to BCA by the Director of Governance and reviewed by the Executive Team. Audit Committee members were reassured that all suggested actions on the checklist were already in place or had been considered by the Corporation (e.g. non adoption of the AoC Remuneration Code).

The meeting NOTED and RECEIVED the annual Bourneville Checklist completed for BCA for 2019/20.

It was AGREED that the BCA Bourneville Checklist should be reported to Corporation in December 2020 as part of the Governance Self-assessment paperwork.

FOR INFORMATION

82/20 BCA Financial Health

The Finance Director (RM) informed the meeting that the College had not yet received the letter and the accompanying dashboard from the ESFA which confirmed their assessment of the College's financial health after their review of the financial plan 2019/20 to 2021/22. RM had chased this from the ESFA but did not yet know when it would be available; the Director of Governance confirmed that this was awaited in all FE

Colleges. Governors were assured that the ESFA letter and Finance Dashboard for BCA would be circulated to all Governors as soon as it was received.

NOTED

83/20 Board Assurance Framework and Risk Register Report

The meeting considered the Board Assurance Framework which clearly detailed the key strategic risks against the six agreed strategic priorities for BCA. This item was now a standing item for consideration at each Audit Committee and Corporation meeting. 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 'Insufficiently developed succession planning/ staff retention strategies'. (Risk score post-mitigation increased from 20 'amber' to 20 'red'): This risk had gone from number 9 on the Risk Register to number 1 following the resignation of the CEO/Principal. The meeting was assured by the Director of Governance that the recruitment process was underway with the appointment of Peridot as external recruitment consultants. Meetings were diarised with the Chair and members of the Selection Panel week commencing 30 November to finalise the brief. The meeting also noted that consideration had been given to the possible need for an interim solution depending on the notice period of any appointee; GM would be leaving BCA in early May 2021. The Principal asked the meeting to confirm whether they believed that they had adequate assurances around this risk and the **Audit Committee AGREED that this column should say 'Y' and reflect that they did feel assured.**

Risk 2 'Failure to address cash shortfalls in March and April each year results in the College being unable to remain a going concern. Failure to maintain conditions of the restructuring facility. (Risk score post-mitigation increased from 15 'amber' to 20 'red'): The meeting noted that this risk had been re-worded to reflect the cash-flow position rather than income levels (which were not currently seen as a risk after the strong recruitment). The risk around the cashflow had been discussed already in the meeting and posed an ongoing threat due to the impact of Covid-19 on commercial income and cash. The mitigation was shown as previously discussed and the meeting felt assured that a solution to the tight cashflow position would be secured within the next two weeks. This would consolidate their assurances around this risk. The Principal challenged the meeting as to whether they believed there was sufficient mitigation in place for this very real risk. The Principal highlighted that the threat of FE Commissioner intervention after the Diagnostic Assessment in December 2020 had also been added to the Risk Register. Governors asserted that the high score of this risk reflected the importance and potential impact associated with cashflow but they did believe that the risk had been adequately recognised and mitigating actions were being put in place. The Finance Director confirmed that the issue around cashflow in early spring was an annual risk as stated on the Risk Register and would be managed. The meeting agreed that the Whitehall Finance option should be added to the Risk Register to reflect this additional mitigation. **After further challenge by the Principal the Governors stated their unanimous approval of a Yes answer in the Risk Register column reflecting their belief that they currently had adequate assurance on this key risk.**

Risk 3 'Lack of collaboration regionally - White Paper and 'Colleges of the Future' drive direction to a regional curriculum resulting in underfunding/loss of curriculum growth opportunity'. (This was new risk with a score post-mitigation of 20 'red' to 20 'red'): The meeting noted the possible impact of the White Paper which would take forward the

recommendations of the College of the Future Report. Governors were reminded that this report had been circulated to all BCA Governors earlier in the month as background reading. The VP Curriculum and Quality highlighted the potential risks around BCA being a small independent College within a regional system. However, the Director of Governance highlighted the current uncertainty around the White Paper and the expected date of release. Governors commended this forward view and agreed that this matter would be considered within the BCA Governors Strategy Event in January 2021. The strength of assurance was currently rated as weak because there was so much uncertainty about when and how this risk would crystallise. The level of assurance was also rated as inadequate due to the level of uncertainty, but Audit Committee members confirmed that they were sufficiently assured around the current visibility on this issue.

Risk 4 '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 uncertain as any development within 'greenbelt' land was still a contentious issue. The College was still waiting for a response from RBWM Planners after the final planning application had been submitted in July 2020. The meeting was reminded of the positive response from the statutory and technical consultees. Two of the most important - Historic England and Highways – had raised no objection to the scheme.

Risk 5 'Significant disruption resulting from Covid-19 pandemic' (Risk score at 16 'amber'): 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 meeting commended the decision to move the last week of term in December 2020 onto online-learning to enable staff and students to have a clear 2-week isolation period in advance of Christmas Day.

Risk 4 'Secure the full 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 remains at 16 'amber' after mitigation): The meeting was reminded that the HE Oversight Committee had been looking at the ongoing viability of HE provision at BCA and a decision to withdraw from non-franchised HE provision had been made earlier in 2020. The Principal informed the meeting that discussions were now advancing with another land-based college to take on the BSc Vet Physio programme from September 2021.

Risk 5 'IT failure with loss of data for staff and students' (Risk score at 15 'amber' after mitigation): This risk score had been kept at its heightened level since the Risk Register was last presented. The cyber-security action plan and the audit of this area that Audit Committee were keen for management to undertake as soon as possible would further mitigate the risk. The AP Digital would attend the Corporation meeting in December 2020 to provide additional assurance for all Governors.

Risk 6 'Student Transport and lack of effective tracking of learners' (Risk score at 12 'amber after mitigation'): The meeting was assured that progress on the new student tracking system 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 was reminded that all the BCA apprentices were still on-role with no break in learning due to Covid-19.

Risk 8 'LGPS Deficit increase was significant in 2019/20 (raised to £17.4m from £10.7m in prior year) and TPS contributions could also increase significantly. (Risk score at 12 'amber after mitigation'): The meeting was assured that the FD was networking wherever possible to ensure that BCA was in line with other Colleges. Anecdotal evidence was

showing that most FE Colleges had experienced a massive jump in the LGPS deficit position for 2019/20 compared with the prior year.

The meeting commended this Risk Register/ Board Assurance format which underpinned the agenda for all Governing Body and sub-committee meetings.

The Board Assurance Framework/ Risk Register was NOTED and RECEIVED.

84/20 Register of Outstanding Audit Actions

Members noted the standing report which summarised all of the outstanding recommendations related to internal and external audit reports. The only outstanding audit recommendations were in relation to the recent audit of the 2019/20 Financial Statements as discussed earlier in the meeting:

- Netting off income and expenditure (Ardmore)
- Procurement Policy
- Fixed assets – replacement parts
- Disaster Recovery Plan should be regularly reviewed
- Deferred capital grant balance.

RM confirmed that all these recommendations had been accepted by management and would be actioned accordingly. The meeting was reminded that the recommendations from the H&S audit and the JISC audit – would be added to the report for the next meeting (March 2020).

The report was NOTED.

85/20 Assurance Report on the Annual Certificate of Expenditure for Restructuring Facility Grant 2019/20

The meeting noted the on the annual certificate of expenditure for the restructuring facility grant received by BCA in 2018. The certificate confirmed that there had been no Restructuring Facility (RF) Grant issued to BCA during the year to 31 July 2020 but there had been £285,216 RF Grant expenditure. This figure had been verified by the College's external auditors RSM UK Audit LLP. RM confirmed that this certificate was for information and did not require formal approval.

NOTED

86/20 Fraud, irregularity and whistleblowing report

The Director of Finance presented the report which confirmed that there had been no incidences of fraud, corruption or irregularity perpetrated against the College during the year to date 2020/21. The meeting noted that the Whistleblowing report was also a nil return for the period 1 August 2020 to date.

The Report was NOTED.

87/20 Plans for FE Commissioner (FEC) Virtual Diagnostic Assessment

The meeting was reminded of the planned FEC virtual Diagnostic Assessment visit that would take place on 14-15 December 2020 (as discussed at the Corporation meeting on 6 November 2020). Paperwork was currently being assembled for submission to meet the deadline of 30 November. Diary invites had also been sent to Governors who would need to be involved in the process. GM assured the meeting that an update and briefing for Governors would be provided in advance of the two-day 'visit'.

NOTED.

88/20 Date and Time of Audit Committee meetings 2020/21

The meetings were confirmed as:

- Wednesday 10 March 2021 at 4.30pm
- Wednesday 16 June 2021 at 4.30pm

89/20 Any Other Business

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