



Minutes
Meeting of the Audit Committee
Wednesday 17 June 2020 at 4.30pm
Remote access via video conference – Google Meet

Present:	Neil Dew-Gosling	(NDG)	Governor (<i>Chair</i>)
	Frank Pitkin	(FP)	Governor
	Ian Thomson	(IT)	Governor
	Andrew Try	(AT)	Governor
In attendance:	Gillian May	(GM)	Principal (<i>from item 39/20</i>)
	Richard Munday	(RM)	Finance Director (<i>from item 39/20</i>)
	Tracy Reeve	(TR)	Director of Governance
	Sarah Mason	(SM)	External auditor, RSM

38/20 Chair's Agenda Item

- **Approval of Confidential Minutes 22 April 2020**

In advance of the management team joining the meeting the Governors approved the Confidential minutes from 22 April 2020. The External Audit Partner from RSM (SM) joined the video link at 4.40pm in advance of College Management. The Chair sought, and was given, confirmation that there was nothing that the Auditors wished to discuss under this item.

[GM and RM joined the meeting at 4.45pm]

39/20 Apologies for absence

There were no apologies for absence.

40/20 Notification of any other business

There was none.

41/20 Notification of any interests

There was none.

42/20 Minutes of the Audit Committee meeting held on 22 April and 21 May 2020

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

43/20 Matters Arising from Audit Committee meetings, 22 April and 21 May 2020

Landbased Training (*minute 16/20*): The meeting noted a paper which gave the Audit Committee a trading update on the commercial arm of BCA's provision. Governors noted that Landbased Training reopened for business in June 2020 after a period of 10 weeks closure due to the Covid-19 pandemic. The detailed year to date trading performance along with the variance against budget was presented to the meeting. Lost income resulting from the Covid-19 pandemic had resulted in an underperformance against the prior year of £75,000 and lost income opportunity against budget of £136,000. The pandemic had hit the commercial course business at its seasonal peak. However, gross margin had remained in line with budget but the low income had resulted in an under recovery of fixed costs and a negative overall financial contribution of £29,000. The meeting went onto note the plans for new commercial courses which would be offered from July 2020. Discussions with BCA's employer base had indicated that there was a

market for smaller one day provision at a competitive price; employers were experiencing significant pressure on their budgets and in many cases were seeking to spread the cost of provision across 12 months.

In addition to the standard courses the following new courses would be offered from July 2020:

- Chainsaw refresher course (1 day)
- Greenkeepers - spraying and pesticide courses sold as individual units
- Taster Bee Keeping course (2 hours)
- Tree planting course (1 day)
- Plant ecology, family course. Priced per adult with one child free

Audit Committee members noted the plans to increase marketing expenditure in this area during 2020/21 to support the development of a strong client base. A targeted campaign would aim to increase the College presence with current apprenticeship employers, in particular those in green keeping and arboriculture. The meeting noted details of additional marketing and promotional activity that would take place. The College marketing team were promoting the courses through social media, Facebook industry specific membership pages, press releases, CRM contacts and apprenticeship contacts. The meeting was assured that this was getting the news out that Landbased Training was back open but it also highlighted the courses that were currently available under COVID 19 guidelines. The Landbased Training section of the BCA website was now updated to reflect the dates and pricing for all new courses. Governors noted that the pricing structure of courses had recently been reviewed to ensure that they were in line with the market rate but remained competitive. Capacity had been increased on some courses to maximise revenue and contribution whilst remaining within the health and safety constraints.

The update on Landbased Training was NOTED and RECEIVED.

Cyber Security Audit (minute 17/20): The meeting was reminded that the cyber security audit planned for early March 2020 had been postponed due to the specialist auditor becoming ill with Covid-19. The Principal assured the meeting that this audit would be undertaken as soon as possible during 2020/21 and Governors suggested that it should be possible for someone to undertake this work remotely if access to College was difficult. In the interim it was noted that a significant number of IT Policies required updating and/or creating, and remote working meant there was an even greater need for a number of these policies to be in place. The proposed action plan was for the IT Team to work with a consultant to make sure the policies were up to date for September 2020. By this date the aim would be for all baseline policies to be in place; these were required to enable the College to operate effectively. The aim was also for the policies to meet the requirements of security essentials ISO certifications; these policies would be reviewed against ISO27001 (Information Security) and ISO22301 (Business Continuity) and presented to an IT security audit in the new academic year.

The meeting noted a comprehensive report from the Assistant Principal (AP) Digital which gave the meeting assurance around the current priorities and projects currently underway at BCA. These included the following:

- **Azure Cloud SQL project:** The aim of this project was to develop a student/staff ILP, replace college reporting services with PowerBi, retire legacy reporting infrastructure and serve as a model for migration of all services to the Cloud by 2023. The meeting was pleased to note that this project was ahead of schedule, a live backup of the student database resided in Microsoft Azure's UK South data centre, and the student ILP Alpha was released to the College working group in May, and would go into Beta college wide release as scheduled in August 2020. The 2019/20 academic year's progress grades would be the first report visible to

staff using the new PowerBi model, and the College working group had already commented on the speed and ease of access.

- **Supporting Continuity of Learning Policy and remote working:** The IT Services team continued to support remote teaching and student/staff hardware. Where staff had experienced hardware faults in lockdown or had required new equipment the team had arranged for devices to be distributed. The IT team had also hosted a live 'Tips & Tricks' hangout chat, and was running a daily drop in 'Google Meet' in addition to helpdesk services.
- **Digital Strategy:** The IT team was in the process of producing a Digital Strategy for the College; the intention since January 2020 had been to focus on Cloud services and in light of current lockdown events 'Cloud' had become an even greater priority. Focus on lockdown preparation and the Continuity of Learning policy had taken priority and a Digital Strategy encompassing curriculum and infrastructure would be put forward for approval at the end of the academic year.
- **College in the Cloud:** The meeting was reminded that BCA was aiming to be a server-less College by 2023 with the intention of migrating all servers to a hybrid cloud model. Where services were not natively adaptable to the cloud they would be run on cloud based virtual machines. Secure, everywhere access provided by a robust and expandable network of mixed cloud services would provide staff and students with the tools they need to succeed. Business continuity would be assured by dependable partners at Google and Microsoft. College email, productivity tools, shared drives and staff/student resources were currently hosted with Google (G Suite). By 2023 the College planned to move its infrastructure to Microsoft Azure; access for business support staff would be straightforward but secured by multi factor authentication and Microsoft's security services. By 2023 'on-premises' infrastructure would consist of network services only.

The meeting commended the comprehensive report and the substantial work taking place to develop a fit for purpose IT Strategy for the College. The Chair reiterated the need for some form of cyber security audit to be undertaken as soon as possible during the autumn term within the parameters of current Covid-19 restrictions.

The IT Update report was NOTED

The AP Digital should commission a remote Cyber Security Audit as soon as possible during the new academic year which would also review BCA's IT policies against ISO standards.

- **Overdraft Facility with Lloyds Bank (minute 18/20):** The Finance Director (RM) informed the meeting that he had spoken to the College's relationship manager at Lloyds Bank about securing an overdraft facility of £500,000 for the period mid-February through to mid-April 2021. RM thanked Audit Committee members IT for his input to the discussions with Lloyds. This short-term overdraft would be required to cover a tight cash-flow forecast during the period before ESFA funds would be received on 18 April 2021; the forecast was likely to be worsened by the impact of Covid-19. Audit Committee members were pleased to note that the bank's reaction had been positive and the proposal was currently being scrutinised by the credit department at Lloyds.

The meeting also noted that after discussions with Lloyds, and in order to reflect the impact of Covid-19 on the College's cash balance, the cash flow cover test would be amended prior to the year end. This was one of the annual covenants that the College was required to comply with. The previous requirement to report a ratio of no less than 1.1 at the end of each quarter would be replaced by a requirement to report no less than a £250,000 credit balance as at 31 July.

The report was NOTED, an update would be brought to Audit Committee in September 2020

- **Commercial Income 2020/21 (minute 33/20):** The Principal confirmed that this item would be dealt with in the new iteration of the Risk Register which would be discussed next in the meeting.

NOTED

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

FOR DECISION/ APPROVAL**44/20 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 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 as already discussed. 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.

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 within 'greenbelt' land was still a highly contentious issue. The meeting noted that the plan was still to submit a full planning application in July 2020. GM reminded the meeting that there had been more than 600 visits to the College micro-site 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 16 'amber' reduced from 20 'red' after review at Audit Committee): 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. 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. The Principal confirmed that an Action Plan for a phased return to campus would be brought to the Corporation for approval on 8 July 2020; this had been approved by both Health and Safety Committee and the Exec Team. The meeting was informed that a short inset day for all staff would take place on 25 June to get people in to see the new layout of rooms and one-way systems. Governors noted that there were currently 8 or 9 staff shielding or living with people who were shielding.

Risk 4 'Covid-19 social distancing in term 1 requires Plan B – 50% utilisation of coach transport at 100% of cost' (This new risk was scored at 15 'amber' reduced from 20 'red' post mitigation): The meeting was reminded that Plan A would be full opening with all students on site but adhering to 1m+ social distancing; Plan B was to only have 50% of learners on site at one time. The risk would be of 'going-concern' issues accentuated due to a weaker cash position; the estimated transport on-cost for term 1 would be £130,000, with similar costs in terms 2 and 3 if the arrangement continued. Governors were reminded that excessive transport costs (if additional costs were passed on to students) would deter students and results in lower student recruitment and therefore funding for 2021/22. Governors were assured that management were working to mitigate the potential loss and any impact through a number of actions. These included a Landex petition for additional funding from the ESFA for transport costs in land based colleges and negotiation with BCA's partner coach companies to understand the extent to which the on-cost could be shared. Audit Committee was assured that the threat around this on-cost was known and understood by the College's key stakeholders (ESFA & Bank). The Principal highlighted the additional threat around catering income which might threaten the current position where the College did not provide any subsidy for the Baxter Storey catering provision. This would be exacerbated by the ongoing loss of any Ardmore business (see next risk). The Principal confirmed that the Baxter Storey provision would be minimised until the Ardmore Language school was operational in order to mitigate any need for College subsidy.

Risk 5 'Covid-19 business interruption to Ardmore Language School. Risk of non-payment of rent on accommodation leases.' (This new risk was scored at 15 'amber' reduced from 20 'red' post mitigation): The meeting was reminded that there was a risk around the income from Ardmore who were not currently able to operate. The Principal confirmed that she was in close dialogue with the CEO of Ardmore's parent company who had provided assurances around the ongoing lease payments.

Risk 6 '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 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 at the last meeting. The Principal informed Governors that HE staff had now been informed and redundancy meetings had taken place with support being provided by an external HR specialist.

Risk 7 '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 that Audit Committee were keen for management to undertake as soon as possible would further mitigate the risk.

Risk 8 '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 tracking system was being made.

Risk 9 'Quality and funding issues associated with the apprenticeship provision are not addressed' (Risk score of 12 'amber' after mitigation): The meeting was reminded that NARTS data published in March 2020 showed that BCA performance for 2018/19 was in the upper quartile nationally. The meeting was also reminded that all of the apprentices were still on-role with no break in learning due to Covid-19.

The Board Assurance Framework/ Risk Register was RECEIVED.

45/20 Internal Audit Strategy 2020/21 onwards

The meeting considered a paper from the Finance Director which suggested the areas to be included within the Internal Audit Plan for 2020/21. The standing items for inclusion were noted as: mid-year review of management accounts at January 2021; key financial controls (budgeting and planning, procurement or something else?); and learner records funding. In addition the College would commission 'specialist call-off' internal audits into: Cyber Security (carried over from 2019/20); the Curriculum Plan and curriculum efficiency; Support Cost benchmarking (possibly looking at MIS or Marketing); and High Needs Funding. It was agreed that an internal audit of Apprenticeships should be undertaken in 2021/22.

The internal audit plan 2020/21 was AGREED as detailed above; it would be predicated on BCA sourcing specific audits from specialist audit providers.

46/20 External Audit Plan and timetable for Year End 31 July 2020

The Principal on the Audit team for the College (SM) presented the Audit Plan for the year ended 31st July 2020 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 held a remote meeting 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. It was noted that although the Senior Audit Manager was new to the BCA account the Assistant Manager had several years' experience of working with BCA. Members were informed that detailed audit planning work would be undertaken by RSM during August 2020 and then the audit team would be on site at BCA for just over a week during September/ October 2020. SM confirmed that any ongoing need for social distancing or remote working would be built into the process as necessary. The current timescale was for the draft financial statements and audit deliverables by 14 September 2020. 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 25th November 2020. The deadline for submission of the financial statements to the ESFA was still 31 December 2020. 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; management override of controls; pension scheme liabilities; Covid-19 impact and effect on 'going concern'; and regularity. The fees for the three stage process – planning, fieldwork, and preparation of the final report - were noted as £21,785 (this was an increase of £1,035 or 5% on the prior year). This reflected some additional work that would be required and had been reduced after discussion with BCA management from a proposed 7% increase. The meeting considered the Appendix to the Audit Plan which outlined the emerging issues within the FE sector. Key factors were noted as: Covid-19; Funding; T-Levels; Higher Education and the Office for Students; sub-contracting; technology; managing fraud risks; financial management; quality; and the FE Commissioner. Governors sought, and were given assurance, that all of these emerging risks were adequately covered by the BCA Risk Register.

The timetable for the Financial Statements Audit 2019/20 was NOTED and AGREED.

FOR INFORMATION**47/20 Register of Outstanding Audit Actions**

The Finance Director confirmed that there were no outstanding actions which had not yet been implemented from internal and external audit reports.

The report was NOTED.

48/20 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 April 2020.

- Whistle-blowing

The meeting noted the report which was a nil return for the period 1 August 2019 to date.

The Report was NOTED.

49/20 Confirmation of Financial Health Grade 2018/19

The meeting noted a letter which provided confirmation from the ESFA of the College Financial Health Grade 2018/19 being Requires Improvement.

- **College Financial Return July 2020**

The meeting noted the guidance from the ESFA on what would be required in terms of a College Financial submission in July 2020. This had been updated to reflect the impact of Covid-19 and had been simplified compared with the previous Integrated Financial Model for Colleges (IFMC) requirements.

NOTED

50/20 Date and Time of Audit Committee meetings 2020/21

The Director of Governance (TR) presented the suggested dates for the Audit Committee meetings during 2020/21. These were noted as:

- Wednesday 30 September 2020 at 4.30pm
- Wednesday 25 November 2020 at 4.30pm
- Wednesday 3 March 2021 at 4.30pm
- Wednesday 23 June 2021 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 8 July 2020. ***The Chair asked for the proposed date on 3 March 2021 to be moved.*** TR confirmed that she would send electronic calendar invitations for the meetings once confirmed.

NOTED

51/20 Any Other Business

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