

FINAL

**The Bournemouth and Poole College**

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 24 NOVEMBER 2020**

<b>Members Present:</b>		
Dan Tout	Board Member & Chair of the Audit Committee	
Ian Jones	Board Member	
Neethu Stephen	Co-opted Committee Member	
<b>In attendance:</b>		
Michael Johnson	Chief Operating Officer	
David Ford	Board Member and Chair of the Corporation	
Diane Grannell	Principal and Chief Executive	
Nick MacBeath	TIAA (Internal Auditors)	
Chris Mantel	Alliotts (External Auditors)	
Marianne Barnard	Director of Governance	
Arthur Whiteside	Board Member and Chair of Finance Advisory Group	

**PART A**

		<b>Actions</b>
<b>001-2021</b>	<b>APOLOGIES FOR ABSENCE</b> No apologies for absence had been received. The Chair welcomed members of the Finance Advisory Group and new co-opted Committee Member Neethu Stephens and introductions were made.	
<b>002-2021</b>	<b>DECLARATIONS OF INTEREST</b> There were no declarations of interest noted.	
<b>003-2021</b>	<b>FINANCIAL STATEMENTS AUDIT</b> Chris Mantel from Alliotts presented the Management Report for the year ended 31 July 2020. It was reported that the following significant matters had been discussed with management during the course of the audit: <ul style="list-style-type: none"><li>• Impact of COVID – it was noted that the College had experienced a significant fall in its income due to the impact of COVID-19. Whilst some compensating savings had been made through reduced costs and the ability to draw on the government Furlough scheme, the impact has contributed towards the deficit for the year.</li><li>• Going Concern - The College had prepared cash flow forecasts for the period to July 2021. This forecast indicated that the college would remain within its cash facilities throughout the period. Management appeared to have taken a prudent view with actual autumn term recruitment above that included within the forecast. However, risks existed over apprenticeship income from January 2021 as a number of employers had already confirmed the deferral of new starts until September 2021.</li><li>• ESFA funding audit – it was noted that the College was subject to a funding audit of its R14 return which could result in money being clawed back. This work was being completed during December with an expected reporting date in January 2021. Due to the risk that a material funding adjustment may be identified from this work Alliotts were unlikely to be in a position to approve the audit position until matters were resolved. In addition, going concern would be re-assessed should a material adjustment need to be built into existing cash flow projections. It was noted that the Board should consider its approval</li></ul>	

	<p>timetable as a result of this potential delay.</p> <ul style="list-style-type: none"> <li>It was noted that one adjustment had been discussed with the college, around current asset investment. The College has historically accounted for funds raised from fund raising activities, as well as a legacy award, as a current asset investment and restricted reserve established. These funds were passed to an independent Foundation Charity Trust to invest and any income earned would be awarded to students in line with College recommendations. These funds had remained on the College balance sheet on the basis that it had control over the annual award of the funds raised. However, the Foundation Trust confirmed that the capital funds they received were regarded as the charity's asset and were accounted within their own financial statements as restricted funds. Following discussion with management it was determined that the College had no rights to the capital funds held by the Foundation, the College only controlled to whom the awards made by the Foundation were paid to. On this basis a prior period adjustment had been included within the financial statements removing the asset.</li> </ul> <p>Alliotts thanked the Chief Operating Officer and the team in WESS for their co-operation with the audit.</p> <p>The Chair welcomed questions from Committee members. It was noted that some further understanding on the pension numbers would be useful, to understand cash flow implications rather than the lump sum. It was agreed that the Principal and Chief Operating Officer would look at this and report back to the Committee.</p> <p><b>RESOLVED:</b> The committee reviewed the Management Letter and agreed that this would be signed on 15 December 2020, subject to the funding audit being concluded.</p>	Principal & COO
004-2021	<p><b>FINANCIAL STATEMENTS 2019/20</b></p> <p>For resolution: To consider the 2019/20 Financial Statements, in support of the Corporate Governance Statement.</p> <p>i) Bournemouth &amp; Poole College Annual Report and Financial Statements</p> <p>The committee reviewed and approved the Annual Report and Financial Statements for 2019/20. It was confirmed that the Accounting Officer would sign the statements on the 15 December 2020, subject to the funding audit being concluded.</p> <p>ii) Southern Educational Facilities Management (SEFM) Ltd – Report of the Directors and Financial Statements for the year ended 31 July 2020</p> <p>The committee reviewed the SEFM Ltd Annual Report and Financial Statements for 2019/20. It was noted that since August 2019 SEFM had been operating cleaning services to the college and WESS. It was reported that the new arrangement had saved the college significant sums of money and in addition had provided an excellent service.</p> <p>iii) Southern Educational Professional Services (SEPS) Ltd – Report of the Directors and Financial Statements for the year ended 31 July 2020</p> <p>The committee reviewed the SEPS Ltd Annual Report and Financial Statements</p> <p><b>RESOLVED:</b> The committee considered and approved the Financial Statements for Bournemouth and Poole College and noted the Financial</p>	

	Statements for SEFM and SEPS.	
<b>005-2021</b>	<p><b>CAPITAL TREATMENT</b></p> <p>The Chief Operating Officer requested that members of the Finance Advisory Group and Audit Committee agree their preferred treatment of the College's capital allocation from the Department for Education. It was noted that in previous years the correct accounting treatment for capital funding was to create an asset on the balance sheet and attach that with a creditor; Deferred Capital Grant. Then each year the I&amp;E account would be charged with the depreciation of the asset and an equivalent amount would be released from the creditor into income, meaning there would be no impact on the bottom line of the I&amp;E account. In the course of the audit clearance meeting for the yearend accounts, the Audit Partner suggested that given the list of works was largely repair and replacement which did not add to the useful life of the buildings or increase their value, that the college release all the cost, and therefore income, into the I&amp;E account.</p> <p><b>RESOLVED:</b> Members of both the Finance Advisory Group and the Audit Committee agreed to the change.</p>	
<b>006-2021</b>	<p><b>TRANSITION AWAY FROM LIBOR</b></p> <p>The Chief Operating Officer briefed members of the Finance Advisory Group and the Audit Committee on arrangements to transition from LIBOR to SONIA.</p> <p>It was noted that the College had two loans with Natwest Bank with c. £6m outstanding on repayment terms until 2040 at 1.5% above LIBOR (London Inter-Bank Offered Rate). LIBOR had suffered bad press going back to 2012 when significant fraud and collusion by member banks were revealed and was now being replaced by SONIA (Sterling Over Night Index Average) to provide more transparency for borrowers. By the end of December 2020 banks were required to have set out clearly to borrowers the pathway to transition to SONIA and the transition period would be from the end of March 2021 and December 2021.</p> <p>SONIA was a backwards looking interest rate whereas LIBOR looked forward. The general principle agreed in the market was that transition impact should be economically neutral. SONIA was usually lower than an equivalent LIBOR and therefore an adjustment spread between LIBOR and SONIA needed to be agreed between borrower and lender based on the difference between the two benchmark interest rates.</p> <p>The COO would keep members of FAG and Audit Committee updated on this subject and flag any risks if they arose.</p> <p><b>RESOLVED:</b> Members of the Finance Advisory Group and Audit Committee Members noted the update.</p> <p>Arthur Whiteside and David Ford left the meeting.</p>	
<b>007-2021</b>	<p><b>MINUTES OF THE LAST MEETING &amp; MATTERS ARISING</b></p> <p>The minutes of the meeting held on 15 June 2020 were confirmed as an accurate record and approved by the Committee. The committee reviewed the latest Audit Committee Tracker, it was noted that the Chief Operating Officer and the Director of Governance would update the items currently still open.</p> <p><b>RESOLVED:</b> The committee approved the minutes of the meeting held on 15 June 2020 and the latest Audit Committee Tracker.</p>	COO & Director of Governance
<b>008-2021</b>	<p><b>FORWARD PLANNING</b></p> <p>The Audit Committee Calendar of Business for 2020/21 was noted.</p> <p><b>RESOLVED:</b> The committee noted the Audit Committee Calendar of Business for 2020/21.</p>	

009-2021	<p><b>AUDIT COMMITTEE TERMS OF REFERENCE &amp; POST-16 AUDIT CODE OF PRACTICE 2019-20</b></p> <p>Committee Members noted the Terms of Reference and the latest Post-16 Audit Code of Practice document.</p> <p><b>RESOLVED:</b> The Committee noted the Terms of Reference for the Committee and the Post-16 Audit Code of Practice.</p>	
010-2021	<p><b>REGISTER OF INTERESTS</b></p> <p>The latest version of the Register of Interests was presented to the Committee, it was confirmed that Board Members and Members of the College Executive had all provided written confirmation of any updates during the autumn term, 2020.</p> <p><b>RESOLVED:</b> The committee noted the College's updated Register of Interests.</p>	
011-2021	<p><b>INTERNAL AUDIT REPORTS</b></p> <p>The following reports were presented by TIAA:</p> <p>i) Annual Report 2019-20</p> <p>The representative from TIAA presented the 2019/20 Annual Report on the internal control environment at Bournemouth and Poole College. The 2019/20 Annual Audit Plan approved by the Audit Committee was for forty-four days of internal audit coverage. During the year there had been a number of changes to the Audit Plan, with management requesting that five reviews be deferred because of the Covid-19 pandemic. Management also requested that the planned validation of the Teachers' Pension Return was cancelled as this was completed by the College's External Auditors. All changes were ratified by the Audit Committee and the total number of days delivered was adjusted to twenty-three.</p> <p>TIAA had carried out four reviews which were designed to ascertain the extent to which the internal controls in the system were adequate to ensure that activities and procedures were operating to achieve the College's objectives. A Governance Health-check appraisal was also completed, which did not identify any significant matters.</p> <p>TIAA presented the following internal audit reports:</p> <p>ii) Subcontracting – Final</p> <p>The purpose of the review was to provide a report and certificate in accordance with the requirements of the Education &amp; Skills Funding Agency (ESFA) that the College had satisfactory assurance arrangements in place to manage and control their subcontractors.</p> <p>The key findings included:</p> <ul style="list-style-type: none"> <li>• the College had effective controls in place to comply with general subcontracting requirements</li> <li>• the Policy included a flowchart that described processes followed to ensure that the selection, procurement and entering into new subcontracts was robust</li> <li>• subcontract fees and charges were published on the College's website and the bi-annual return to ESFA had been completed appropriately</li> <li>• it was noted that the Subcontracting Contingency Strategy required review to ensure it remained current</li> <li>• the Subcontracting Policy also required an annual review which was formally recorded.</li> </ul> <p>The Overall Assessment was Reasonable Assurance, however it was noted by the COO that levels of subcontracting by the college were very minimal.</p>	

	<p>iii) Subcontracting Controls Assurance Certificate</p> <p>The Providing external assurance on subcontracting controls Certificate was noted by the Committee.</p> <p>iv) Cyber Security – Final</p> <p>The review considered the security management arrangements for the proactive identification, prioritising and mitigating against cyber-crime risks. The scope of the review included policies, procedures and risk management activities in place for the key elements of the CESG framework.</p> <p>The key findings included that the College’s cyber controls were generally robust and mature as procedures and processes were embedded within standard practices and that security measures and controls were deployed appropriately and securely configured.</p> <p>The review identified a number of gaps which required attention:</p> <ul style="list-style-type: none"> <li>• the College did not currently undertake annual penetration testing</li> <li>• current monitoring arrangements did not include granular security information monitoring of all systems</li> <li>• a Removable Media Policy clarifying the criteria for staff being provided a storage device and guidance on secure usage was not in place</li> <li>• current guidance had not been updated to include reminders about secure practices and incident reporting methods when working from home</li> </ul> <p>The overall assessment was Reasonable Assurance.</p> <p><b>RESOLVED:</b> The Audit Committee received and noted the above TIAA internal audit reports.</p>	
012-2021	<p><b>COLLEGE FOLLOW-UP &amp; AUDIT PLAN</b></p> <p>To Audit Committee received the following reports from TIAA:</p> <p>i) Audit follow-up report September 2020 showing progress with audit recommendations and a status report on completed actions.</p> <p>The Audit follow-up report dated September 2020 showed progress with audit recommendations and a status report on completed actions. It was noted that there were currently seven outstanding recommendations.</p> <p>The Audit Strategy and Annual Internal Audit Plan for 2019/20 had been informed by a risk assessment carried out across TIAA clients (with members and senior management) and by an updated audit risk assessment to ensure that planned coverage for the year was focussed on the key audit risks, and that the coverage would enable a summary annual Head of Internal Audit Opinion to be provided.</p> <p>ii) Audit Strategy and Annual Internal Audit Plan 2020/21</p> <p>The agreed plan during 2020/21 included: assurance reviews for Governance – Strategic Control and Business Continuity Planning (Pandemic Response), appraisal reviews for Apprenticeship provision and ICT – Efficiency, as well as compliance reviews for Key Financial Controls, Learner Numbers – Controls Testing and Sub-Contracting.</p> <p><b>RESOLVED:</b> The committee reviewed the Audit follow-up report showing progress with audit recommendations and a status report on completed actions and noted the Annual Internal Audit Plan for 2020/21.</p>	
013-2021	<p><b>RISK MANAGEMENT</b></p> <p>The Chief Operating Officer noted that the Risk Management Policy was normally reviewed in June, however following a recommendation from the FE Commissioner visit: to add further detail to the risk appetite statement that was in the risk management policy to clarify the organisation appetite to risk against</p>	

	<p>specific risk domains - the policy had been updated, this was reviewed and approved by the Committee.</p> <p>It was noted that the separate Risk Register for COVID-19 that had been presented to the Committee in June 2020, had now been embedded into the main risk register as appropriate.</p> <p>The Committee noted the FE Commissioner Team recommendations relating to the Risk Register and it was agreed that the COO would contact the FEC Team to discuss further.</p> <p><b>RESOLVED:</b> The committee noted the current Risk Register and approved the updated Risk Management Policy.</p>	COO
<b>014-2021</b>	<p><b>AUDIT COMMITTEE'S ANNUAL REPORT</b></p> <p>The committee reviewed and approved the draft Annual Report to the Board of the Corporation and it was noted that this would be presented to the Board at the December 2020 meeting.</p> <p><b>RESOLVED:</b> The committee approved the draft Annual Report to the Board of the Corporation.</p>	
<b>015-2021</b>	<p><b>ANY OTHER BUSINESS</b></p> <p>There were no items of Any Other Business.</p>	
<b>016-2021</b>	<p><b>DATE OF NEXT MEETING:</b></p> <p>The next Audit Committee meeting would take place on 2 March 2021, Venue TBC</p>	
<b>017-2021</b>	<p><b>EVALUATION</b></p> <p>It was agreed that the committee had undertaken the required activities.</p>	
<b>018-2021</b>	<p><b>CONFIDENTIALITY</b></p> <p>Notes of the private meeting with auditors were noted confidentially in Part B.</p> <p>Notes of the Annual Review of Internal and External Audit Performance and the Committee Performance Review were noted confidentially in Part C.</p>	