

FINAL

**The Bournemouth and Poole College**

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 22 JUNE 2021**

<b>Members Present:</b>		
Dan Tout	Board Member & Chair of the Audit Committee	
Ian Jones	Board Member	Apologies
Neethu Stephen	Co-opted Audit Committee Member	Apologies
Caroline Foster	Board Member	
Arthur Whiteside	Board Member	
<b>In attendance:</b>		
Michael Johnson	Chief Operating Officer	
Lee Rhodes	TIAA (Internal Auditors)	
Chris Mantel	Alliotts (External Auditors)	
Marianne Barnard	Director of Governance	
Paul Judd	Director of Library and IT Services	

**PART A**

		<b>Actions</b>
<b>033-2021</b>	<p><b>APOLOGIES FOR ABSENCE</b></p> <p>Apologies had been received from Committee Members Ian Jones and Neethu Stephens, however Board Members Caroline Foster and Arthur Whiteside were attending the meeting in their place.</p>	
<b>034-2021</b>	<p><b>DECLARATIONS OF INTEREST</b></p> <p>There were no declarations of interest noted.</p>	
<b>035-2021</b>	<p><b>MINUTES OF THE LAST MEETING &amp; MATTERS ARISING</b></p> <p>The minutes of the meeting held on 2 March 2021 were confirmed as an accurate record and approved by the Committee.</p> <p>The committee reviewed the latest Audit Committee Tracker. It was noted that in relation to the pensions item, the AOC had recommended a couple of courses of action for the sector. Employing non-teaching staff via a subsidiary company (such as the college had done when it created SEPS Ltd) and lobbying as a sector the Government to publish the results of their consultation on changing the status of colleges and universities so they were no longer required to admit non-teaching staff into the Local Government Pension Scheme. The consultation was launched a couple of years ago but the results had never been published. It was also confirmed that the risk register score for the Ofsted item had been adjusted down.</p> <p><b>RESOLVED:</b> The committee approved the minutes of the meeting held on 2 March 2021 and the latest Audit Committee Tracker.</p>	
<b>036-2021</b>	<p><b>YEAR-END FINANCIAL ACCOUNTS AUDIT PLAN AND REGULATORY PLAN</b></p> <p>Chris Mantel drew the committee's attention to the following items:</p> <p>Materiality: It was confirmed that materiality would be continually re-assessed throughout the audit process. At the planning stage Alliotts anticipated an overall financial statements materiality of £600k for the audit based on the latest forecast provided in the April 2021 Management Accounts. For the subsidiaries it would be £8k for SEFM and £1k for SEPS, however these would</p>	

	<p>be re-assessed upon receipt of the draft financial statements.</p> <p>Changes to Audit Code of Practice: It was noted that the ESFA would no longer provide assurance, they would still provide the statements but would not be confirming they were true and accurate. Alliot's would therefore need to do some additional work on this, however they would take account of the recent ESFA funding audit.</p> <p>The COO noted the potential for a reduction in performance from WESS, following the college's decision to leave the shared service. It was agreed that pre-year end, that Alliot's would consolidate WESS into the college's financial statements. The potential risks were noted, which focused on the possibility of WESS staff leaving.</p> <p>Alliot's noted a change to the Audit Code of Practice - that the external auditors would be required to present to both the Audit Committee and the full Corporation. Chris Mantel confirmed that he had been involved with a meeting with the ESFA where they had confirmed that the Chair of the Corporation being part of the Audit Committee meeting would be sufficient. It was confirmed that the joint Audit and Finance &amp; Resources Committee scheduled for the autumn term 2021, would involve the Chair of the Corporation.</p> <p><b>RESOLVED:</b> The Committee received the Audit Plan and Strategy for the year ending 31 July 2021 from Alliot's.</p>	
<b>037-2021</b>	<p><b>NATWEST UPDATE</b></p> <p>The College has two loans with Natwest Bank and both were based on 1.5% above LIBOR. LIBOR was being replaced as a reference rate for borrowing at the end of 2021 by SONIA (Sterling Overnight Index Average.). The College had commissioned ATFS (Aquila Treasury and Finance Solutions) – previously Finalysis, to work with Natwest and come up with a solution that was most advantageous to the College.</p> <p>ATFS' recommendations were:</p> <ul style="list-style-type: none"> <li>• Transfer to BASE. It was administratively easier and was well understood by staff and governors</li> <li>• Adopt the 'deferred switch' in that it be agreed now (before the end of September) but it would not become effective until the end of December 2021</li> </ul> <p>Just after the FRAG and Board meeting which agreed these recommendations, the college's Natwest Relationship Director advised the COO of some risks/conditions associated with moving to BASE. These were presented to the Audit Committee.</p> <p><b>RESOLVED:</b> To stick with the original FRAG decision to transition the loans to BASE.</p>	
<b>038-2021</b>	<p><b>DRAFT REPORT ON ESFA FUNDING AUDIT</b></p> <p>It was noted that the ESFA Funding Assurance Review report was still draft, however it was agreed that it would be useful for the committee to review, as the meeting in November 2021 was some time away. It was agreed that the whole process had been exceptionally time consuming. The errors found amounted to approximately £40k, which was 0.13% of income. It was noted that there were some recommendations the college hadn't accepted and these were still being considered. It was agreed that the COO would record the recommendations once finalised in a table and that TIAA would monitor actions and provide assurance to the audit committee on progress.</p> <p><b>RESOLVED:</b> The Committee noted the draft ESFA Funding Assurance Review Report.</p>	
<b>039-2021</b>	<p><b>TIAA REPORTS</b></p>	

For resolution: To receive and review the following from TIAA:

i) Assurance Review of Business Continuity Planning - Pandemic Response – Final Report

TIAA presented the report, the review appraised the effectiveness of the arrangements adopted by the College to react to the Coronavirus Pandemic and the learning from the response applied to future crisis continuity and disaster recovery.

Substantial assurance was reported and two routine findings were noted:

- The incident management plan to be updated to include Pandemic actions and responses, to ensure lessons learnt from the recent pandemic were embedded for any future use.
- With the increase in fraud incidents reported following the move to home/remote working, management should consider a formalised annual fraud refresher program be put in place, to ensure that all staff were aware and confirmed their updated training, to mitigate potential new threats and emerging risks.

ii) Assurance Review of Key Financial Controls – Final Report

The scope of the review was noted, the review considered the effectiveness of the key financial controls which provided assurance that the following systems were operating in accordance with the College's requirements: budgetary control; cash, banking & treasury management; income & debtors; payroll; purchasing procedures and security of assets. Reasonable Assurance was reported and two important recommendations were noted:

- All payments be appropriately approved in line with the stated Financial Regulations section with first and second approvals confirmed before the payment file was sent.
- The supplier master file management processes be strengthened to ensure all new supplier set up requests were approved and evidenced retained in line with the process and policy and that any material changes to supplier details (including address, contact, email, etc.) were verified independently before changes to the finance system were undertaken. Verification of changes should be retained for audit purposes.

Two routine recommendations were noted:

- Ensure appropriate evidence was available for all invoices having a formal requisition and approval in place before raising.
- To ensure "Best Practice" was operated, and the correct operation of the system receipting workflow, wherever possible, purchase orders should not be raised retrospectively and invoices should not be receipted against purchase orders without sufficient coverage.

The committee discussed the recommendations and sought assurance that the right staff were involved with processes

iii) Audit Progress against the 2020/21 Annual Plan – June 2021 Update

The progress against the Annual Plan for 2020/21 was set out. Work had continued to be delivered remotely, thereby minimising the need to physically access the College's offices/premises and to hold face to face meetings. Despite these restrictions, there has been good progress against the planned work for the year.

There had been three changes made to the approved 2020/21 internal audit plan. Two changes related to cancelled audits in relation to Governance – Strategic Control (three days) and Learner Numbers (five days), as the College had deemed other assurance activities had provided adequate oversight of the controls in these areas. The third change related to increasing the scope of the Apprenticeships audit, on request of management, to include a review of the end to end process to identify triggers, hand off and gaps within the overall apprenticeship management process. Due to the material increase in scope some of the five days contingency were utilised, providing eight days of audit work.

	<p>iv) Latest TIAA Recommendations Tracker</p> <p>The tracker was noted by the committee. It was confirmed that there were eight recommendations on the tracker: four had been implemented but were waiting for formal evidence, two were outstanding with revised review dates and two were on target for completion in 2022.</p> <p>v) Internal Audit Days</p> <p>The number of days for internal audit during 2021/22 was noted. Committee Members were keen to make sure that the college was targeting the work in the best places. The COO noted that the college was currently feeling very over audited, it had received an FEC visit in September 2020 and April 2021, undergone the ESFA funding audit and taken part in the ETF External Board Review, amongst others.</p>	
040-2021	<p><b>RISK MANAGEMENT</b></p> <p>The Committee reviewed the latest Risk Register and the Chief Operating Officer noted some recent updates:</p> <p>Based on feedback from the FE Commissioner and the production of an updated forecast for 2020/21 and a draft budget for 2021/22, the residual score for the previous risk 1 'The College becomes financially unsustainable in the short-medium term' had been reduced and as a consequence, it was now the 5<sup>th</sup> risk. Similarly, some of the residual scores for those risks relating to Ofsted, had been reduced following the outcome of the Progress Monitoring Visit. Risk 14 related to the service provided by the shared service. This has been updated to reflect the college's decision to exit WESS.</p> <p>The auditors provided an update on risks seen in other colleges, which at the moment was focused on fraud awareness.</p> <p><b>RESOLVED:</b> The committee noted the current Risk Register.</p>	
041-2021	<p><b>CYBER SECURITY</b></p> <p>Cyber Threat Control Dashboard: Paul Judd presented the latest cyber threat control dashboard, this was being updated monthly and reported on termly.</p> <p>It was confirmed that the Cyber Essentials accreditation had been achieved by the college in May 2021. Further work would need to be done to achieve Cyber Essentials Plus and the college was working towards achieving this by July 2022.</p> <p>It was noted that penetration testing would take place during the summer and would be undertaken by JISC.</p> <p>Cyber awareness – In-house dummy phishing emails had been sent to staff recently. It was confirmed that 6% of staff (approximately 40 individuals) did click the link and enter some personal details. Board Members were concerned by this, it seemed that the amount of staff not recognising the risks was significant. The consequences for staff were noted, which focused initially on staff having to undertake training.</p> <p>KryptoKloud Report: In April 2021, following a number of cyber-attacks in the sector the college engaged an independent organisation KryptoKloud to conduct a Cyber Operational Business Risk Audit (COBRA). KryptoKloud were selected because they had advised another College in their recovery from an attack.</p> <p>The overall finding was 'Low risk' with a score of 38 out of 100, 29 being 'Very low'. The final report and the four recommendations were shared with the committee.</p> <p>Multi Factor Authentication was discussed. It was noted that it was felt that introducing MFA for some students would not be practical. Committee Members challenged this, it was agreed that young people needed to be prepared for the world of work and therefore getting to grips with this sort of process was important. It was agreed that the Director of Library and IT</p>	Director of

	Services would look at this again. <b>RESOLVED:</b> The committee noted the Cyber Security reports.	Library & IT Services
<b>043-2021</b>	<b>AUDIT CODE OF PRACTICE</b> The committee noted the updated Audit Code of Practice 2020 to 2021 and the key updates which had been confirmed earlier in the meeting. <b>RESOLVED:</b> The committee received and noted the latest Audit Code of Practice.	
<b>044-2021</b>	<b>AUDIT &amp; RISK COMMITTEE – 2021/22</b> It was noted that the college would be changing its governance structure to a traditional committee model from September 2021, it was noted that the impact on the Audit Committee would be minimal.	
<b>045-2021</b>	<b>ANY OTHER BUSINESS</b> The committee reviewed the updated Financial Regulations, it was agreed to recommend their approval by the Board, at the Board meeting on 29 June 2021.	
<b>046-2021</b>	<b>DATE OF NEXT MEETING:</b> The next meeting of the Audit Committee would be held on Tuesday 30 November 2021.	
<b>047-2021</b>	<b>EVALUATION</b> It was noted that the committee had undertaken the required activities.	
<b>048-2021</b>	<b>CONFIDENTIALITY</b> No items were deemed confidential.	