



**AUDIT COMMITTEE
PART I**

Minutes of the ninety-ninth meeting of the Brockenhurst Audit Committee meeting, held on Tuesday, 17 May 2022 via Zoom.

Present:	Governors Mr I Fry Mrs D Hawkins	Chair	Meetings attended (3 out of 3) (3 out of 3)
In attendance:	Dr K Webb Mr L Feingold Mr S Lovegrove Mrs J Munro Mrs L Payne	Interim Principal and CEO Vice Principal, Finance Vice Principal, Curriculum and Quality Assistant Principal, Learning and Quality Clerk to Corporation	 (3 out of 3)
Auditors:	Mr C Mantel	External Auditors – Alliotts	

Meeting commenced at 5.30pm

		Action
991	WELCOME, APOLOGIES AND DECLARATIONS OF INTEREST The Chair welcomed everyone to the meeting. Apologies had been received from Mrs S Murray and Mr G Cooper. No member declared any conflict of interest with the agenda.	
99.2	COMMITTEE BUSINESS	
99.2.1	Minutes of previous meeting held on 8, February 2022 The minutes of the meeting held on 8, February 2022, having been previously circulated to members were agreed as a true record and would be signed electronically by the Chair. All Members were agreed.	
99.2.2	Matters arising from the meeting held on 8, February 2022 Matters arising had been actioned or would be considered within the agenda. The Chair asked the Vice Principal, Finance to provide the verbal update on Cyber Security when considering the Risk Register item of business.	
99.2.3	Effectiveness of Committee and performance of the Chair Members were pleased to complete a self-assessment of their annual effectiveness of the committee, and agreed that in continuing to carry out their annual self-assessment they complied with the Audit committee terms of reference. It was agreed the role of the Chair had been carried out effectively in the year. Members agreed to recommend the assessment to the Board. All Members were agreed.	Refer to Corporation
99.2.4	Terms of Reference – Audit Committee Members noted the terms of reference for the Audit committee. No changes were proposed. It was noted that there were only two Governor members present at the meeting and as the Audit committee membership was only determined at four members, it was suggested that the membership be increased to five members for	Refer to Corporation

	<p>the next academic year. The terms of reference were agreed and recommended to the Board for approval. All Members were agreed.</p>	
99.3	EXTERNAL AUDIT	
99.3.1	<p>External Audit Plan for the Audit of the College's Accounts and Benchmarking report</p> <p>This item was presented by the Vice Principal Finance and Chris Mantel from, Alliotts - External Auditors.</p> <p>The Vice Principal explained the External Audit Plan approach and proposed fees, for the verification work to be performed on the College's 2021/2022 Annual Report.</p> <p>Members noted the key risks identified in the audit approach. The Vice Principal Finance informed members that the audit approach was consistent with that of previous external audits and the level of planning materiality had been set at £420,000. Members noted the proposed audit fees were £22,716 for the Financial Statement and Regularity Audit, £1,620 for the Report on Teachers' Pension Scheme contribution and £4,410 for the audit of Student Records.</p> <p>Members were reminded that following changes in the post-16 Audit Code of Practice, published by the ESFA in April 2021, the ESFA had stated that the 'year-end funding statement did not constitute assurance over the funds earned by the College'. As a result, External Auditors were now required to perform additional work to gain assurance of grant funded income.</p> <p>Members noted it had been agreed that the College's External Auditors would perform the compliance work on the College's learner records and such work would provide a level of comfort to both the College and the External Auditors regarding the control environment of the College's funded income.</p> <p>The Vice Principal Finance advised members that as part of the pre-audit planning work, Alliotts had requested that members provide written confirmation regarding 'informed management' and 'general audit issues.'</p> <p>With regard to informed management, confirmation was sought to confirm where there was a member of management of the audited entity who had the authority and capability to make independent management judgements and decisions in relation to non-audit services, on the basis of information provided by the Audit team. In this case the Vice Principal Finance.</p> <p>Members discussed the issues the Chair of the Committee referred to regarding inflation and its impact on the job market, with vacancies nationally exceeding the unemployed putting pressure on the job market. This was particularly so with the private sector. The Chair suggested that this was a business risk that should form part of the audit. The Vice Principal spoke about the pressure on staff particularly linked to wages, and increased utility costs. He informed members that the AoC national negotiation on pay rises was ongoing, with a request for a 10% increase from the unions. Members agreed the pressure was unprecedented.</p> <p>Chris Mantel referred to cases in other Colleges of staff leaving one College for another, for a significant pay rise. He informed members that from a 'going concern' point of view, pay rises and pension implications would result in increased costs for the College, which may increase the 'going concern' risk. The current staff shortages in the sector were agreed as unprecedented.</p> <p>The Chair of the Committee felt this presented a significant risk and asked for it to be placed on the Risk Register. It was agreed the risk be split between staffing levels and rostered staff.</p> <p>Chris Mantel spoke about the Pension valuation and the likely increases on employer contributions. As a result of the withdrawal of Bournemouth and Poole College from the WESS partnership from 1, August 2022, WESS would become a subsidiary of the College, and would become part of the College's VAT group, that next year there would be consolidated accounts and the Chair of the Committee asked for the accounts of WESS to be provided to the Audit Committee.</p>	<p>VP-F</p> <p>VP-F</p>

	<p>Members considered the Informed Management letter requiring approval by the Auditors. This was agreed. Chris Mantel asked members of the committee and the executive, present, if they were aware of any irregularities at this time. Note were cited.</p> <p>Members agreed to:</p> <ol style="list-style-type: none"> 1) recommend the External Audit Plan Client service agreement for the Audit of the College Accounts for the year ended 31 July 2022 to the Board for approval. 2) recommend that the External Auditors letter regarding Informed Management and General Audit Confirmations be signed by a representative of the Board 	<p>Refer to Corporation</p> <p>Refer to Corporation</p>
99.4	INTERNAL AUDIT	
99.4.1	<p>Internal Audit Report – Spring Term visit The Vice Principal Finance, informed members that the College's Internal Auditors TIAA had yet to carry out the planned compliance review on the College's Key Financial Controls. He confirmed the review would commence later this term. Members were advised that following the Bournemouth and Poole College withdrawal from the WESS partnership that the project to split WESS across both Colleges had now been successfully completed. The compliance review of key financial controls would provide assurance that the control environment remained strong following the staffing restructure of the finance team. The Vice Principal informed members that assurance related to the accuracy and compliance of the student records would now be provided by the External Auditors as part of their Audit of the College's annual financial statements. Members noted the report.</p>	
99.4.2	<p>Internal Audit Recommendations Register The Vice Principal, Finance advised members that all of the outstanding recommendations had been reviewed and addressed by the College. The report was noted.</p>	
99.4.3	<p>Internal Audit Strategic Plan and Annual Plan 2022-2023 Members noted the learner numbers compliance work, in the 2021-2022 year, would be undertaken by the External Auditors. The number of days for the Internal Audit was proposed as 5 days and would cover the key financial controls. It was agreed to recommend the Internal Audit Plan and Annual Plan for 2022-2023 to the Board for approval. All Members were agreed.</p>	<p>Refer to Corporation</p>
99.5	RISK MANAGEMENT	
99.5.1	<p>Risk Management Register and Action Plan 2021-2022 Update Members noted the Risk Management Register and Action Plan 2021-2022 update. The main College Key Risks highlighted for attention were: -</p> <ul style="list-style-type: none"> • Failure to manage the operational and reputational impact of the implementation of a new IT system (admissions / Learning Management System / virtual teaching platform). • Failure to manage the financial and reputational impact of adopting the College's International Strategy and ethical framework. • Failure to effectively manage and safeguard the safety of young children within the Highwood Nursery. • Failure to manage the operational and financial impact of the introduction of T-Levels and the potential defunding of existing Level 3 BTEC qualifications. 	

- Failure to manage the operational and financial impact of an increase in student numbers.
- Failure to achieve “requires improvement” ESFA health rating.
- Failure to manage and deliver the major new build construction project and curriculum changes as part of the SEN Hub/New Classroom Post 16 Capacity Fund Project.

Members noted it was proposed to add two new risks to the Risk Register:

- 1) Failure to manage the operational and reputational impact of the implementation of two new IT systems
- 2) Failure to manage the financial and reputational impact of adopting the College’s International Strategy and ethical framework.

The Vice Principal Finance informed members that the College was continually looking to refine the Risk Register.

Members discussed the risks.

The Chair of the Committee referred to Risk 3 – Failure to successfully implement the new virtual learning environment (VLE) - and suggested that this was a new risk not an existing risk.

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In relation to the proposed risks to be taken off the Risk Register, the Chair of the Committee felt that Risk 1 – Managing the change in working practices resulting from increased online teaching and learning - could not be removed from the risk register as it had a residual risk of 10.

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Also, with regard to the risks in relation to poor homestay and asbestos management, that they should stay on the risk register but be worded differently as requiring ongoing monitoring.

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Kate Webb informed members that the College had been participating in a collaborative project on risk management. She suggested reformatting the Risk Register and moving towards a system of high level and low level risks with only high level risks needing to go to the Board. This would be for risks both specific and generic, and would ensure the risk register was proactive not reactive. She would look at the broader planning to recast the process, but members agreed to leave the wording on the Asbestos and Homestay risks as they were for now.

All Members were agreed.

There was a discussion on Risk 5 – the failure to deliver a major new build project in line with College Strategy. This was in relation to the new build construction project and curriculum changes, as part of the SEN hub new classroom post-16 capacity fund project. Members were advised the College had recent experience of delivering major new build projects but the potential cost and scope of funding was overrunning. The Vice Principal spoke about discussions with the project manager and cost consultant about how they were looking at other potential construction work, with a view to reducing the overall cost of the project, as the costs provided were £4.9m and the current costings were in the region of £5.7m. It was accepted much of the difference was to do with cost inflation, the size of the building and the nature of the foundations. The Vice Principal confirmed alternative options were being actively considered. The DfE were aware the College were going to do a ‘value engineering’ process but as yet there had been no request for further funds. It was noted a Capital Project committee would take place around the 9th/ 10th June to consider the options and then more funds may then be sought from the ESFA.

The report was noted.

The Vice Principal updated members on the Cyber security position, with the College insurers. He confirmed the biggest step forward had been moving the College to Office-365 and confirmed that was now complete, accordingly the

	<p>College could now implement the multi-factor authentication required by the insurers to decrease the claim excess on the policy from £25k to £5k. The Vice Principal informed members this was a major cultural change within the College and mainly related to colleagues working off site.</p> <p>The report was noted.</p> <p>In relation to Risk 12 – failure to achieve the banking covenants, the Chair of the Committee felt that the mitigated likelihood set at 2 giving rise to a residual risk score of 10, did not align with the commentary which suggested a higher likelihood and residual risk. The Vice Principal said he would have a look at this and update the register and/or commentary as appropriate.</p> <p>Members agreed to recommend the Risk Management Register and action plan 2021-2022 to the Board for approval.</p> <p>All Members were agreed.</p>	<p>VP-F</p> <p>Refer to Corporation</p>
99.5.2	<p>Log of outstanding recommendations from Internal and External Audit reports</p> <p>It was noted there were no outstanding recommendations to report.</p>	
99.5.3	<p>Notification of Incidents or actual fraud identified (Full report in Part II if applicable)</p> <p>Members were advised there had been no incidents or actual fraud identified since the last report.</p>	
99.6	<p>Evaluation of Meeting</p> <p>Members were happy that the papers were sufficient to inform their decisions. They felt they had ‘added value’ and made ‘appropriate challenge’ in relation to most agenda items but in particular the item on the Risk Management Register.</p>	
99.7	<p>AOB (to be notified to Clerk in advance of meeting)</p> <p>No other business was raised.</p>	
99.8	<p>Date of next meeting</p> <p>Tuesday, 17 November 2022 at 5.30pm</p>	

Meeting ended 6.35pm