

REASEHEATH COLLEGE BOARD
AUDIT COMMITTEE

Minutes of the meeting held at 10am on Thursday 1 December 2016
Committee Room, Reaseheath Hall

Present: Karol Bailey
Colin Baxter (Chair)
Mike Benson
Dr Ian Graham
Emily Thrane

In attendance: Nicki Crail, RSM
Michael Harding, RSM
Ian Holder, Mazars LLP
Graeme Lavery, Director of Finance and Resources
Dave Kynaston, Vice Principal

Item	Content	Action
1.	APPOINTMENT OF CHAIR	
1.1	The Clerk requested nominations for the role of Chair of the committee for the academic year. Colin Baxter was nominated and seconded for the role. There were no other nominations and all were in favour.	
1.2	RESOLVED: Colin Baxter is appointed Chair of the committee for the 2016/17 academic year.	
2.	WELCOME AND APOLOGIES FOR ABSENCE	
	The Chair welcomed members to the meeting, including Emily Thrane attending her first meeting of the committee. Apologies were received and accepted by the Principal who had been required to attend an external event.	
3.	DECLARATIONS OF INTEREST	
	The following interests were noted: Emily Thrane, Chair of the DART Limited Board of Directors in relation to item 12, which was for information rather than decision and therefore considered not to give rise to any conflict requiring withdrawal from this item. Her interest as a member of the University Council, University of Chester was also noted.	
4.	MINUTES AND MATTERS ARISING	
	Part 1 of the minutes of the meeting held on 23 June 2016 were confirmed as a correct record and signed by the Chair. There were no matters arising not covered elsewhere on the agenda.	

<p>5.</p> <p>5.1</p> <p>5.2</p>	<p>ANNUAL APPOINTMENT OF FINANCIAL STATEMENTS AUDITORS</p> <p>The Clerk reminded members that the performance review process for the annual re-appointment of external auditors had taken place at the June 2016 meeting, but the formal re-appointment had been delayed until this meeting. This was due to the need to finalise the strategic alliance with the University of Chester in case this had any impact on re-appointment. It was now confirmed that there is no impact on the current college arrangements. Members accordingly approved the annual re-appointment of Mazars LLP for the financial year 2016/17.</p> <p>RESOLVED: To approve the annual re-appointment of Mazars LLP as the college’s financial statements auditors for the financial year 2016/17 and to recommend the same to the college board.</p>	
<p>6.</p> <p>6.1</p> <p>6.2</p>	<p>RSM PRESENTATION ON EMERGING SECTOR ISSUES</p> <p>Nicki Crail presented her summary briefing of emerging issues in the sector including:</p> <ul style="list-style-type: none"> • VAT; • Post 16 skills plan; • Ofsted inspection regime; • The proposed sector insolvency regime and impact on governance; • Managing the risk of fraud; • The Skills Funding Agency (SFA) annual plan 2016/17; • Area reviews; • National Audit Office (NAO) report on possible market abuse as the market for apprenticeships changes; • Apprenticeship funding proposals; • BREXIT considerations and potential risks; • Off-payroll workers –significant changes in compliance responsibilities; • Departmental changes in government; • Cybercrime reminder-ransomware. <p>A full discussion took place during and following the update on how the emerging issues may impact the college and its subsidiary company. Assurance was taken that the college and governing body is aware of all the issues. However, the committee acknowledged that the current sector landscape presents more cumulative change and risk than at any time in the college’s recent history. The committee referred to the risk inherent in all the Higher Education sector changes, including the Teaching Excellence Framework (TEF). RSM agreed to cover HE sector issues in all future briefings. It also considered devolution and the role of the LEPS in skills and capital funding. The committee agreed that bringing colleges together in partnership or merger inevitably increases the level of risk. The committee emphasised the importance of business modelling in the round and in the context of range and cumulative effect of various risks. The Director of Finance and Resources shared some of the work being done with the support of the Head of HR on the staffing establishment to get the balance right between permanent, casual, bank and</p>	<p>RSM briefings</p>

	agency staffing resource. A key area of risk in these times of change was identified as management stretch, which was important to keep under focus.	
7.	INTERNAL AUDIT REPORTS	
7.1	Internal Audit Service Annual Report and benchmarking report: Nicki Crail presented the annual opinion and report. She confirmed that it was a very positive report, especially in the context of RSM's work in the sector as a whole. There were no areas of concern reported and previous recommendations had been implemented well. She also confirmed a very strong benchmarking report. It was agreed to include a column showing advisory reports next year.	
7.2	Internal Audit Plan: Nicki Crail presented the plan for information, confirming that it had been approved by the committee and governing body at the summer meetings. She updated members on the intention this year to bring the DART Limited sub-contracting audit report earlier in the year.	
8.	INTERNAL AUDIT RECOMMENDATIONS TRACKING REPORT	
	The Director of Finance and Resources presented the internal audit tracking report, showing all recommendation actions completed. Members welcomed the completion of recommendations in a timely manner.	
9.	REGULARITY SELF-ASSESSMENT REPORT 2015-16	
9.1	The Director of Finance and Resources presented the regularity self-assessment report for 2015-16 to be signed by the Principal and Chair of Governors. The committee made a couple of suggestions to strengthen some of the wording, which would be incorporated before signature. The committee noted the difficulty on timing of signing off this report, due to no audit committee meetings in the schedule before the December meeting. Ian Holder of Mazars LLP confirmed that this is a common issue in the sector. The committee agreed the best option in future will be to present the report at the June Audit meeting with the College Board delegating authority for the Chair to sign the report at year end.	JS JS audit committee business plan
9.2	RESOLVED: To approve the regularity self-assessment report for signing by the Principal and the Chair of Governors.	
10.	VALUE FOR MONEY REPORT	
	The Director of Finance and Resources presented the value for money report, tabled at the meeting, for assurance to the committee in considering its annual report to the governing body. Members received the report and considered it an honest appraisal that provided them with assurance on the balance of quality and cost considerations in the college's procurement policy and process.	
11.	FINANCIAL STATEMENTS AUDITORS REPORT	
11.1	Financial Statements Auditors' Year End Report: Ian Holder presented the a completion report and apologised for the delayed receipt of the report this year.	

	<p>The reasons for the delay were discussed in more detail. The committee noted that partnership due diligence work and personnel issues had created capacity issues in the run up and during the audit, but that these issues were not on-going. They had been identified by management and managed in the best way possible in difficult circumstances. The committee wished to note its disappointment that the process had not gone as smoothly as usual, resulting in delayed reporting to the committee, but that it felt assured sufficient action had been taken to resolve the problems.</p>	
11.2	<p>In terms of content, the committee welcomed the clean audit, with confirmation that no bank covenants were broken. The auditor confirmed that the committee can take assurance that the college is well run. Discussion focused again on the higher risk environment for all colleges in the sector, especially in relation to cash position, which had been managed through a pinch point by the college. The risks of partnerships in particular were discussed and actions that can be taken to manage credit most effectively in the college sector. The committee endorsed the prudent decision taken by management to increase the month end cash balance from £1m to £2m going forwards to reflect the increased risks in the sector.</p>	
11.3	<p>Draft Financial Statements for the year to 31 July 2016: Ian Holder presented the highlights of the draft financial statements, already scrutinised by the Finance and General Purposes Committee. Members discussed the financial statements including:</p> <ul style="list-style-type: none"> • Overall performance; • Impact of FRS102 and change due to the livestock valuation methodology; • The shift in and impact of the funding profile this year; • Cheshire Pension Fund valuation a positive shift • Agreed adjustment for the write off of prior goodwill in DART Limited. 	
12.	AUDIT COMMITTEE ANNUAL REPORT	
12.1	<p>The Clerk presented the draft annual report of the audit committee. Following consideration, the committee approved the report to be signed by the Chair of the committee and presented the college board on 8 December 2016 before the decision on approval of the financial statements.</p>	
12.2	RESOLVED: Approve the Audit Committee Annual Report	
13.	Part 2 item	
14.	RISK MANAGEMENT	
14.1	<p>College risk register: The Director of Finance and Resources presented the risk register and an update on the work the college is doing on board assurance to further develop its risk management process. The Clerk talked through two example risks following the new proposed template. The approach was welcomed by the committee. It looked forward to an update at its next meeting, following some further work by the college Executive team to finalise the template and update the risks in January 2017.</p>	
14.2	Part 2 item	

15.	<p>IRREGULARITIES</p> <p>There were no irregularities to report.</p>	
16.	<p>ITEMS FOR INFORMATION</p> <p>The following items were received for information and assurance:</p> <ul style="list-style-type: none"> • Payment Card Industry Data Security Standard (PCI DSS) compliance certificate. • Certification of Teachers' Pension Contributions 2015/16 	
17.	<p>MATTERS TO REPORT TO THE BOARD</p> <p>The committee agreed to highlight the following to the college board:</p> <ul style="list-style-type: none"> • To approve the annual re-appointment of Mazars LLP as the college's financial statements auditors for the financial year 2016/17 and to recommend the same to the college board; • The current sector landscape presents more cumulative change and risk than at any time in the college's recent history and strong risk management by the governing body and executive team is essential; • The committee will oversee the North Shropshire College/Reaseheath College merger risk register on a termly basis (with the Joint Steering Group closely monitoring it on a monthly basis); • The Internal Audit Service Annual Report provides a very positive report, especially in the context of RSM's work in the sector as a whole and provides a positive annual opinion providing substantial assurance; • Approval of the regularity self-assessment report for signing by the Principal and the Chair of Governors; • The clean external audit completion report, with confirmation that no bank covenants were broken. The auditor confirmed that the committee can take assurance that the college is well run; • Approval of the Audit Committee Annual Report to the Corporation. 	
18.	<p>ANY OTHER BUSINESS</p> <p>There were no items of other business to report.</p>	
19.	<p>DATE OF NEXT MEETING</p> <p>The date of the next meeting was confirmed as Thursday 16 March 2017 at 10.00am</p>	

The meeting closed at 12.40pm.

Following the meeting, the Committee met with auditors without management present. There were no issues of concern to bring to the attention of the college board, but the current risks in the sector as well as college partnership projects were discussed in the context of ensuring sufficient management capacity is maintained, with the planned finance function resource implemented in a timely manner.