

**REASEHEATH COLLEGE BOARD**  
**AUDIT COMMITTEE**

**Minutes of the meeting held on Thursday 14 March 2019 at 10.00 am**  
**Committee Room, Reaseheath Hall**

Present: Karol Bailey (independent) KB  
Colin Baxter, chair (independent) CB  
Evelyn Davies-Jones (external co-opted) EDJ  
Francesca Francis (independent) FF  
Mike Gorton (independent) MG  
Peter Green (independent) PG  
Fran Johnson (external co-opted) FJ

In attendance: Louise Tweedie, RSM LT  
Graeme Lavery, CFO and director of resources GL  
Marcus Clinton, principal (*items 5 and 8-12 inclusive*), MC  
Jackie Schillinger, Clerk JS

*At the start of the meeting, there was the opportunity for the Committee to discuss any matters with College Auditors without the presence of senior managers.*

Item	Content
<b>1.</b>	<b>WELCOME AND APOLOGIES FOR ABSENCE</b>
1.1	The Chair welcomed all to the meeting. There were no apologies from members of the committee. Attendee Dave Kynaston had given his apologies and the Principal, MC, had informed the meeting that he would be arriving a little late, due to his attendance at the college rural conference.
1.2	The meeting was declared quorate.
<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>
2.1	The declaration of interests form was circulated. There were no interests declared as giving rise to a conflict of interest in relation to the agenda items for the meeting.
<b>3.</b>	<b>APPOINTMENT OF COMMITTEE MEMBERS</b>
<b>3.1</b>	<b>RESOLVED: Francesca Francis and Peter Green are appointed as members of the committee.</b>
<b>4.</b>	<b>MINUTES AND MATTERS ARISING</b>
4.1	The minutes of the meeting held on 29 November 2018, subject to a typographical correction, were approved as a correct record.

4.2	The rolling action log was reviewed for assurance on actions completed or on-going since the last meeting and updated accordingly. PG asked if the payments from external partners referred to in item 8.3 of the minutes were coming in on time and GL confirmed that they were, with no problems on cash flow.
5.1	<p data-bbox="237 344 789 373"><b>5. COLLEGE STRATEGIC RISK REGISTER AND KPIS</b></p> <p data-bbox="237 415 1487 730">MC presented the college strategic risk register and highlighted the progress/movement on the current key risks since the previous audit committee meeting and following the recent review of the risk register by the executive team. These included the income risk (in relation to 'other income'), the challenging staff recruitment and retention in STEM subjects, the pressure on college resources to meet the increasing mental health and wellbeing needs of students and the leadership change on the farm with more work to do to move the farm forwards. He also highlighted the emerging issues that require attention in relation to the college subsidiary company, which he noted would be reported more fully at the forthcoming board meeting and at the July audit committee, following the very helpful RSM internal audit on the learner numbers system.</p> <p data-bbox="237 772 1088 802">5.2 Questions and discussion took place, including the following key points:</p> <ul data-bbox="285 810 1487 1902" style="list-style-type: none"> <li>• MG asked about the oversight of risk management in relation to the subsidiary company. GL confirmed that the company board will consider strategic and operational issues and report back to the college board, with the internal audit reports coming to this audit committee as well as the company board. MC noted that there are actions needed to place the subsidiary company in a good position from which to take advantage of the growth opportunities now more evident in the land-based sector with the standards coming online. He noted that it has been a very tough time for private training providers, but the environment is stabilising with good opportunities for the future</li> <li>• EDJ asked for clarification on the frequency of the subsidiary company board meetings. JS confirmed that these take place termly, within the committee reporting cycle and the minutes and chairman's report is made to the college board each term, with the audit reports going to audit committee and the newly developed company strategic risk register coming to the college audit committee and the full board in future;</li> <li>• CB asked about the cost of the free college transport and how this cost will be managed if it is to continue. MC explained that the executive will be discussing the approach going forwards, based on evidence of impact on applications, accommodation and budgeting. CB wondered why the cost was so much more than budgeted this year. MC explained that this was due to the popularity and need for a significant number of duplicate coaches on routes. FF noted the impact on residential accommodation and GL explained that this is an issue that will be tested to ensure an accurate picture of the impact is known for the strategic decision-making. PG noted that Reaseheath has been very successful in maintaining its numbers and bucking the trend, with very good feedback from students on the quality of its transport services, and with a 20% increase in applications for next year. He noted that the impact of the transport strategy seems to have been very positive. MC agreed that the executive team is drilling down into the applications for next year to ensure that they understand the impact of the transport strategy;</li> <li>• PG suggested that the risk register could strengthen the reference to fraud and ineffective leadership, based on recent sector developments;</li> <li>• PG suggested the risk of knife crime should be addressed more clearly in the assurance levels for the safeguarding risk;</li> <li>• EDJ asked in relation to the risk of employment tribunal claims whether there have been any settlement agreements. GL confirmed one settlement agreement had been made since the last</li> </ul>

	<p>meeting, with this undergoing a full cost benefit analysis, and being reported to the Finance and General Purposes Committee and college auditors, in line with requirements;</p> <ul style="list-style-type: none"> <li>• EDJ suggested that the risk to the balance of provision in relation to the land-based uplift could be highlighted as an emerging risk to keep an eye on;</li> <li>• EDJ requested an update on how the data protection risk is being managed following the departure of the Head of Technical Services, who was the DPO. GL confirmed that he has taken on the role of the DPO for the time being, with assurance that the key work on cybersecurity is on-going with no risk to this completion. He noted that there have been no reportable data breaches, but that he has dealt with two minor issues that have been resolved;</li> <li>• PG asked about the plan for the future of the management of this area of risk and the ICT team. GL confirmed that the structure of the team is currently under review and that the plans will be reported back to the audit committee next term, including the structure and resourcing of the DPO role.</li> </ul> <p>CB thanked all for the very useful discussion and suggestions on the key and emerging risks, and the committee received the strategic risk register report for information and assurance.</p>
<p><b>6.</b></p> <p>6.1</p>	<p><b>RSM UPDATE ON EMERGING SECTOR ISSUES</b></p> <p>LT provided a presentation on RSM’s update on emerging sector issues, followed by discussion in the meeting. The issues covered included the Post-16 Audit Code of Practice (February 2019), the Accounts Direction 2018 to 2019 and the insolvency regime. Members received and welcomed the very helpful update and discussion focused on the insolvency regime, as well as aspects of leadership in relation to the recent reporting of the governance and leadership oversight situation at another college. Actions agreed from the discussion included the addition to the college strategic risk register of the potential insolvency regime impact bank behaviour in the sector and increased borrowing costs. <i>Action: add to risk register – JS.</i></p>
<p><b>7.</b></p> <p>7.1</p> <p>7.2</p>	<p><b>INTERNAL AUDIT REPORTS</b></p> <p>Internal Audit Service Benchmarking Report: LT presented her summary report, indicating that the College is not out of line with the sector and the fall in levels of assurance in 2017-18 is due to audits on GDPR and apprenticeships. She noted that the fact that more recommendations have been made in relation to these two key areas is helpful for the college and gives assurance that these complex compliance areas are well understood and being managed. She noted that it will be important for the committee to ensure that the audit actions are tracked and the RSM follow up report will show progress on implementation of the recommendations, for assurance. PG asked what key audit themes are RSM seeing in 2018-19. LT noted that GDPR and apprenticeships still feature heavily and that mental health and wellbeing as well as financial controls and financial sustainability are coming to the fore. The committee received the report for assurance.</p> <p>Internal Audit Progress Report 2018-19: LT explained that two audits had been commenced so far this year – the internal audit follow up audit and the DART Limited learner numbers audit (funding). She explained that these reports had not yet been finalised and so would be coming to the July audit meeting, with the other audits planned for the 2018-19 year. PG referred to the discussion with the auditors at the start of the meeting and asked GL why the audits were delayed this year. GL noted a number of reasons, including key staff changes and clashes of timing with some key college activities. He noted that that there would need to be better planning next year. FF noted that five out of eight audits would now be reported in July and she wondered if this would adversely impact on the budgeting process. GL provided assurance that the audits outstanding should not impact on budget decisions for next year. LT had not raised any significant concern from the auditors’ perspective in the pre-meeting</p>

	<p>discussion and she confirmed that management had worked well with auditors on the audits so far. CB queried the four-month delay on the key financial controls audit that had been planned for December 2018. GL acknowledged that this was not ideal and noted that once it had to be put back, it then had to fit in with RSM availability as well as college availability. He re-iterated that the planning for the audit schedule in 2018-19 had not been as effective as it could be, and this will be addressed for next year. EDJ wondered if the audits now left to be completed in a short time would cause a burden on staff or impact on the day job. GL explained that these had all been re-scheduled with the agreement of the staff affected and he did not expect any problems. JS suggested that a member of the audit committee attend the internal audit planning meeting for next year, due to take place in April, to provide assurance back to the committee on the planning process for next year. All agreed that this would be sensible and would provide useful context for the internal audit plan discussion at the July committee. <i>Action: Audit member to attend internal audit planning meeting: JS/GL</i></p>
<p><b>8.</b></p> <p>8.1</p>	<p><b>INTERNAL AUDIT RECOMMENDATIONS TRACKING REPORT</b></p> <p>The committee spent time scrutinising the audit recommendations tracking report that showed progress on the implementation of previous audit recommendations. The committee considered the progress made on actions. Questions and discussion followed, including:</p> <ul style="list-style-type: none"> <li>• The expectation of the committee that the implementation of the GDPR recommendations will be back on track with the majority reported as complete by July;</li> <li>• Assurance on progress against the Reaseheath Training actions with only a few minor points outstanding now;</li> <li>• FF pointed out that the action tracker suggests that not all staff complete the online GDPR training and asked for clarification. GL confirmed that not all staff are required to as they will receive a similar face to face training. <i>Action: JS to amend the risk register controls on this point to clarify;</i></li> <li>• PG asked LT of RSM if she was happy with the progress shown as there seemed to be a number of long-standing items on the tracker. LT noted that if you remove the GDPR actions then it is very normal. However, she has seen more actions on trackers generally in the sector because of GDPR and so this tracker is not currently unreasonable, but she would expect to see those GDPR actions start to come down now.</li> <li>• EDJ suggested that it would be helpful to put whether the item is significant or a housekeeping item against the outstanding items on the tracker to give more context to the report. <i>Action: add information on significance of item to tracker- GL</i></li> </ul>
<p><b>9.</b></p> <p>9.1</p>	<p><b>IRREGULARITIES</b></p> <p>There were no irregularities reported.</p>
<p><b>10.</b></p> <p>10.1</p>	<p><b>MATTERS TO REPORT TO THE BOARD</b></p> <p>The following to be reported to the board:</p> <ul style="list-style-type: none"> <li>• Appointment of Francesca Francis and Peter Green to the committee;</li> <li>• Emerging risks and actions required on the college subsidiary company;</li> <li>• Recent sector developments have highlighted the need for close scrutiny of leadership and fraud prevention measures;</li> </ul>

	<ul style="list-style-type: none"> <li>• The expectation of the committee that the majority of outstanding audit recommendations on GDPR will be completed by July;</li> <li>• A number of internal audits have had to be put back this year, with reporting coming to the July audit committee – management acknowledge better planning will be in place to avoid this next year. An audit committee member will attend the planning meeting, to provide assurance to the committee on the planning process.</li> </ul>
<b>11.</b>	<b>ANY OTHER BUSINESS</b>
11.1	There were no items of other business reported to the meeting.
<b>12.</b>	<b>DATE OF NEXT MEETING</b>
12.1	The date of the next meeting was confirmed as Thursday 4 July 2019 at 10.00am

The meeting closed at 11.55am

Following the meeting, members attended the opening of the Employer Hub extension and networking lunch.

Signed:

Dated: