

REASEHEATH COLLEGE BOARD
AUDIT COMMITTEE

Minutes of the meeting held on Thursday 4 July 2019 at 10.00am
Committee Room, Reaseheath Hall

Present: Karol Bailey (independent) KB
Evelyn Davies-Jones (external co-opted) EDJ
Francesca Francis (independent) FF
Peter Green (independent) PG
Fran Johnson (external co-opted) FJ

In attendance: Louise Tweedie (RSM) LT
Alex Hire (RSM) AH
David Hoose, (Mazars LLP) DH
Richard Ratcliffe (independent) RR
Marcus Clinton (principal) MC
Dave Kynaston (vice principal) DPK
Graeme Lavery (CFO and director of resources) GL
Jackie Schillinger (clerk) JS

Item	Content
	<i>At the start of the meeting members had the opportunity to discuss any matters with the College Auditors without the presence of senior management. Assurance was provided on a planned audit schedule between internal auditors and management for next year that would avoid a large number of internal audit reports presented at the last meeting of the year. Progress on follow up of action and dates for implementation of internal audit recommendations were discussed and would be raised in the meeting.</i>
1.	WELCOME AND APOLOGIES FOR ABSENCE
1.1	In the absence of the Chair, the Vice Chair, KB, chaired the meeting and welcomed all to the meeting. Apologies were received and accepted from Colin Baxter, Mike Gorton and attendee Sharon Yates.
1.2	The meeting was declared quorate.
2.	DECLARATIONS OF INTEREST
2.1	The declaration of interests form was circulated. There were no members' interests declared as giving rise to a conflict of interest in relation to the agenda items for the meeting. College auditors were not present for the item on re-appointment of auditors at item 13.

<p>3.</p> <p>3.1</p> <p>3.2</p>	<p>MINUTES AND MATTERS ARISING</p> <p>The minutes of the meeting held on 14 March 2019 were approved as a correct record, subject to the correction of a typographical error, and signed by the Vice Chair.</p> <p>The rolling action log was reviewed for progress on actions from the last meeting. One item from the minutes had not been transferred to the action log and this was now noted as an action for completion. Members picked up the action on outstanding GDPR items for implementation. It was agreed that this would be considered in detail in the follow up report on the agenda. GL gave his view that the core GDPR compliance items are in place but the actions on processes and procedures have been delayed. Whilst these are not critical to the core operation, they need to be completed. In discussion, it was agreed that a realistic date for these actions was the end of September 2019 and the action log was updated.</p>
<p>4.</p> <p>4.1</p> <p>4.2</p>	<p>DEVELOPMENT BRIEFING:</p> <p>AH of RSM provided the HE and FE sector update. She highlighted the possible shift towards committee structure governance again in the sector with the FE Commissioner’s recent statements on recommendations for finance committees. She also highlighted the National Audit Office report that warned that the new apprenticeship structure may not provide value for money and is vulnerable to the same weaknesses as seen under the old ‘train to gain’ system. She noted that a key element of scrutiny for ESFA and Ofsted will be ensuring that the 20% off the job is robustly delivered and evidenced. The sector update also covered: Sub-contractor delivery updates; T levels and potential impact on BTecs; HE sector risk analysis and HE UCAS statistics on applications for 2019/20 entry; OFS financial sustainability report on the HE sector; and the latest policy considerations on the Augar review.</p> <p>AH presented the RSM Further Education Sector Risk Register Report 2019, with the top five themes in 2019 being 1. Finance and strategy; 2. Recruitment/human resources; 3. Student experience; 4. Government policy; and 5. Compliance. Members commented that the sector analysis was very useful, and it had been circulated to all governors. PG noted that the risks in the report on English and maths, sub-contractors and governor challenge on college leadership and management could perhaps be reflected a little more clearly in the college’s own risk register.</p>
<p>5.</p> <p>5.1</p> <p>5.2</p>	<p>EXTERNAL AUDIT REPORTS</p> <p>DH of Mazars LLP presented the External Audit Draft Strategy Memorandum. He highlighted the key risk areas covered in the strategy and noted that these are standard sector risks, with nothing specifically added for the college. He referred members to the sector update contained in the document and noted the recent case law on the local government pension valuation which could increase the deficit on colleges’ balance sheets. He provided assurance that this risk was unlikely to have a significant impact on the college but that it needed to be monitored. He also noted the updated college accounts direction requires some additional salary disclosures in the accounts in line with the OFS requirements. In terms of the engagement letter, EDJ asked if out of pocket expenses were included in the overall charges and DH confirmed that they were.</p> <p>RESOLVED: To approve the External Audit Draft Strategy Memorandum and Engagement Letter and to recommend the same to the board for approval.</p>

5.3	GL presented the College Regularity Self-Assessment Report for recommendation for approval at the forthcoming board meeting. EDJ provided some feedback in the meeting that sought to clarify some of the assurances provided. It was agreed that, with this helpful feedback incorporated, the meeting was content to recommend the College Regularity Self-Assessment Report to the board for approval and signature by the Principal and Chair.
5.4	RESOLVED: To approve the Regularity Self-Assessment Report for recommendation to the board, subject to the agreed adjustments, for approval and signing by the Chair and Principal.
6.	<p>INTERNAL AUDIT REPORTS</p> <p>6.1 AH of RSM presented the Internal Audit Progress report and requested any questions or comments. EDJ queried whether the ‘errors’ referred to in the learner number system – DART Limited report meant that the risk is that too little is claimed. AH confirmed that it related to the evidence of the 20% off the job delivery that is needed to ensure funding can be claimed and she noted that this risk is one they are seeing across the sector. GL clarified that the college received a clear ESFA audit last year and that the current RSM report is related to the college subsidiary only. PG expressed his concern that there are so many reports coming to this last meeting that it is difficult for the committee to give sufficient time to them all. He also noted that there are a number of recommendations that are on-going, as shown in the follow up report. Members agreed to consider the follow up report in the next agenda item. EDJ confirmed that she and Colin Baxter had attended the audit planning meeting between management and RSM and can report that this evidenced good clear planning for next year to avoid the delays to the reports experienced this year. EDJ also noted that she and Colin had requested that management provide assurance (not necessarily at the same level as an RSM audit) across key areas of the college not covered by the internal audit plan so that the audit committee is able to provide its assurance to the board at year end in its annual audit committee report, which also goes to the ESFA.</p> <p>6.2 AH of RSM presented the Internal Audit Follow Up report that reported ‘little progress’, predominately in the areas of GDPR, Cybersecurity and apprenticeships and requested any questions or comments. GL emphasised that the core operational elements for GDPR compliance are in place and that the actions that require completion are the supporting documentation on policies and processes, as well as penetration testing on cybersecurity, to be carried out by JISC in the autumn term. PG asked about the timing of the apprenticeship actions deadline. DPK explained the context of the work in progress and it was clarified that the expected date of completion is the end of September 2019. He noted that the ESFA substantial audit in 2018 provided strong assurance on funding, but the work in progress on apprenticeships involves checking back and now that the team has staffing resource in place this can progress without delay. KB requested that an update report in September on the college audit recommendations tracking be provided to members by email to ensure all is looking on track. FF queried whether the date of 1 July of the action on the DPO job description has been completed. GL responded that an appendix to his job description is being written and will be in place very shortly. In response to FF’s queries on the dates for items 3.5, 3.6, 5.1, 5.2 and 5.6 GL confirmed that these actions were complete or on track and would be signed off by the end of August at the latest. FF asked for an update on the new IT structure and whether there is a new ‘Head of’ post. GL confirmed that the structure is now in place without a ‘Head of’ but with two senior managers, with the DPO role sitting with him for the time being. He noted that the college is exploring potential external DPO services and will report back to the committee on the options. PG asked how reliant the college is on the former Head of Technical Services and GL confirmed that there are specific projects on GDPR actions, but that this will not be a long-term situation.</p>

6.3	<p>GL presented the new format Internal Audit Recommendations Tracking report and opened the discussion for questions.</p> <p>EDJ queried some actions noted as 'being implemented' with dates of April 2019 and GL confirmed that these required updating in the report as they had been completed.</p> <p>Members acknowledged the teething problems with the report and that it would be updated with accurate dates, but they supported the new format and approach.</p> <p>KB requested the updated audit tracking report be sent out to governors in September 2019 rather than waiting until the next audit committee meeting.</p>
6.4	<p>AH of RSM presented the Learner Number Systems Apprenticeships – DART Training Limited report, providing partial assurance and requested any questions or comments.</p> <p>DPK provided an update on progress against the actions in the report. PG asked why the date of implementation was as late as 31 December for these important compliance actions. DPK provided assurance that actions are being implemented now, with the staffing situation now resolved, and the December date would be when all will be complete and in place. On this basis, the committee were content with this date. However, KB asked for an update as part of the audit tracking report to come to the committee in September to provide assurance that all is on track.</p>
6.5	<p>AH of RSM presented the Learner Journey and Experience Arrangements report, providing reasonable assurance and requested any questions or comments. FF asked if the actions would be affected by the recent resignation of the Director of Marketing. GL noted that the college has a good period of notice and so the expectations should remain as planned. PG queried how the CRM system project is progressing. GL noted that this will be taken forwards by DPK and GL and that a more detailed report can be made at the next meeting. All agreed that the project is complex and acknowledged that it will take time to get right.</p>
6.6	<p>AH of RSM presented the Academic Supporting Processes report, providing partial assurance. She highlighted the recommendations, including the high priority recommendation relating to study tour documentation and requested any questions or comments. EDJ requested assurance on the existing study tours policy and whether it remained fit for purpose even though its review was well overdue. DPK provided assurance that the document has been closely reviewed and it is not that the document has not been looked at. He explained that there has been a lot of work on reviewing and updating processes and this has been a thorough review, which has involved ensuring that the current processes remains fit for purpose in the meantime. DPK assured members that he checks every study tour request and signs off the tour, but that there is an additional step to the process needed to fit with the new online shop procedure used for study tours. He also confirmed that this new process is ready to go to executive for approval in the next few weeks and the documentation will be in place. PG noted that there are a number of items of housekeeping on procedures that need to be completed for the start of the new academic year and DPK provided assurance that this would be addressed over the summer. DPK also provided assurance that the action on the visiting speaker procedure was aligned to the prevent requirements and not a safeguarding risk. Members took assurance from the discussion and looked forward to completion of the outstanding actions in the next audit tracking report.</p>
6.7	<p>AH of RSM presented the Governance and Risk Management Framework report, providing reasonable assurance. She noted that actions recommended would enhance the current risk management framework and help embed risk management in the organisation. EDJ asked if item 1.3 had been implemented and JS confirmed that it had, as shown in the report on the agenda. PG gave his view that he found the KPIs in the risk register a little confusing. MC confirmed that these would be reviewed in line with the new strategic plan KPIs over the summer and the executive would look at the clarity of the KPIs carefully.</p>

6.8	AH of RSM presented the Key Financial Controls - Payroll and Expenses report, providing substantial assurance and requested any questions or comments. PG noted that it was excellent to see the substantial assurance provided in this area, down to the excellent work of the college Payroll Manager.
6.9	AH of RSM presented the Quality and Assurance Process – Regulated Qualifications Framework (RQF) Report, providing reasonable assurance. Members were content with the actions raised and had no further questions.
6.10	AH of RSM presented the Internal Audit Plan 2019/20 report and requested any questions or comments. EDJ provided assurance on the robust planning process, with governor involvement in one of the planning meetings. PG agreed that the plan shows a good range of the key areas and that he was pleased to see apprenticeships, care standards national minimum standards and student progress included in the plan. FF noted that she was pleased to see the implementation of the Access and Participation Plan (APP) included but thought that the timing may be a little too early to be useful to the college. All agreed that this could be flexible in terms of timing, as long as another audit was brought forward if the APP audit was moved to later in the year. On this basis, the committee was content to recommend the plan to the board for approval.
6.11	RESOLVED: To approve for recommendation to the Board the internal audit strategy and internal audit plan for 2019-20.
7.	RISK MANAGEMENT
7.1	<p>The Principal, MC, presented the college strategic risk register, updated to June 2019. He highlighted the following key points in his report:</p> <ul style="list-style-type: none"> • The executive team have reviewed the risk scoring and report the improving picture on finance in terms of the year end outturn due to management actions in year, supported by board oversight, and pay costs under budget; • The specialist staffing risk remains as a red risk currently. The action plan to tackle this continuing concern is reported in the meeting; • The other remaining red risk is DART Limited (maintain/develop the value of DART Limited), which is a substantive item on the board agenda on 11 July, following on from the review of the current situation at the board meeting on 21 March; • The high incidence of mental health problems this year required an increased focus on this area of support, which has been taken into account in resource planning for next year to ensure the college is able to keep up with demand. In addition, Wellbeing updates have been added to the weekly executive safeguarding dashboard. Work is underway in term 3 and into 2019/20 to develop contact and communications with senior external agencies including PanCheshire LSCB and CCG in order to validate college policies, processes and procedures; • The Environmental regulation breach risk is now rated GREEN due to effective management actions under the new Farm Manager. Health and Safety culture on the farm is also much improved under the new leadership. Fortnightly farm walks take place with the Farm Manager, Health and Safety Manager and Vice Principal. The Farm Manager is NEBOSH qualified.
7.2	<p>Questions and feedback followed, with the following key points raised:</p> <ul style="list-style-type: none"> • EDJ commented on the positive development to the risk register and reporting this year. She wondered if it had had a positive impact within college management. MC confirmed that it had, with more work to be done on embedding the approach further; • EDJ asked for an update on the transport strategy and whether the advertising of free transport would continue. MC confirmed that it is in place for next year and acknowledged the need to

7.3	<p>consider any change to the strategy in good time. EDJ noted that the advertising strategy needs to be considered two years ahead. MC acknowledged that this is the case for higher education students in particular, but that the uptake of transport by HE students is minimal and so this will limit the impact to the college of any change. DPK noted that the quality of the transport adds to the unique offer that the college is presenting at the moment;</p> <ul style="list-style-type: none"> • PG queried how the risk register would be embedded further into the management levels of the organisation. GL confirmed that it will be rolled out, with training, as part of the business planning process next year; • FF suggested that the college consider whether the risk in relation to value for money should be incorporated in the risk register as it featured in the RSM sector risk analysis. <p>The committee received the Risk Management annual report for recommendation to the Board. It noted that the recent internal audit recommendations had been incorporated and that the policy includes the risk appetite review by the board, which will be considered in 2019-20 and reported going forwards in the annual report.</p>
7.4	<p>RESOLVED: To approve the Risk Management Policy for 2019-20 and the Annual Risk Management Report for 2018-19 and to recommend the same for approval to the Board.</p>
8.	<p>IRREGULARITIES</p>
8.1	<p>There were no irregularities reported to the meeting.</p>
9.	<p>SELF-ASSESSMENT OF THE COMMITTEE AND REVIEW OF TERMS OF REFERENCE</p>
9.1	<p>The committee considered its performance against its Terms of Reference (TOR) in 2018/19 and reviewed its TOR for 2019-20, and members provided feedback forms to the clerk. The committee considered that it had fulfilled its responsibilities in 2018-19 and remained fit for purpose. Auditors provided their input and suggested a change to the TOR to ensure the TOR align with the updated Audit Code of Practice.</p>
9.2	<p>RESOLVED: Recommend approval of the Terms of Reference for 2019-20, subject to the minor amendments noted, as compliant with the Audit Code of Practice.</p>
10.	<p>MATTERS TO REPORT TO THE BOARD</p>
10.1	<p>The recommended approval of:</p> <ul style="list-style-type: none"> • The internal audit strategy and internal audit plan for 2019-20; • The external audit draft strategy memorandum and engagement letter; • The regularity self-assessment report, subject to the small number of adjustments, for approval and signing by the Chair and Principal; • The Risk Management Policy for 2019-20 and the Annual Report for 2018-19 and to recommend the same for approval to the Board; • The Terms of Reference, subject to the minor amendments noted, as compliant with the Audit Code of Practice; • The re-appointment of external auditors, Mazars LLP for the 2019-20 year and to approve the re-appointment of internal auditors, RSM, for 2019-20.

10.2	The recommended monitoring of the follow up actions from the recent internal audit reports, including the RSM follow up audit, with a recommendation tracking report to be made to the committee for assurance in September in advance of its next meeting later that term.
11.	ANY OTHER BUSINESS
11.1	There was no other business reported to the meeting.
12.	DATE OF NEXT MEETING
12.1	The date of the next meeting was confirmed as Wednesday 4 December 2019 at 11am.
	<i>In the absence of College Auditors</i>
13.	COLLEGE AUDITORS - ANNUAL REVIEW OF PERFORMANCE AND RE-APPOINTMENT
13.1	The committee considered the performance review of auditors, against the following criteria: <ul style="list-style-type: none"> • Compliance with professional standards (incl. independence); • value for money; • quality and relevance of the audit plan; • appropriateness of the skills, knowledge and experience of the audit team; • timeliness and appropriateness of the audit reports and recommendations; and • attendance at audit committee meetings.
13.2	The committee noted that it receives assurance from both auditors on compliance with professional standards within its regular audit reporting. The external audit strategy memorandum contains a statement by external auditors that they comply with UK regulatory and professional requirements, including in relation to objectivity and independence. The audit completion report contains statements on compliance and independence. The Internal Audit Charter confirms the internal auditor's adherence to regulations and professional standards, including in relation to objectivity and independence. The annual internal audit report also reports on performance and compliance with internal auditing standards.
13.3	Following discussion, the committee was satisfied that performance remains good and both audit services offer value for money. The committee noted that there will be a re-tender for both audit services in the 2019-20 year.
13.4	RESOLVED: To approve for recommendation to the Board the re-appointment of external auditors, Mazars LLP for the 2019-20 year and the re-appointment of internal auditors, RSM, for 2019-20.

The meeting closed at 12.45pm

Signed:

Dated: