REASEHEATH COLLEGE BOARD
AUDIT COMMITTEE

Minutes of the meeting held on Thursday 12 March 2020 at 10.00am
Committee Room, Reaseheath Hall

Present: Karol Bailey (independent) KB
                          Colin Baxter (independent) CB (chair) (*item 4 onwards*)
                          Evelyn Davies-Jones (external co-opted) EDJ
                          Mike Gorton (independent) MG
                          Fran Johnson (external co-opted) FJ
                          Peter Green (independent) PG
                          Francesca Francis (independent) FF

In attendance: Marcus Clinton (principal) MC
                          Graeme Lavery, CFO and director of resources GL
                          David Hoose, Mazars LLP DH *(items 1-8 inclusive)*
                          Alex Hire, RSM, AH *(items 1- 8 inclusive)*
                          Jackie Schillinger, clerk JS

Item	Content
1.	**WELCOME AND APOLOGIES FOR ABSENCE**
1.1	There were no apologies for absence. CB arrived a little late and KB chaired the meeting for a short time in advance of CB's arrival.
1.2	The meeting was declared quorate.
2.	**DECLARATIONS OF INTEREST**
2.1	The declaration of interest 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.
3.	**MINUTES AND MATTERS ARISING**
3.1	The minutes of the meeting held on 4 December 2019 were approved as a correct record and signed by the Chair.
3.2	Matters arising were considered: KB asked for an update on the VAT position of the subsidiary company. GL confirmed this was awaiting final legal confirmation but it was very likely that the VAT provision would be released this year before the external audit for the 2019-20 academic year.

	GL clarified the position of the borrowing position of the college. He explained that the medium term loan (MTL) next five year borrowing terms and the options for dealing with the revolving credit are currently being discussed with the bank and he was confident that an acceptable agreement can be reached. He added that the intention is for the terms to be in place by July. PG requested an update on the customer relationship management system project (CRM). GL confirmed that the college is working with the consultant, the initial work on the higher education applications process has been completed and the intention is to pilot the system with further and higher education applications as this has the biggest impact and then to roll it out across college functions.
4.	**COLLEGE STRATEGIC RISK REGISTER AND KPIs**
4.1	MC presented the recommended risk appetite statement for approval and provided an update on the strategic risk areas, the residual risk scoring against target risk and the risk movement since the last update. He added that the risk presented by the coronavirus situation is being addressed in the business continuity risk area. He provided an update on planning and how the college is preparing staff for the potential of remote delivery to students. He also noted that the executive team are looking at the potential financial impact such as the commercial income streams, for example the usual summer language school booking may not happen this year. In terms of other key risk areas, he highlighted the risk to quality of provision in full time agricultural engineering and noted that the recent exams could provide some assurance that actions in place had impacted positively on this. He also noted the specialist staffing risk in some areas which remains one of the main risks to manage. He added that the access and participation plan, the strategic partnership and the subsidiary company risk areas were discussed in detail at the recent governor strategic day and would be looked at again later in the year.
4.2	Discussion and questions followed: CB asked about teaching strategies for remote delivery and how the residential students would be looked after. GL confirmed that the college is following government advice, as this develops, but that it has already taken steps to prepare for remote delivery and to support students in halls if they were required to stay onsite. GL confirmed the college has sufficient stock of hand gel and toilet roll. PG welcomed the risk report, noting that it was very helpful to have the detailed commentary that gives a real picture of what is going on. PG wondered how the college can keep ahead of the curve with resources development to support delivery. MC confirmed that the estates strategy including hard and soft infrastructure is a key part of the strategic plan and is included in strategic risk 3. He added that there will be routes for funding in terms of the government capital funding, T Level funding and the second round of institute of technology funding, all of which support the development of resources and equipment, with the college's current funded projects of robotic milking and vertical farming evidence of the proactive approach the college takes to resource investment. PG took good assurance from the discussion. EDJ requested and received assurance that the two employment tribunal cases had not raised any common issue or underlying cause. The risk appetite statement was welcomed and PG suggested that the risk management approach make clear the use of key performance indicators and benchmarking. JS suggested that this could be included in the risk management annual report and referenced in the statement.
4.3	**RESOLVED: To recommend approval of the following risk appetite statement, to form part of the annual risk management report and policy:**

"The College as a well managed college is prepared to take measured risks provided that the risks involved have been properly considered, are understood and are well managed. In this way, the College intends to manage change and promote innovation. The College operates in a competitive and uncertain external environment and the Governing Body is committed to taking such measured risks where it is in the College's best interests to do so in order to achieve its strategic objectives and promote its long term sustainable success.

This overarching risk appetite is implemented via a risk management process that acknowledges that risk appetite differs over time and in relation to different individual risks. To enable informed and consistent decision-making and effective mitigations, the College's strategic risk register considers risk appetite on a 'live' risk by risk basis using a 'target risk' approach against which risks are regularly reviewed, using key performance indicators and benchmarking. Those risks that are significantly above 'target risk' require additional mitigation actions that are monitored via the committees of the Governing Body, including the Audit Committee and that are reported for assurance or escalated for action to the Governing Body, as appropriate.

The current principal risk areas to the organisation as set out in the strategic risk register are:
- *Financial*
- *Safeguarding and Health and Safety*
- *Infrastructure, Resources and Business Continuity*
- *Student Outcomes, Quality and Reputation*
- *College Strategy and External Environment*
- *Human Resources*
- *Employer Engagement and Key Partnerships*
- *Improper Conduct/Breach of Statutory Requirements"*

5.	**RSM UPDATE ON EMERGING SECTOR ISSUES**
5.1	AH of RSM provided an update on the consultation on a new higher education code of governance. FF requested and received confirmation that the college intended to respond to the consultation. DH of Mazars LLP added that there is some detail of the new accounts direction to be played out in order to achieve one accounts direction for the sector, with the key issue still in conflict being the issue of 'use of funds' and he alerted the meeting to the potential that external audit will have to report on attainment under the access and participation plan. GL confirmed that the further education finance directors' group has representation on the higher education finance directors' group.
6.	**INTERNAL AUDIT REPORTS**
6.1	Internal Audit Progress Report: AH presented the progress report, noting the change to the access and participation plan audit timing and highlighting the potential date for the audit planning meeting in April, which at least two committee members would attend. PG wondered what the key topics emerging in the sector were at the moment. AH replied that they are generally around the access and participation plan, mental health support for students and apprenticeships.
6.2	Internal Audit Benchmarking Report. AH presented the benchmarking report for assurance. She provided assurance that whilst the number of actions were higher than some of the benchmarked colleges, it is just an indication and it is important to note that the college falls into the 82% of colleges in terms of overall opinion so the committee can take good assurance from the report. Members noted the limitations of the benchmarking report and noted that having audits in challenging areas and having a number of actions to address shows good proactive audit planning, and the key indicator is that these

	actions get completed in a timely manner. They noted that this assurance comes from the follow up audit reports. In response to a question by FF, AH said that she would confirm the number of Landex clients in the benchmark group, following the meeting.
6.3	Student Progress Framework – Phase One: AH presented the report for assurance. In response to a query by PG, AH acknowledged the sample size was small but noted that this was because this aspect of the report was a follow up action and she confirmed that the sample size for phase two of the audit would be larger. She gave assurance that there were a small number of low priority actions and the report provided substantial assurance. JS was able to provide assurance that the updated tutorial policy was now on the college SharePoint site.
6.4	Further Education Residential Accommodation – National Minimum Standards – Monitoring Framework: AH presented the report for assurance. CB raised a query around the level of priority for one of the actions in relation to data protection and contacting parents. AH explained that they had had an internal discussion around this, but had considered it a low priority in all the circumstances. MC gave assurance that the college has tightened up its guidance to staff on this and the team on the ground is very well experienced in dealing with this complex area on a case by case basis, following the college guidance. Following discussion in the meeting, members were assured that the action was correctly categorised.
6.5	Capital Projects Framework: AH presented the report for assurance. She went through the actions and noted that the committee can take substantial assurance from the report.
6.6	Key Financial Controls – Accounts Payable and Accounts Receivable (Debt Management): AH presented the report for assurance. CB requested confirmation of the value of the transactions and AH agreed to confirm this outside the meeting. AH noted that the committee can take substantial assurance from the report and explained the six low priority actions.
7.	**INTERNAL AUDIT RECOMMENDATIONS TRACKING REPORT**
7.1	GL presented the internal audit tracking report. Members welcomed the report and the reduction in outstanding actions from the previous meeting. EDJ noted a typographical error, which would be corrected. A query was raised on the use of OneFile and GL explained that this is related to the complexity of awarding bodies and is a sector issue, but a current audit is looking at the consistency of use of this system. PG welcomed the work that had obviously gone in to reducing the outstanding items and wondered if this could be delegated by GL as it must take up a lot of his time. GL noted that he is driving compliance at the moment but that each executive member is taking responsibility to drive compliance in their areas. The report was received for assurance.
8.	**IRREGULARITIES**
8.1	There were no irregularities reported to the meeting.
9.	**AUDIT TENDER REPORT**
9.1	Part B confidential item.
9.2	Audit Tender Report: The meeting received and approved the recommendations in the audit tender report and agreed that FJ and CB would support the tender process.

9.3	RESOLVED: The following recommendations are agreed:
	
	    i. **The retention of a full independent Internal Audit Service as part of the audit tender process for the appointment of college auditors.**
	
	   ii. **The tendering process for external auditors and internal auditors to be carried out via the college's e-tendering process InTend.**
	
	  iii. **A working group is set up to assist in the tendering process, the consideration of tenders received, interviewing those shortlisted and presenting recommendations for decision at the Audit Committee meeting in July 2020, to consist of at least two audit committee members, the Principal, the CFO and Director of Resources and the Clerk.**

10.	**ANY OTHER BUSINESS**
10.1	The reviewed Whistleblowing Policy was received for approval. Members welcomed the adaptation of the policy to a group policy that covered DART Limited as well as the college. One change was suggested and agreed – to change the time requirement for an acknowledgment to ten working days. Subject to this, the committee approved the policy.
10.2	**RESOLVED: The Whistleblowing Policy is approved.**

11.	**ANY ITEMS TO ESCALATE TO RISK REGISTER/BOARD**
	
	It was agreed to report the following to the Board:
	
	Risk of coronavirus impacts will be added to the strategic risk register and developments monitored.
	
	The strategic risk report was well received and provided good assurance on the oversight of risk management and a new recommended risk appetite statement was recommended for approval.
	
	A proposed increase in the external audit fees for the final year of the current tender was considered and a final proposal will be presented to the audit committee at its July board meeting and to the Board in July for approval.
	
	The reviewed group Whistleblowing Policy is approved.
	
	Internal audit reports provide good assurance and the audit tracking report shows good progress on completing audit recommended actions.
	
	The audit tender process was approved to commence in April and recommendations will be reported to the Board in July.
	
	The following recommended approvals are presented to the Board:
	
	Audit tender:
	
	  • **The retention of a full independent Internal Audit Service as part of the audit tender process for the appointment of college auditors.**
	
	  • **The tendering process for external auditors and internal auditors to be carried out via the college's e-tendering process InTend.**

	• **A working group is set up to assist in the tendering process, the consideration of tenders received, interviewing those shortlisted and presenting recommendations for decision at the Audit Committee meeting in July 2020, to consist of at least two audit committee members, the Principal, the CFO and Director of Resources and the Clerk.** **Risk appetite statement:** **Approve the following risk appetite statement to form part of the annual risk management report and policy:** *"The College as a well managed college is prepared to take measured risks provided that the risks involved have been properly considered, are understood and are well managed. In this way, the College intends to manage change and promote innovation. The College operates in a competitive and uncertain external environment and the Governing Body is committed to taking such measured risks where it is in the College's best interests to do so in order to achieve its strategic objectives and promote its long term sustainable success.* *This overarching risk appetite is implemented via a risk management process that acknowledges that risk appetite differs over time and in relation to different individual risks. To enable informed and consistent decision-making and effective mitigations, the College's strategic risk register considers risk appetite on a 'live' risk by risk basis using a 'target risk' approach against which risks are regularly reviewed, using key performance indicators and benchmarking. Those risks that are significantly above 'target risk' require additional mitigation actions that are monitored via the committees of the Governing Body, including the Audit Committee and that are reported for assurance or escalated for action to the Governing Body, as appropriate.* *The current principal risk areas to the organisation as set out in the strategic risk register are:* • *Financial* • *Safeguarding and Health and Safety* • *Infrastructure, Resources and Business Continuity* • *Student Outcomes, Quality and Reputation* • *College Strategy and External Environment* • *Human Resources* • *Employer Engagement and Key Partnerships* • *Improper Conduct/Breach of Statutory Requirements"*
12.	**DATE OF NEXT MEETING** The date of the next meeting was confirmed as Thursday 2 July 2020 at 10.00am. The Clerk confirmed that she would be in touch regarding the dates for the tender process meetings and the audit planning meeting. It was noted by FJ that future meetings could consider how best to utilise the time of the auditors at meetings to allow them to cover everything in good time.

The meeting closed at 12.30pm

Signed: Dated: