



REASEHEATH COLLEGE BOARD

AUDIT COMMITTEE

Minutes of the meeting held on Monday 26 June 2023 at 2pm

FF26 Food Futures/HEST, Reaseheath College

Present:	Gary Crowe (independent, Chair) GC Peter Green (independent) PG Evelyn Davies-Jones (independent) EDJ Mike Gorton (independent) MG
In attendance:	Alex Hire (RSM) AH David Hoose (Mazars LLP) DH Marcus Clinton (principal) MC Graeme Lavery (vice principal finance and resources) Jackie Schillinger (head of governance)

At the start of the meeting, there was an opportunity for the committee to discuss any matters with the auditors without the presence of senior management. Discussion confirmed continued good working relationships and two-way process and informed the committee on areas of focus for questioning in the meeting.

	Content
1.	WELCOME AND APOLOGIES FOR ABSENCE
1.1	The Chair welcomed all to the meeting. Apologies were received and accepted from Karol Bailey and Fran Johnson. The meeting was quorate and remained quorate throughout.
2.	DECLARATIONS OF INTEREST
2.1	There were no declarations made in relation to the agenda items.
3.	MINUTES AND MATTERS ARISING
3.1	RESOLVED: The minutes of the meeting held on 16 March 2023 were approved as a correct record.
3.2	RESOLVED: The action log provides assurance that actions are completed or on track and an annual Data Protection Officer Report will be made to the autumn committee meeting.
4.	EXTERNAL AUDIT REPORTS
4.1	External Audit Draft Strategy Memorandum: DH presented the key points from the memorandum, including the changes in the accounts direction and MPM additional disclosures; the impact of the new auditing standard that will mean some more identification of risk work with finance and MIS teams; the ongoing debate about the year-end change and the new leasing standard that could impact further down the line. GL provided an update on the work of the College Finance Directors' Group (CFDG) collating feedback to support the Association of Colleges (AoC), Education and Skills Funding Agency (ESFA) and Department for Education (DfE) in pushing back on this to the Treasury. Committee members checked on the finance team staffing capacity to be able to deliver the year end accounts in a timely way. GL acknowledged the staff recruitment and retention challenges in the team and confirmed that it would need temporary additional resource and to focus more of his own time on the external audit this year due to the challenges. DH confirmed his team are aware of the challenges and will work with the college team to manage the time needed, with much of the work to be done early in the summer which will help. In response to EDJ's query, GL confirmed there were no internal audits that impacted on the finance team planned for the same time.

4.2	RESOLVED: The External Audit Draft Strategy Memorandum and Engagement Letter is recommended for approval.
4.3	College Regularity Self-Assessment Report: GL updated members on some changes relating to the MPM impact. PG requested and received assurance that there were no other joint ventures or partnership structures that would fall within the remit of the report other than those set out. DH confirmed it was good practice for the report to be made to the summer committee so that auditors could consider it before their regularity audit work and EDJ expressed her view that the clarity of the report had improved significantly over recent years.
4.5	RESOLVED: The Regularity Self-Assessment Report is recommended for approval and signature by the Accounting Officer and the Chair.
5.	DEVELOPMENT BRIEFING:
5.1	RSM HE and FE sector update: MPM impacts were discussed, and it was confirmed that these could be considered usefully at the appropriate time once the new handbook is drafted (with GL part of the drafting group), with the ability to flex the internal audit plan for next year if necessary. Potential changes to the ESFA regularity framework to DfE levels and a possible review of the subcontracting rules was flagged. The greater focus on the SEND code of practice and governance oversight of this area was considered. MC provided assurance that the work currently underway led by the new assistant principal places the college in a good place to fulfil its responsibilities and the SEND lead governor role will be in place for the new academic year, linked to the college quality and standards committee.
5.2	RESOLVED: The committee is reassured that management is well sighted on emerging MPM impacts and SEND responsibilities with governance structures in place for 2023-24 to ensure appropriate oversight.
6.	INTERNAL AUDIT REPORTS
6.1	Internal Audit Progress Report: The Internal Audit Progress Report was received for information showing reporting as on track apart from the agreed change to the audit plan to include a counter fraud audit over the summer and the Higher Education Data Quality Report that was currently in draft. The committee agreed that the dialogue between the auditors and management to finalise the data quality report was needed and on assurance that there was nothing significant to alert the committee to, agreed for this to be presented to the next meeting. GC requested and received confirmation from AH that RSM's annual opinion report would not be affected by the agreed changes to the plan.
6.2	Follow Up Report and Internal Audit 4Action Tracking Report: AH reported reasonable progress in implementing audit report recommendations, as set out in the Follow Up Report, which is carried out annually. The committee considered the two reports quite difficult to align due to the timing issue, with the college closing actions which are then reviewed by the internal audit team in the Follow Up audit later in the year, which can result in some actions being re-opened if more evidence is needed by RSM. The committee agreed that next year the field work could be brought forward to ensure that the summer term follow up report and the college 4Action tracker are properly aligned. GC reiterated that the committee needs to consider and agree any proposals by management in the tracker report to supersede or delay any recommendations and agree a new action or timeline. <i>Action: summer term follow up report and 4Action tracker report aligned in 2024</i>
6.3	The outstanding actions were then considered in the meeting. Discussion took place on how actions are categorised as superseded. It was agreed that the CRM system action should be brought back for a decision on the alternative action proposed, with a management timeline of 30 September to make this decision. It was agreed that the other outstanding tracker action on recording health and safety walks on the system be extended to 30 September, by which point management were confident it would be completed. GL confirmed that the GDPR report would be made to the autumn committee meeting, and this would confirm the action plan and link to the recommendation in the RSM follow up report. EDJ suggested that the reiterated management action in the RSM follow up report on health and safety risk assessments had an implementation day of July 2024 which was quite a long time away and an interim progress report for assurance would be useful, which was agreed. The committee also noted the health

6.4	<p>and safety link governor had recently attended the internal college health and safety committee and his link report would be provided to the Board for assurance on progress. <i>Action: Risk assessment recording progress report in Spring term 2023</i></p> <p>Internal Audit Plan 2023-24 for recommendation: AH presented the report citing good engagement by committee members and management team in the planning stage. She presented the proposed plan and strategy agreement for recommended approval. She confirmed that the plan captured the agreed deferred audit from this year. Discussion followed on the plan. EDJ suggested and all agreed that although health and safety had been considered in the work placement and apprenticeships audit this year, keeping it on the radar in relation to risk assessment process and recording for the year after next would be a good idea. Members supported the areas put forward for 2023-24 and GL clarified that the T level area was in relation to funding not quality issues. On quality PG welcomed the suggestion that the academic quality framework audit could include learner targets and progress within its scope. Following discussion, members were content to recommend approval of the audit plan.</p>
6.5	<p>RESOLVED: To approve for recommendation to the Board the internal audit strategy and internal audit plan for 2023-24 and to approve the 4Action tracker timeline for the outstanding actions.</p>
7.	<p>RISK MANAGEMENT</p> <p>7.1 Risk Management annual report for recommendation to the Board: GL presented the risk management annual report, with an overview of risk scoring and risk movement over time, the risk heat map and the board assurance report. Discussion followed on the development of risk management governance reporting in the coming year, informed by the current external governance review and the audit committee chair's guidance:</p> <ul style="list-style-type: none"> -GC as committee chair expressed his view that the number of strategic risks could be reduced from the current ten and be more clearly linked to the strategic objectives and to a committee of the Board. There was some discussion of whether fewer risk areas would be possible and/or beneficial. AH of RSM suggested the maximum number of strategic risks should be no more than ten to twelve. -In discussion it was acknowledged that executive ownership and committee remit for risk oversight does happen although this could be more clearly reported on the board assurance reporting both to audit committee and the Board. JS provided feedback from the Finance and General Purposes Committee on its review of the risks within its remit. -GC gave his view that the risk appetite statement now is adequate but could be developed. All agreed that understanding risk appetite in terms of target risk and the actions and timeline to move from where the college is towards its target (appetite) is key, with a more nuanced approach of agreeing an appetite to accept a tolerable level of risk above ideal target for a period time if that is necessary due to the overall circumstances. It was noted that risk appetite would differ depending on the type of risk and this should be a dynamic process with regular review of target risk/risk appetite. GC and JS confirmed that the external governance review mirrors much of the discussion held, with a sharper focus to strategic risk reporting something that the committee can take forwards in 2023-24. All recognised the further development required, which warranted a development session for the Board to consider strategic risk, risk ownership and risk appetite at an appropriate time aligned to the new strategic plan development in 2023-24. The offer of support and facilitation by RSM was welcomed. In the meantime, GC noted that the short-term gains on practice and ways of working could be implemented. <i>Action: Committee objective to further develop risk management governance process for next year.</i> <p>7.2 Assurance Source Overview: The committee received the collated list, with recognition of the good progress evident in the development of a comprehensive external assurance source overview.</p> <p>7.3 Impact of MPM update: The committee took assurance that the executive team is fully engaged with the MPM developments and is well placed to ensure compliance in a timely way.</p> <p>7.4 RESOLVED: To recommend the Risk Management Policy and the Annual Risk Management Report, with the recommendation that the committee oversee the development of these further in 2023-24.</p>

8.	COMMITTEE
8.1	Self-Assessment and Skills Audit and review Terms of Reference (TOR): The committee had the opportunity to consider its work over the year mapped against its TOR. JS summarised the positive external review of governance findings. The meeting observed by the external reviewers was found to a very useful meeting in the fulfilment of the committee's terms of reference and demonstrated a positive governing culture. The documentation review endorsed the current TOR as drafted. Members considered the report and concluded that the committee had fulfilled its responsibilities under its TOR. JS requested that members complete and return the skills audit contained in the papers for review of committee membership and training planning for 2023-24. GC requested and received assurance that the TOR included the minimum requirements set out in the current post-16 audit code of practice.
8.2	RESOLVED: The committee considers it has met its responsibilities under its Terms of Reference in 2022-23, endorsed by the external governance review, and it recommends its Terms of Reference for approval.
9.	IRREGULARITIES
9.1	There were no irregularities reported to the meeting. GL noted that an attempted external fraudulent use of the college credit card had been picked up and stopped at a value of £800 with all relevant security measures effective and updated as necessary. GC requested assurance that the wider counter fraud measures remain in place and effective and GL provided assurance that a suite of policies and process are in place that form the counter fraud strategy, which is subject to an internal audit over the summer and so can be reported in more detail at the next committee meeting. <i>Action: report at next meeting</i>
9.2	RESOLVED: The committee can report positive assurance on regularity with no irregularities reported in the period.
10.	ANY OTHER BUSINESS
10.1	There was no further business reported to the meeting.
11.	MATTERS TO REPORT TO THE BOARD
11.1	The committee agreed that there were no matters to escalate over and above the matters already discussed which would be reported through to the Board in its committee report at the next Board meeting.
12.	DATE OF NEXT MEETING
12.1	RESOLVED: The date of the next meeting is Thursday 30 November 2023 11am, meeting in person, with option by exception to join via Teams.
13.	<i>In the absence of College Auditors</i> COLLEGE AUDITORS – ANNUAL RE-APPOINTMENT
13.1	The committee considered the performance of the auditors, with reference to the following key performance indicators set out in the report; 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. Assurance was provided via the strategy memorandum and the internal audit plan on auditor compliance with professional standards including independence. Knowledge and experience, development updates and sector benchmarking reporting were considered as a benefit. Members considered the working relationship with the external auditor to be very effective. Discussion focused on the progress on working together with the internal audit team to increase clarity on what closes off an audit action and the good relationship which allows for open discussion and a two-way process. Members considered more proactive good practice and development suggestions by internal auditors in the internal audit reporting within the planned audits would be helpful and this added value to the college, which was an expectation and could usefully be clarified with the internal audit team for next year's reporting.
13.2	RESOLVED: The committee recommends the annual re-appointment of external auditors, Mazars and internal auditors, RSM.

The meeting closed at 4.05pm
Approved as a correct record: 30 November 2023
Chair: Prof Gary Crowe