

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

**Minutes of the meeting held on 28 November 2024 at 11am in the Committee Room**

- Present: Ash Austin (independent)  
 Gary Crowe (independent), chair  
 Jan Chillery (independent)  
 Peter Green (independent)  
 Mike Gorton (independent) (*item 1.3 onwards*)
- In attendance: Graeme Lavery (VP finance and resources) GL  
 Charlotte Riley (head of finance)  
 Judith Bickerton Hubble (RSM)  
 David Hoose (Forvis Mazars) (*item 1.1 only, via Teams*)  
 Jackie Schillinger (company secretary and head of governance)  
 Jane Cowell (independent) (*item 1 only*)  
 Elizabeth Harrison (independent) (*item 1 only*)  
 Martin Mellor (independent) (*item 1 only*)  
 Angela Potter (independent, chair) (*item 1 only*)  
 Paul Weston (independent) (*via Teams*) (*item 1 only*)

PART A unless stated

item	Content
<b>Joint meeting Year End Reporting</b>	
<b>Corporation Core Function Accountabilities</b>	
<b>1.</b>	<b>Exercising effective control to ensure that funds and assets are protected, your organisation remains solvent and legal obligations are met</b>
1.1	TOR 5,6,7 Audit Completion Report: External auditor David Hoose of Forvis Mazars presented his findings, providing substantial assurance on a clean audit. He went through the detail of several minor points for clarification. The committee challenged on progress on the internal control points raised in the prior year, with confirmation from the auditor that he was satisfied that progress was being made. The vice principal finance and resources confirmed that the implementation of a new finance system would speed this up, such system to be in place for the next academic year and therefore several prior year points would remain until then. The committee accepted the position on the basis that there were clear plans to address these under the new finance system. The regularity report was received, with the reporting confirming that the auditor had found nothing during the audit work that suggested any non-conformance or irregularity. The committee welcomed the assurance provided by the audit report and thanked the team for their work to ensure a smooth external audit process.
1.2	Bridge Report Management Accounts to Statutory Accounts: Presented by the head of finance and received for substantial assurance on robust management accounts reporting evidenced by the bridge report comparing management accounts to statutory accounts. The impact of

	FRS102 on accounting treatment of pension liabilities was noted, with a large positive impact for the year ending 31 July 2024. The committee asked that this be clearly shown in external reporting including to staff so that these stakeholders have a clear picture of the college position, which is a small surplus. The vice principal finance and resources evidenced the reporting in the annual accounts where the impact is separated out and explained. He added that the staff voice mechanism can support the understanding of the key metric of EBITDA as the most accurate measure to focus on.
1.3	<p>Annual Statutory Financial Statements: The vice principal finance and resources presented the annual financial statements for any questions or comment. Questions and challenge on several areas followed:</p> <ul style="list-style-type: none"> <li>• On the narrative, progress on the development of the flexible learning facility was queried. This was at stage 2 RIBA, working on RIBA Stage 3 which will result in a planning application. The aim would be to have this project shovel ready by December 2025 ready following the government financial strategic review. It is not anticipated that capital bids will be supported until the financial year 1st April – 31st March 2027.</li> <li>• Given the risk that government funding may not be significant if no loan facility is offered the college needs to have an alternative planned strategy for its estate's development.</li> <li>• In readiness for the transfer of the commercial lending facility to treasury in 2026, the college needs to review a reserves policy. The finance and general purposes committee and the governing body should review this in the March meetings.</li> <li>• Carbon emissions reporting was questioned as the data showed an increase. The vice principal finance and resources explained that the long winter had increased gas heating, with LPG gas having a higher factor. However, less electricity had been used. He noted that now the air source heat pumps have been installed in several areas this should positively impact gas consumption.</li> <li>• Challenge on the current assumptions on the capital and estates plan for the next three years with an action to present an overview to the governing body on the estate development and sustainability strategy at the May 2025 governor strategy day. <i>ACTION.</i></li> <li>• Challenge on how the curriculum is adapting to the sustainability strategy, with acknowledgement that this can be looked at in the May 2025 governor strategy day on the theme of sustainability.</li> <li>• Questioning and confirmation that no additional disclosures were required this year. A point to note in the reporting for the future, probably from 2026-27 was that a new SORP was being development that will impact the EBITDA requirement will go up because of the treatment of leases. This was referenced in the notes to the accounts.</li> </ul>
1.4	ESFA Finance Record: Received and a question raised on the treatment of staff in the guidance of the correct code. The vice principal finance and resources confirmed that the guidance is not completely clear but that the college and auditors are content with the way in which it is being treated. He confirmed that the sector is pushing back on the possible change to the financial year for colleges and is also asking for less account codes and more guidance on what needs to be input to them.
1.5	Annual Review Financial Objectives: The vice principal presented the financial performance for 2023-24 against the agreed financial objectives. All were met except for the 1% of turnover

	<p>surplus and the debt service cover covenant. The context of college funding as opposed to school funding was discussed.</p> <p>Questions followed:</p> <ul style="list-style-type: none"> <li>• What are the implications of not meeting the debt service covenant: Assurance was provided that there would be no impact and going forwards the EBITDA falling significantly would be the main risk area in terms of meeting borrowing costs.</li> <li>• Would there be the same amortisation period when the medium-term loan is transferred to the Treasury in 2026: Assurance was provided that the ten year amortisation period would be seen as standard.</li> <li>• Should the number of cash days be increased from a minimum of 25 to 35: The 25 days is used because the FE Commissioner recommends it and so it is likely the Treasury would take the same approach.</li> <li>• Is stress testing done on the figures so that if the college experienced another event such as the covid pandemic there is an understanding of how it could weather the storm: Assurance was provided that the cash position was strong and that the college would be well placed in the sector if something similar happened this winter but that it would inevitably be a whole sector issue that would require government support.</li> </ul>
1.6	<p>RESOLVED: Following review of the year end reporting, the committee considered it could report to the board in its annual report on this aspect of the adequacy and effectiveness of the corporation's assurance arrangements, assurance over subcontracting, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency, and the safeguarding of assets.</p>
<p><b>Joint meeting close 11.45am</b>  <b>Audit Committee continues</b></p>	
<b>2.</b>	<b>Standing Items</b>
2.1	<p>TOR 2</p> <p>Apologies were received and accepted from Fran Johnson. Peter Green made a declaration in respect of item 3.4 as he had a family connection a member of staff responsible for an audit action, but there was no discussion that required him to leave the meeting for this item. The meeting was quorate and remained quorate throughout.</p>
2.2	<p>RESOLVED: The minutes of the meeting held on 10 July 2024 were approved as a correct record.</p>
2.3	<p>RSM Emerging Issues Autumn 2024: The committee received a development update from internal auditors RSM on emerging sector issues. This included the risk radar which the college uses to inform its own risk analysis. In relation to the risks on the radar, the committee questioned the college risk exposure with the key responses:</p> <ul style="list-style-type: none"> <li>• Cyber and AI risk is an area that the college is well sighted on, with the vice principal finance and resources on the department for education working group on sector counter fraud. There are systems in place and close working with the bank to stay informed on current and emerging threats, with the new finance system adding to the preventative and detective controls.</li> <li>• Public sector reclassification and impacts are well understood, and controls are in place.</li> <li>• Sustainability is an area with several potential risk issues that the college is appropriately planning for.</li> </ul>

	<ul style="list-style-type: none"> <li>A recent Office for Students (OfS) audit on further education colleges raised several data/funding compliance issues including on additional learning support payments. This is an area that it regularly covered in the college's internal audit plan. The college is directly funded for its HE provision and annually produces the Higher Education Student Early Statistics (HESES) data return, which has been accepted as compliant by the OfS. There remains one issue that the college is pushing back on that relates to the STEM funding which the college considers is too low. Additional learning support evidence is captured via the prosolution system with the college satisfied that it is strong on this evidence capture.</li> </ul>
2.4	RESOLVED: The committee had the opportunity to raise questions on the emerging sector risk issues and was satisfied that emerging issues are appropriately considered in the internal audit planning cycle.
<b>3.</b>	<b>Exercising effective control to ensure that funds and assets are protected, your organisation remains solvent and legal obligations are met</b>
3.1	TOR 1, 5, 9 RESOLVED: The Internal Audit Plan Progress Report was received for assurance on good progress, with the governor health and safety task and finish group to provide input to the detailed scope of the health and safety audit planned for later in the academic year. <i>ACTION</i> .
3.2	RESOLVED: The Annual Internal Audit Opinion report was received as a positive opinion for assurance in line with similar organisations and with the full sector benchmarking report to be considered in the March meeting, and the overall opinion as 'the organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.'
3.3	RESOLVED: The Residential Accommodation National Minimum Standards Monitoring Framework report was received with substantial assurance reported that the controls upon which the college relies to manage this risk are suitably designed, consistently applied and effective.
3.4	RESOLVED: The Audit Recommendations Tracking Report was received with substantial assurance that the college continues to make good progress in implementing internal audit recommendations in a timely way. In relation to the outstanding action on the customer relationship management (CRM) system it was agreed that the situation had changed significantly since the action was recommended such that it was agreed to extend the completion time limit for three months to allow management to come back to the committee after agreeing with internal audit an alternative action. <i>ACTION</i>
3.5	RESOLVED: The Counter Fraud Strategy Report was received for assurance on implementation of the internal audit report recommendations, the development approach to annual reporting and the Anti-Bribery and Corruption Policy was approved.
3.6	RESOLVED: The Value for Money Report was received, and it was agreed that the next report should record an example of where the college has carried out some external tendering and the good practice process that supports securing value for money.
<b>4.</b>	<b>Setting and Communicating the College Strategy and Goals – Strategic Risks</b>
4.1	TOR 1, 10, 11 The Strategic Risk and Irregularities Report including minutes from the health and safety task and finish group and link governor report was received. Actions agreed were:

	<ul style="list-style-type: none"> <li>The strategic risk overview table should include a column on which committee has remit and the assurance rating from that committee.</li> <li>The board should be asked to consider whether the audit committee should receive the termly safeguarding report before this goes to the board each term so that it can better consider risk exposure and assurance level and report the same to the board.</li> </ul>
4.2	<p>RESOLVED: The committee reports assurance levels following review of strategic risk across the committee system:</p> <p>SR1: Financial Management and Targets: Partial Assurance: outside risk appetite tolerance</p> <p>SR2: Financial Sustainability: Reasonable Assurance: outside risk appetite tolerance</p> <p>SR3: Quality and Student Outcomes: Substantial Assurance: HE and Apprenticeships within risk appetite. Partial Assurance: FE outside risk appetite tolerance</p> <p>SR4: Strategy and Leadership: Reasonable Assurance: within risk appetite</p> <p>SR5: Curriculum Skills and Stakeholders: Substantial Assurance: within risk appetite</p> <p>SR6: Infrastructure and Resources: Substantial Assurance: within risk appetite</p> <p>SR7: People: Substantial Assurance: within risk appetite</p> <p>SR 8 Safeguarding and Wellbeing: Reasonable Assurance: within risk appetite</p> <p>SR 9 Health and Safety: Partial Assurance: outside risk appetite tolerance.</p> <p>SR 10 Legal and Regulatory: Substantial Assurance: within risk appetite.</p>
4.2	RESOLVED: The Audit Committee Annual Report is approved for reporting to the board before the board is requested to approve the annual financial statements.
<b>5.</b>	<b>Closing items</b>
5.1	<p>TOR 2, 10</p> <p>Items of any other business reported were an update on a health and safety matter and the proposed college lock down drill which was planned for once the new communication system Audiebant is fully installed in the next term.</p>
5.2	RESOLVED: The date of the next meeting was confirmed as Thursday 20 March 2025 at 10am
<p><b>The meeting closed at 1.00pm</b></p> <p><b>Followed by Governor Induction Development Session on College Finances. 2pm – 3pm.</b></p>	

Confirmed as a correct record 20 March 2025

Gary Crowe, Chair