



**Minutes of the meeting of the Audit Committee  
held in Room A100, North Devon Campus  
on Wednesday 3<sup>rd</sup> July at 17.00**

**Present:** Lindy Stacey (Chair), Maxine Padgham, Iain Springate and Jenny Wallace

**In attendance:** Bill Blythe – Vice Principal Finance and Resources  
Diane Dimond – Principal and Chief Executive

**Auditors:** Lee Glover – Internal Auditors, Haines Watts (items 1-11)  
Richard Bott, – External Auditors, Mazars (items 1-11)

**Governance Advisor:** Jane Barton –Governance Advisor

**Private Meeting**

The private meeting with the Auditors without College officers present was not needed, as there was nothing to report.

**1. Apologies for Absence**

Claire Isaac – Head of Finance and Mark Tibbert Co-Opted Governor.

**2. Declaration of Interests**

No declarations of pecuniary or non-pecuniary interests were made in respect of the items on the agenda.

**3. Confidential Items**

Item 12 on the agenda will be taken as a confidential item without the presence of the Internal and External Auditors.

**4. Minutes and Matters Arising 18AC22**

The minutes of the meeting of the Audit Committee **held on 26<sup>th</sup> March 2019 were confirmed as a true record.** The Committee noted that the planned full test of the Business Continuity Plan will be reviewed and rescheduled for the autumn term; there were no other matters arising not covered in other items of the meeting.

**5. Business Brought Forward By the Chair**

No business was brought forward by the Chair.

**6. Strategic Risk Monitoring and Board Assurance 18AC23**

The Vice Principal Finance and Resources took the Committee through the Dashboard summary of Risks; this document summarises the current Strategic Risks, the risk categories, the performance against the inherent residual risk appetite criteria, the levels of assurance and current planned actions where appropriate.

Governors noted that no new Risks were proposed, no Risks have been removed and that no risks had been increased; however the Committee discussed the 3 Risks where the risk level has been considered to have reduced these are:

Aim TR1:

- Insufficient quality within curriculum and teaching delivery; Adult Learning and Apprenticeship retention impacting on achievement (success) rates remain a concern coming out of the SAR. More focus continues to be put in these areas by the new provision leads. **July Update - Data looks better coming into year-end for both Apprenticeship retention and Adult retention.**

Aim FR1:

- Budget not achieved and Financial Health declines, ESFA consider intervention – the college continues to budget prudently but national funding levels remain a key concern. Savings needed for 2019/2020 will be very challenging. **July Update – This was increased by two last time; proposed to be reduced back down now as the savings targets have been broadly achieved and a balanced budget is planned. Looking further into the future the sector’s funding through the CSR is crucial.**
- IT resources are unreliable and old fashioned leading to learner dissatisfaction - The expectation of better mobile IT is now being met via the chrome-book project. The PCs and other equipment are increasingly ageing and may soon not meet need particularly if windows 10 is deployed. **July Update – the adoption of the IT obsolescence strategy mitigates this risk further.**

The Committee also reviewed the amber rated risks as follows:

Aim TR1:

- Student and/or Staff safety and/or well-being is compromised. This remains an absolute priority for the College but external threat levels (nationally) remain high. New Deputy Safeguarding lead being recruited. **July Update- Post recruited – threat level remains high.**

Aim PR1:

- Insufficient staff in place to support the business and meet our learners needs. Continued pressure on staffing budgets drives efficiencies that reduce capacity; considering the benchmarking exercise will seek to drive costs down further where possible. A further increase is proposed as the 2019/2020 budget pressures are analysed and the Government have made it clear there will be no new money in 2019/2020. **July Update – This risk was increased by two points at the last committee and is not planned to change this time as the reshaping has delivered target savings. It remains a real risk to the sector however.**

Aim GR1:

- We are unable to deliver planned growth and return due to geographical, reputational, financial or workforce constraints. Key Demographics have now started to rise, Institute of Technology is planning level 4/5 growth; Apprenticeship Non-Levy allocation and AEB devolution are restricting growth opportunities. **July Update – This was increased as a risk last time - no change now; potential challenges ahead should the restrictions on apprenticeship eligibility banded by limits on salary levels come into play. Possible challenges for Institutes of Technology.**

Governors suggested that looking at a quantified Stress Test which could be included in reports; the Vice Principal Finance & Resources assured the Committee that the sensitivity analysis and/or risk section of the budget and forecast report to the Full Board in July covered this.

Governors considered the report and the impact the CSR has on many of the risks identified; they reflected that an under resourced sector will eventually impact on the quality, breadth and width of its offer.

**The Committee were satisfied that the College has demonstrated that good and effective assurances are in place that suitably mitigate its Strategic Risks and recommended approval by the Board.**

## **7. Internal Audit Reports 2018/2019**

**18AC24**

The Committee received the Internal Audit Reports by Haines Watts.

- **IT Health Check;**
- **Risk Management;**
- **Student Records;**
- **Subcontracting Controls; and**
- **Follow up**

The IT Health Check audit provided Adequate Assurance with 2 green and 3 amber priority recommendations, the Risk Management audit provided Adequate Assurance with 5 green and 2 amber priority recommendations; and the Student Records audit provided Substantial Assurance with one green priority recommendation

The Subcontracting audit has resulted in the requisite certificate being issued and the team concluded Follow up with just one recommendation that had been judged as concluded not demonstrated as such to them. The other 13 were adequately covered.

**All the reports and the recommendations were considered by the Committee who noted that these had been accepted by the College and have been assigned a lead officer and a timeline for completion.**

## **8. Internal Audit Progress**

**18AC25**

The Committee were asked to consider the Internal Audit Strategy from Haines Watts and to note progress against the 2018/2019 detailed plan.

Unlike RSM, Haines Watts produce their Annual Plan alongside their Annual Report in November as they feel that such an approach allows them to better assess the risks that should be covered in presenting their new plan. This approach was agreed by the Committee in November 2017.

Progress to date:

The progress against the plan can be summarised as follows:

Audit Committee – 26 <sup>th</sup> March 2019	Audit Days		Audit visit scheduled – 14 <sup>th</sup> January 2019
Visit 1	Planned	Actual	Comments
1. Sub-Contracting Certification	4	4	Certificate signed
2. Budgetary Control	4	4	
3. Quality Management	4	4	
Management	1	1	
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Audit Committee – 3 <sup>rd</sup> July 2019	Audit Days		Audit visit scheduled – 20 <sup>th</sup> May 2019
Visit 2	Planned	Actual	Comments
4. Risk Management	3	3	
5. Student Records	6	6	
6. IT Health Check	4	4	
Follow Up	3	3	
Management	2	2	
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TOTAL 2018/19	31	31	

The Annual Opinion indicated that currently there are no individual findings arising which they would consider significant enough to impact negatively on their overall Annual Opinion.

Lee Glover from Haines Watts reported that the Audit Strategy for 2019/2020 is currently under review, he sought and welcomed Governor views on areas to include in the 2019/2020 plan. It was noted that Catering Cash Handling should feature in the plan, alongside Corporate Governance which would include a focus on Committee Structure. Curriculum planning would now not feature in the light of the work by Tribal and the likelihood of an Ofsted inspection in the next academic year.

**Governors noted the progress against the plan to-date.**

## 9. External Audit Strategy 2017/2018

**18AC26**

The Committee were asked to agree the strategy proposed by Mazars our Financial Statements Auditors. This service was re-tendered in early 2018. They produce, each year an audit strategy for endorsement by the committee.

Mazars presented the approach to be taken to auditing the financial statements for 2018/2019 and for providing a regularity opinion.

The Committee were reminded that they are required to provide these statements including the audit opinion to the ESFA by 31st December 2019.

The approach is quite standard and, following an initial scoping review in the summer the substantive field work is planned for w/c 30th September 2019.

**The Committee agreed to recommend Mazars' Audit Strategy Memorandum and Terms of Engagement, for approval by the Board.**

## 10. College Audit Monitoring Report

**18AC27**

The Vice Principal Finance and Resources presented The College Audit Monitoring Report which tracks the progress made with actions from Audits.

The report details 5 actions (at the last report to the committee this was 9):

- None of which are classified as "high" or "medium" priority
- Two are "medium" priority (RSM) or Amber (Haines Watts)
- All 5 are "low" priority (RSM) or Green (Haines Watts)

4 of the 5 actions are shown as completed and the remainder is in progress with completions expected by the end of July 2019.

**The Committee noted the good progress made in the implementation of audit actions and commended the management team on the clear and accessible report.**

**Governors noted this report**

**11. Financial Accounting Policies**

**18AC28**

The Vice Principal Finance and Resources presented the proposed changes to the accounting policy section of the Financial Accounts for the year ending 31st July 2019; this year's update includes only changed dates and loan references.

Governors were asked to approve the minor updates to this year's accounting policies.

**Governors approved the changes to the accounting policy.**

**DATE OF NEXT MEETING**

The Committee noted the date of the next meeting:

Tuesday 26<sup>th</sup> November 2018 at 16:30

*The Auditors withdraw from the meeting*

**14. Performance Indicators**

**18AC29**

The Committee is expected, in November, to agree a score on Performance Indicators for the college's internal and external auditors.

**Governors endorsed the continued use of these indicators.**

The meeting ended at 18:15