

Minutes of the meeting of the Audit Committee held via Zoom on Wednesday 29 June 2022

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| Present: | Iain Springate | Chair of Committee |
| | Rob Nicholls | External Governor |
| | Andrew Champion | External Governor |
| | Mark Tibbert | External Governor - Co-Optee |

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| In attendance: | Bill Blythe | Vice Principal Finance and Resources |
| | Claire Isaac | Head of Finance |
| | Joanna Boardman | Governance Advisor and Head of Executive Office |
| | Adam George | Auditors – RSM |
| | Louise Tweedie | Auditors – RSM |
| | Jon Marchant | Auditors – Mazars |
| | Carol Davey | Auditors - Mazars |

1. Apologies for Absence

Apologies were received from Louise Tweedie, the Auditors from Mazars did not attend and no apologies were received in advance. Attempts to contact them during the meeting were unsuccessful.

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

One item was marked as confidential which was the to agree the performance indicators for the internal and external auditors at Item 7. All auditors would leave the meeting before that item

4. Minutes and Matters Arising

21AC21

Minutes from the previous meeting were approved with no matters arising to note.

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5. Matters Brought Forward by the Chair

No business was brought forward by the Chair.

Auditors were welcomed into the meeting

7. External Audit Strategy 2021/22 Mazars)

21AC22

Item was initially delayed allowing time for Mazars to join the meeting however as they did not join the meeting at all, the VP Finance, Resources and Regional Affairs spoke to matter.

The paper was taken as read, with a discussion agreeing that the methodology was of a standard type agreed nationally. Going Concern is increasing in risk along with the Office of National Statistics (OFNS) review, Teachers Pensions, impact of discount rates and CPR pay awards and the impact on colleges.

RSM confirmed that the report was standard with remarks in that they were seeing as well. Commented that the fee had lifted.

The committee asked about the OFNS review. It was explained that the OFNS review various sectors of the economy and accounting framework for the UK on a regular basis and at the last session reviewed the scope of ministerial control over colleges. Colleges will now be guided more strongly by Local Skills Improvement Plans (LSIP) and the needs of local employers.

There is consideration that the Secretary of State will be able prescribe the nature of the adult curriculum and formally intervene where a college is rated as inadequate or at risk. They would be able to replace the governing body, replace Senior Post Holders or change their pay.

Reclassifying a college as a public sector body has some potentially major impacts such as the ability to borrow commercially, dispose of and acquire assets as well as capping severance pay and the ability to determine their own pay levels. The college continues to watch these developments closely as more information is due in the Autumn. The government has already confirmed that it would not intervene in any decisions.

i. Review Accounting Policies

21AC23

The policies were taken as read with a note that the font has been changed and all job titles had been updated.

The committee had no questions and approved the policies.

ii. IAS Progress Report and Audit Plan 2022/23

21AC24

The Vice Principal Finance, Resources and Regional Affairs introduced the item and stated that the report was again a very useful report and the second part

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detailing the sector risks being of added value. It was recommended by the committee to circulate the paper to Board in one of the weekly communications.

The auditors have met with BB and CI to discuss and approve the audit plan however it was confirmed that the college does not exert any undue influence over the plans.

The audit report was taken as read and the proposed plan was discussed to ascertain if the Board felt it covered the right areas and mapped to the top risks that the college is reporting on.

Proposed Audits:

- Subcontracting Controls
- Market and Engagement Framework
- Business Planning and Financial Forecasting Processes
- Cyber Security Controls
- Learner Number Systems
- Progress Report

The committee asked for the rationale that sets the audit on the Mid Devon Transformation Programme into the following year rather than the next one. It was explained that there would be little value in assessing the project one year into its three-year run as year one was to effect some practical changes and year two would see the outrun of results which would be more useful to audit.

A similar question was asked around the HR and Human Resources audit and whether the sector issues with recruitment as well as the restructure meant that the audit should be brought forward in the plan. It was recognised that a lot of discussion was underway across the sector in audit committees on staffing, however it would have to swap out with safeguarding in the plan. It was thought that it might be too big of a risk to do this especially with an OFSTED inspection due.

The proposed plan for 2022/23 was approved and the college will consider future years in the coming months.

iii. IAS Audit Reports

21AC25

- **Learner Numbers**
- **GDPR**
- **Staff Utilisation**
- **Follow Up**

The Learner Number audit took a sample review approach and followed up on actions due from the previous year. It was deemed a good report with 2 low actions and 1 medium. The matters found were smaller obscure things than any major faults. The actions from last year were fully implemented. The college is actively looking at the actions identified for resolution.

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The GDPR audit was undertaken by the Auditors Technical Assurance team. It was an advisory audit which picked up on several areas, many of which the GDPR team in the college were already aware of and actively working on. Key work will be needed in making the control framework more robust.

It was asked how the audit compared to other colleges and the auditors stated that the first round of GDPR audits in 2018 focused on the implementation and colleges were doing a large amount of work on this area. In general, since then most colleges have dropped off in intensity and that is reflected at Petroc as well although it wasn't the worst audit at all.

The Staff Utilisation audit highlighted that there are two systems working at Petroc which don't really talk to each other, and 2 medium actions were highlighted from that. Delays between the HR and Lecturer maintenance system and when manually entry is involved the risk of error increases.

Whilst the monitoring systems are good it was encouraged to link sickness absence to register marking so they aren't sent off to those off ill.

The annual follow up to review the status of actions in previous years was taken with 21 actions being reviewed. This includes the IT Health Check from the Haines report. The review provided reasonable progress with 14 being fully implemented, 6 in progress and 1 not due yet.

The VP Finance, Resources and Regional Affairs explained that some actions had been completed however evidencing them was difficult although the Executive Office was pushing harder on this now. The tight turnaround on this report did cause the college some difficulty on gathering the evidence needed for this meeting as well.

It was asked if the times set on the reports gave the college enough time to complete the actions. The college confirmed that it sets the time to complete the actions and who is accountable for it. The committee asked if those set for completion by 1 September were reasonable and the college responded to say that some are more urgent than others and that it is hoped they will complete over the summer, although these is a risk that they may not get completed.

The committee asked for more detail around the tightness of deadlines, and it was discussed that RSM this year have come back more than usual for further information and that pushes further into the audit cycle and causes issues. The auditors said that they had also struggled with off-site audits and staff shortages and experience. They hoped that much of this would be resolved for the coming year.

iv: College Audit Monitoring Report

21AC26

Overall, the report was well received with a comment that there had been decent progress made. The committee asked the college to ensure that all dates were added to the final column as there were some gaps.

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v: Strategic risk monitoring and Board Assurance Framework 21AC27

It was confirmed that the workshop at the Board away day was well done and that the results would be reflected in the November reporting cycle.

The key updates included that the Teaching and Learning risk had been increased following a parent survey that suggests that teaching practice is inconsistent and varies enormously.

It was noted that as part of the review the risk bandings and appetites will change which will impact on the whole register.

With regards to the sustainability agenda the college now has a very detailed carbon reduction plan, externally validated with year-on-year progress shown through the Planet Mark Certificate.

The committee commented that it was a very helpful report with good descriptions which read across well from other reports such as the KPIs. It was noted that the 2 highest risks are the same inherent and residual scores which either shows that it is the worst it can get or that the college can't improve on it. Would need to review and see what the college believes around those areas.

The College responded that it was likely the controls that are in place now don't do enough and can see the lack of confidence in the actions through the lower application numbers. There is a fundamental re-deign underway now which probably needs to be better reflected in the register itself.

The co-optee was asked if the register made sense to someone outside of the college to which the answer was yes. The committee were assured that the top risks seem to be a reasonable statement of the risks faced by the college.

vi: Report any additional work undertaken by IAS/EAS 21AC28

The subcontracting Certificate for the ESFA has only been circulated 10 minutes ahead of the meeting and as such was refused by the Chair for decision.

The VP Finance, Resources and Regional Affairs confirmed that the committee would need to approve it before it was sent out and that the college would need to pay out additional audit fees and officer time to demonstrate working with local charities, hospitals, and trade associations.

In general, there are never any issues with this, however there are enough colleges who do not perform the correct checks that it is still an audit issue. This may change in the future.

It was agreed that the VO would send the updated paper to the Governance Advisor for circulation to the committee Friday 1 July. It would then be sent out for approval by correspondence/chairs action.

vii: Review the membership, terms of reference, operation and effectiveness of the committee

21AC29

The Governance Advisor presented the item, and the paper was taken as read with an overall opinion that the committee had discharged its duties well across the year.

Membership matters included noting the early retirement of Karen Taylor due to health grounds and that a new governor would be sought over the summer from a financial background to strengthen the committee further.

The auditors were asked if there were any suggestions to improve on practice within the committee to which they responded that some committees in the sector now commit to a deep dive on certain subjects at each meeting with subject specialists from outside the Executive present for them.

The committee suggested that it would be good to receive an update on the Mid Devon Transformation Programme and that it could be a subject for a deep dive. It was discussed that the Strategic Review Committee is delegated by Board for that purpose currently, however adding to the overall Risk Register was agreed and discussion around that area would fall under the audit committee.

It was also shared that the upcoming Board meeting will receive a full update on the work at Mid Devon with areas to monitor for the coming year as well.

viii: KPIs

21AC30

The Principal and CEO presented the item, taking the report as read, and focused on areas where the college doesn't believe it will reach target this year.

The entrepreneurship areas and uptake of the use of the COTIE building is still struggling from the pandemic fall out to small businesses as well as the start up of BTECs. There is some progress in working with Exeter and there is some exploration with Mid Devon Council around having a business incubator on site. Could make some of the science labs and business space available.

Staff engagement is an area of concern as well as staff are relatively unhappy now with one third saying through the pulse survey that they are finding work difficult and managers agreeing. There is an understanding that the college is in the middle of a large restructure and the executive will continue to focus on wellbeing, visibility, and self-care. This is a time of year where students are feeling stress as well which also impacts on staff. On balance across the college educators are less satisfied than professional service teams.

Customer satisfaction states that the college provides a consistency of service that hasn't been being delivered. The restructure is operating in a fair way however there were areas that would have needed performance management that now will not as the staffing structure has changed sufficiently to mitigate any issues.

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The apprenticeship learner experience has been poor this year which started with the pandemic breaking things down that the college has not yet managed to recover from. Now the provision is all under one Faculty manager to improve the consistency of approach and has new processes, structures, and aims to build back in quality of provision. It is highly likely that regulations are changing again in this area and the college needs to be prepared in advance.

Learner retention has been an issue for the college this year, whilst the belief is that achievement is holding up. There is a new approach developed through 'The Learner Journey', working group outcomes to have additional plans and support available. The disadvantaged gap widened after COVID and the college responded with a different curriculum for the engagement of learners and further research work is ongoing on breaking the cycle. Despite this it is thought that the gap has widened further so more needs to be done in the future.

The chair commented that the paper was good and digging into the appendices provided further assurance whilst the actions as explained made a lot of sense. The overall issues with the cost of living and choices between 'heat or eat' over winter months was discussed as one example of external pressures to the disadvantaged gap.

Final comments were reflective of if Audit committee would be the right place to undertake deep dive reviews or would the other committees be better served doing that and reporting back to Board. Opinions differed and the committee asked the Governance Advisor to review and propose a deep dive schedule for discussion and Search and Governance/Full Board.

8. Confidential Items – Auditors withdrew from the meeting

i. IAS/EAS – Agree performance Indicators

21AC31

Minutes confidential

The next meeting of the Audit Committee is 29 November 2022 (joint meeting with Finance and General Purposes)