

# PETROC

## Minutes of the meeting of the Audit Committee held via Zoom on Tuesday 15 March at 16:30

### Present:

Iain Springate	Chair of Committee
Rob Nicholls	External Governor
Mark Tibbert	External Governor
Andrew Champion	External Governor

### In attendance:

Bill Blythe	Vice Principal Finance and Resources
Sheena Murphy-Collett	Director of HR and Organisational Development
Claire Isaac	Head of Finance
Joanna Boardman	Governance Advisor and Head of Executive Office
Adam George	Auditors – RSM (joined after the tender presentations)
Louise Tweedie	Auditors – RSM (joined after the tender presentations)

### 1. Apologies for Absence

Apologies were received from Karen Taylor and Craig Litster. Mazars were not required for the main audit committee and as such Richard Bott and Carol Davey sent their apologies.

### 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 recommendation to appoint the financial Statements (External) auditors to the board.

### 4. Minutes and Matters Arising

**21AC13**

Minutes from the previous meeting were approved, it was noted that some grammatical corrections had already been shared by the Chair with the Governance Advisor.

## **5. Matters Brought Forward by the Chair**

No business was brought forward by the Chair.

## **Auditors were welcomed into the meeting**

### **7. IAS Progress Report**

**21AC14**

RSM reported that lots of audits are in progress at this stage with one assignment in. RSM were confident that all audits will be completed by June 2022 and will report at the June meeting.

Cyber security continues to evolve and there has been an update on policy assessment. RSM has been awarded the highest possible standard through a recent review by Grant Thornton which provides assurance of quality of provision to Petroc.

The report was noted and RSM thanked for the information on Cyber Security. It was asked if we have the standard testing on that and the answer was yes, a report on cyber readiness will be brought to committee in June.

#### **i. IAS Audit Reports**

**21AC15**

- **Health and Safety Framework**

RSM presented to the committee taking the attached report as read. The auditors undertook a control framework audit on health and safety recognising that they are not experts in the field.

The results were of reasonable assurance with 4 medium and 2 low ratings awarded.

It was noted that there were some procedures and policies that were out of date or had no date. There is an action in place to update those.

It was also noted that there were some overdue training dates on the essential training modules where 10 staff and 1 governor could not be explained. Action is in place to monitor compliance in the future.

It was identified that it was difficult to establish where risk assessments were overdue or not complete due to the current system. Some were not fully completed, but linked to other assessments which was unhelpful and not clear. There was an instance where the system itself had created an error which had since been corrected.

The college confirmed that new ways of working were being put into place to track training completion and this is now examined at an Executive level.

The committee asked if the issue around risk assessments would mean that there was a heightened risk of mis-reporting and if the new system would resolve that? The college thought that the issue was minor at this stage and the implementation of a new system would resolve any issues.

It was noted by the Governance Advisor that the Health and Safety Link Governor was now Andy Champion who also sits on Audit Committee.

**ii: Benchmarking Report 21AC16**

The report was taken as read, however the level of assurance was hoped to be reassuring across the average number of high, medium and low assurances against others.

The committee agreed that is helpful to be able to see assurance in what we are doing.

**iii: College Audit Monitoring Report 21AC17**

It was noted that the report is a termly one and currently at its longest point. There were three outstanding questions, but once the next report is received items will be able to be completed off.

It was noted by committee that there is clear progress being made and in the near future RSM will be able to verify if their findings match the college perspective.

**iv: Strategic Risk Monitoring and Board Assurance 21AC18**

The full register was noted as attached and assumed as read as well as noting that the strategic level risks were being updated in May at the Board Away Day.

Currently the college was recorded as working as part of a CCF project in conjunction with RSM and an Executive Officer had recently spent a day at Strode College working on the update to this. The initial report suggests some changes in practice including around risk multipliers which may prove beneficial. The college will report on this further in the future and share the report with the committee chair.

Main risk increases include adding cyber security to the register as omitted previously. Financial Health deterioration driven by impacted student numbers and lowered funding and reputation remaining amber through concerns on the stakeholder engagement plan.

Risks have reduced on failure to deliver quality education as the college returns to post pandemic normality. It was noted that there was an uplift in Covid numbers at the moment, but the college will continue to monitor the situation.

It was reported by the college that monthly financial review meetings had been put back into practice to reduce the risk of erroneous forecasting and that it was taking stronger actions in direct engagement with Heads of Faculties.

The committee commended the college on its continuous improvement and the improved reporting moving the conversation to a more strategic level and noted the work with RSM through the CCF.

The top two risks with the highest residual score were noted as Growth and Market Share. The committee questioned the high level of both inherent and residual risk which implies that the controls were not having any impact. It was recommended that this be reviewed.

The college responded to explain that the impacts of the mitigation in these areas were limited and the level of confidence of lead indicators on reduction was low. More would need to be done.

The Chair commented that the KPIs are the early warning mechanism for risk and if you combine the two then it provides greater information and evidence. A realistic view of risk must be taken and if a risk cannot be lowered then the appetite for the risk should be reviewed.

The college noted that the next steps in risk evolution would include the risk descriptors and definitions as well as appetite.

**v: KPIs**

**21AC19**

The college reminded the committee that in reviewing the Tier one targets they were designed to be benchmarked against external data, much of which is not available. Where possible the college has compiled internal data to assist.

The read across to the risks confirms major areas of not meeting certain targets such as in year financial health. It is expected that cash in hand days will not be met, but that it is not a critical issue. The areas around business creation and sustainable development are also behind target although actions are now in place to support those.

Business creation has been problematic in a pandemic world impacting on growth through COTIE, although plans with Exeter University may be helpful moving forward.

The sustainable development KPI has required more management attention than it has been given to date, decisions on direction need to be discussed and then it is anticipated that the item would be back on track.

Staff satisfaction across educational settings requires attention. The disadvantaged gap is growing and whilst moving away from the pandemic may help, discussions in schools show that their students are struggling now which may impact on their later studies at college.

The committee felt that the report was clear and helpful and assists with risk monitoring. Having data at tier two and three will help staff own their KPIs. It was reported by the college that the use of live data through the new dashboards was starting to change behaviours.

**8. Confidential Items – Auditors withdrew from the meeting**

**i: To recommend the appointment of the financial statements (External) auditors to the Board 21AC20**

The committee voted unanimously to recommend Mazars to the Board for a period of 3+1+1 years.

*The next meeting of the Audit Committee is 29 June 2022*