

Minutes of the meeting of the Audit Committee held via Zoom on Tuesday 29 November 2022

Present:

Iain Springate	Chair of Committee
Andrew Champion	External Governor
Mark Tibbert	External Governor - Co-Optee

In attendance:

Bill Blythe	Vice Principal Finance and Resources
Craig Litster	Interim Vice-Principal Education and Learners
Sheena Murphy-Collett	Vice-Principal for People, Organisational Development and Engagement
Claire Isaac	Head of Finance
Joanna Boardman	Governance Advisor and Head of Executive Office
Adam George	Auditors – RSM
Jon Marchant	Auditors – Mazars
Carol Davey	Auditors - Mazars

1. Apologies for Absence

Apologies were received from Rob Nicholls however the meeting was still quorate and allowed to continue.

Auditors were welcomed into the meeting

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

Two items were marked as confidential:

- IAS/FSA Performance Review
- Appointment of Internal Auditors

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4. Matters Arising

No Matters arising were brought forward

5. Matters brought forward by the Chair

The Chair noted that the formal notification from the Office of National Statistics (ONS) had been released today reclassifying colleges as Public Sector Bodies. This would mean that colleges would:

- Remain an exempt charity
- Retain surplus balances
- Be precluded from commercial borrowing unless the Department for Education gave exceptional approval
- May dispose of assets, but must declare and ring-fence disposals in the future
- Be restricted on severance payments
- No payments against non-disclosure agreements without prior approval
- May have to work within pay restrictions
- Have no change to VAT exemption
- Still be able to become insolvent

It was noted that there may be more change to come.

6. Minutes Approval

22AC01

The minutes for the meeting of 29 June 2022 were approved with one amendment. Where it is stated on page 7 that deep dives will be undertaken it should read for Audit Committee and Board not the Search and Governance Committee.

7. 2021/22 Business

i) Audit Completion Report (Receive)

22AC02

A note was made from the auditors that for the second time the college has no issues recorded which was a very good thing and congratulations were made to CI and the Finance Team for their good work.

The audit report was talked through with the key points being discussed. It was noted that at the time of the report the following matters remained outstanding:

- Final going concern work
- Signed letter of representation
- Work on pensions asset
- Final accounts

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The anticipation however was that an unqualified opinion, without modification would be issued.

Audit Conclusions

Management override of controls – Accounting in these areas is free from management bias and no transactions were identified as happening outside the normal course of business. No indication of an overriding of the underlying routine controls in operation at the college.

Revenue recognition – no instances noted where revenue had been recognised in the incorrect period and no revenue materially misstated due to cut off.

Defined benefit pension scheme assumptions – Satisfied that the main financial and demographic assumptions detailed are within expected ranges. Auditors need to complete work on asset confirmations from the scheme.

Covenant Compliance – Based on the information provided the bank covenants were met for the financial year ended 31 July 2022 and, based on budgets provided, that they will continue to be met for the next 12 months

Depreciation – No issues arising

It was reported that detailed discussions had occurred around the matter of LGPS pensions and inflation assumptions and what the Pension Increase Order 2023 may mean. The recommendation at this time is to include a paragraph in the financial statements and not attempt to reflect this in any figures at this stage.

A regularity assurance engagement was carried out in accordance with the Post-16 Audit Code of Practice with no issues found.

There were no outstanding internal recommendations remaining and no new ones made in this report.

No other issues were reported, and the committee confirmed receipt of the report.

The committee thanked the auditors for the clarity of the report and the presentation and reiterated the congratulations to the finance team for their good work.

iii) Annual Internal Audit Report (RSM)

22AC03

It was explained to the committee that this report is part of set of different assurances that combine to provide a true and accurate picture to the Board. The college was awarded the second tier of assurance (second best and last year 87%

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of their customers were in this band) and the auditors stated that the information was clear of any mistakes and factual.

It was reported that this should be taken as a good result for Petroc.

The committee confirmed receipt of the report.

iv) Report on any additional work undertaken by IAS/FSA **22AC04**

Nothing to report

v) Annual Report of the Audit Committee **22AC05**

The report was taken as read with key elements being discussed. The work of the Audit committee is measure against compliance with the post 16 Audit Code of Practice and the recommendation of the report was as follows.

The Committee is asked to recommend to the Board, through the Annual Report of the Committee, that in the Committee's opinion, the College has adequate and effective audit arrangements, framework of governance, risk management and control, and good processes for securing economy, efficiency, and effectiveness

The committee approved recommendation to Board with one amendment which was to note that Mazars were not present at the last meeting and that would be corrected in the paper.

8. 2022/23

i) IAS Progress Report **22AC06**

Report was taken as read with all coming work planned into the diaries and confirmation was given that the plan is on track.

The committee commented that it was critical to ensure that there is enough time planned to ensure that the college has an adequate period to assess and comment on the outcomes and prepare for presentation to the committee.

ii) Internal Audit Reports **22AC07**

The report relating to Cyber Security was discussed with the college confirmed to the committee that there is already work underway with JISC to seek improvements in practice in this area.

RSM reflected that there is generally a lower level of assurance in Cyber security in the education sector as the user base tends to not be able to access high levels of

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security. However it was noted that of 15 areas of findings 3 ranked as high and 12 ranked as medium where controls require improvement. This resulted in a partial assurance opinion in this area.

It was agreed in discussion that areas around training and intrusion should be treated first and as hygiene factors. There was a lack of clarity within the committee on the actual management actions being taken, however it was recognised that they had had a very short time with it between receipt from RSM and presentation to the committee. This would be updated by the college and brought back to the committee after clarification has been agreed by the owners.

The committee commented that they would prefer to see the reports only if Management have had time to properly consider and set out actions that are the right ones, make all the linkages across different areas, and are achievable - i.e. don't rush it through if there isn't time to fully work it through.

It was requested by the committee that one of the other governors (RB) was to be included in the work due to his expertise in this area.

iii) College Audit Monitoring Report

22AC08

The report was taken as read with some key matters discussed. It was noted that there are several actions still outstanding and some where slippage has occurred with 10 still ongoing or overdue. Some dates have been pushed back and the committee expressed their concern around the college not taking the time to set realistic plans and timelines at the start of the process.

Specific Issues

Onedrive – there has been delay here due to culture change issues in new ways of working.

Health and Safety – It was noted that the delay shown on the action was not full mitigated. It was noted that a new Health and Safety officer had been appointed who would be looking at it.

Training Compliance – it has now been completed and should have shown as such

GDPR – some slippage reported in aligning different areas together and the dependency chain not working. Mitigations and resetting are occurring now.

Staff Utilisation – Now done

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Registers – original timeline set now recognised as too optimistic and work is still ongoing.

Parago – Flagged green, but not complete. Needs to be rechecked

iv) Risk Register Review and Policy Update

22AC09

The large amount of work that has happened on developing the Strategic Risk Register was acknowledged and it was noted that the Board Strategy Day would include a presentation from RSM on the updated version seen here to all governors.

The highlights of items to consider were given as:

- Regulatory requirements and the increasing complexity of them that colleges are having to face
- Negative perception of the college which is being looked at within the college currently
- Curriculum where the success rates at level 1 and 2 do not match higher levels
- The changing accountability and regulations around apprenticeships where employers have more power to control the college ratings.
- Transformation – Tiverton is still in progress and Sustain and Grow is yet to be fully realised
- Accountability statements will be due to be completed in 2023 which will hold the college to account on meeting the needs of local employers through Local Skills Improvement Plans

The committee commended the college and gave special thanks to those involved in the development (BB, JB, DB) and stated that the top risks all appear to be realistic and correct. A comment was made that where the IT risk links into the regulatory and business continuity risks more specific mention of that linkage may be useful.

In some instances, risks had strong and effective mitigations in place, but were still marked as having an assurance gap. The Committee questioned whether this was correct, and it was explained that this was where there were issues outside the College's control impacting the risk score. An example of this was given in energy price inflation and Local Government Pensions Scheme costs where some predictions can be made, and others will always be weaker. Impacts from the reclassification to Public Sector was agreed as an uncontrollable item.

The college agreed to ensure a full review of the register to ensure all controls were agreed and in place to mitigate the risks where possible. The committee

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asked if the review could include a way of showing controllable versus uncontrollable somehow and this would be considered by the college.

The college confirmed that if the college entered an environment of large uncontrollable events the aim of the college would be to increase cash reserves to mitigate the impact. Where the risk sits outside of the risk appetite cash days are used a key monitoring tool. Sustain and Grow is a mitigation to some of the financial challenges.

The Chair of the committee stated that it was felt that the information provided in the risk update and risk map had driven the right conversation in the meeting and welcomed any future enhancements.

v) Key Performance Indicator Update (KPI's)

22AC10

The update was taken as read with the Principal speaking to key topics. The lack of meaningful benchmarked national educational performance indicators as they were not published during Covid means we cannot understand our performance compared to the sector, and there is a lack of understanding of the pandemic effect itself on performance across the sector. The college is noting a decline in the performance of educational indicators but is unable to clearly benchmark these against other colleges currently. The sense is that the college is experiencing a greater decline than some others which is concerning, and the college is looking at putting actions in place to address it.

KPIs around staff satisfaction have been impacted by the staff engagement survey having to take place in the middle of a restructuring exercise so the results were not surprising to the college. Mental health issues and staff morale with increased pressure on student facing colleagues is proving challenging. There is some work underway to remind colleagues of their successes and celebrating those, but it remains concerning.

The Climate emergency linked goal to become net carbon neutral has been challenged by the latest plant mark certificate showing that the reduction was not in line with the target. Work reported as being underway includes a potential project to become energy self-sufficient through solar and ground source heating solutions.

The committee asked where detail on quality curriculum development would be monitored by governors, and it was confirmed that the Curriculum and Quality committee would oversee curriculum and people related matters would be presented at Finance and General purposes.

It was discussed that the poverty problem drives issues for progression as learners exit at level 1 to seek employment. Attendance at schools is only at 87% and it is

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compulsory, so the college typically sees even lower figures. The civic system is failing in areas where mandatory support is due to happen making it more difficult in colleges where learners have more freedom.

The college is trying to create links to other colleges so that when national level data returns there will be more confidence to examine and challenge if needed.

There was a question raised on the accounts which need signing on the 13th and if a physical wet signature was needed and if the postal strikes would have any impact. It was confirmed that an electronic signature would be available, and all items could be signed after the meeting with no additional papers.

9. Confidential Items – Auditors withdrew from the meeting

Minutes held as confidential

The next meeting of the Audit Committee is 28 March 2023