

Minutes of the meeting of the Audit Committee held via Teams on Thursday 13 July 2023

Present:

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

In attendance:

Sean Mackney	Principal and CEO
Bill Blythe	Vice Principal Finance, Resources and Regional Affairs
Claire Isaac	Head of Finance
Joanna Boardman	Governance Advisor and Head of Executive Office (minutes)
Adam George	Auditors – RSM
David Broughton	Auditors - RSM
Jon Marchant	Auditors – Mazars
Carol Davey	Auditors - Mazars
Lee Glover	Auditors - Validera

1. Apologies for Absence

No apologies were received.

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

One item was marked as for discussion requiring the withdrawal of the auditors.

- To agree the Performance Indicators for External and Internal Auditors

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4. Matters Arising

No matters arising.

5. Matters brought forward by the Chair

No matters brought forward by the Chair.

6. Minutes Approval

22AC22/23

The minutes for the Audit Committee meeting of 28 March 2023 and relevant confidential minutes were approved.

7.

i) To approve the External Audit Strategy for the financial statements 22/23

22AC24

The college briefly introduced the item as the way in which audits would be met moving forward.

Changes were taken as read within the attached strategy with Mazars speaking to specific key items.

Mazars set out the strategy which was noted as having a changed in approach to the work on the regularity and self-assessment questions that committee approves as an annual action. Much has been driven by the changes from Managing Public Money (MPM) following the decision taken by the Office for National Statistics (ONS). Evidence attached to support the self-assessment is now needed so would require more work from the auditors and the college in the future.

Areas needing evidencing include:

- Senior pay controls for colleges
- College requirements for write-offs and losses
- College requirements for special payments, including severance, compensation, and ex-gratia payments.
- College requirements for indemnities, guarantees and letters of comfort.
- College requirements for novel, contentious and repercussive transactions
- College requirements regarding asset disposals

The second change discussed was around pension funds and it was recognised that a lot of time is spent already looking at this area. The approach itself would not specifically change, but closer attention would be needed in calculating the value pension assets. The auditors would obtain a copy of the actuarial valuation report and have the actuarial valuations team review the material.

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Discussion with the college regarding the information requested and judgements it makes to understand the calculation on share of assets and the information regarding any roll-forwards of assets. This was noted as a significant risk within the report as there is a gap between the deadlines for the pensions and the college (31 March to 31 July) and the finer detail on the calculation is not yet known.

There was a continuing discussion noted in the sector on this with not final agreement.

The college shared its experience with other colleagues last year was one of being pushed into an asset position on pensions which tended towards zero recognition and was treated as Nil Value. The Auditors were regarded as the experts in this field so the college would welcome more views in the future.

It was noted that the auditors were on site currently due to differing audit standards which require more clarity and duty and as such are revisiting the processes and delving into a deeper understanding of the IT impacts on the processes. The initial level is in gaining that understanding and then they will debate what things could go wrong, what controls are in place and then evaluate to understand the remaining residual risk.

The committee asked if there were any obvious risks in MPM?

The auditors responded to say that at a high level, general awareness of all the changes that it brings and looking at the details in that for operational running would be key. Ensuring that all policies and procedures are updated is something that many colleges have not yet done. The college confirmed that a new set of regulations would be being presented to Board next which reflected the changes.

The college also confirmed that the Finance Directors network was supportive on all members.

The strategy was approved.

ii) To Note IAS Progress Report

22AC25

RSM took the paper as read and confirmed that all audits were completed and in time for the relevant committee meetings, although they confirmed awareness of some issues with later delivery of management reports causing the college issues with being able to analyse and answer before the meetings. This was noted as an area of known improvement required by the auditors.

The auditors felt the reports themselves were of high quality and hoped the college appreciated the appended briefings (they confirmed they did).

Report was noted.

ii) To approve the Internal Audit Plan proposal 23/24

22AC26

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The internal audit plan for 23/24 proposed the following areas for review:

- Student Attendance Processes
- Academic Quality Framework
- Estates Management Framework – Property Safety Requirements

RSM confirmed that the plan had been created over a three year rolling plan, using the College strategic risk register, emerging risks in the sector, their sector knowledge, and the assurance landscape to identify where the most value could be added.

The committee was asked to review and approve the 23/24 plan schedule and note those further out as indicative. Whilst the auditors consulted with the college in the creation of the schedule the college does not influence or decide the order.

The Principal and CEO commented that the schedule seemed appropriate and valuable.

The committee asked about the flow of information between the college and RS and if the engagement was open and transparent with any issues being flagged from both parties?

RSM confirmed that it was multi-layered with strategic level conversations occurring termly. During audits themselves a lot of information is exchanged through regular attendance at the Audit committee and contact is available at any time. It was reinforced that the auditors and audit committee can at any time meet and ask questions without the college being present.

It was confirmed that the RSM work across a matrix plan of contact days and hours with the college.

The auditors noted that they can identify a lot from an organisations risk profile work and concern would be greater here if every audit showed green across the board. They noted that appendix B across the previous three years shows a correlation to risks for the college and value in areas for improvement and recommendations that were made. Where audits find areas for improvement it shows a greater level of willingness to improve from a college.

RSM confirmed that advisory information is always included to add extra value and the college commented that it gained value from the additional sector insights on effective practice and upcoming issues.

A discussion was held following the recent issues in Rochdale following the death of a child in a setting that had always received good audit outcomes. The nature of going beyond having the right policies and procedures in place and ensuring that the audit scope was important, and outcomes were measured.

The Audit Plan was approved.

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iv) To note IAS Reports

- o Learner Number Systems (RSM)

22AC27

Whilst the need for sampling in the audit due to limited resource was noted it was felt by the auditors it was sufficient for the task. The audit was confirmed as an annual audit to assure information going to the ESFA and should be taken as advisory.

Two actions from the ESFA Funding Rules Compliance Testing 21/22 were noted as being fully implemented with one ongoing.

The audit undertaken showed one issue in learning agreements being signed later than the deadline and one where Work Experience/Placement were outside of tolerance.

The college confirmed that based on the recommendation the systems within the college had been changed significantly from auto-enrolment to in person. The Work Experience system would also be improved following a review being undertaken by the Deputy Principal.

The committee asked how the college compared in the sector.

It was reported that Petroc was thought of as comparable to the sector.

- o Subcontracting Internal Audit (Validera)

22AC28

Validera introduced themselves as they had not attended the committee before. The report was taken as read with detail being shared around a new approach by the ESFA replacing the annual certificate.

Three exceptions out of a possible ten had been identified within the report and provides the grading structure, although it was noted that the actual assurance is provided by the ESFA not the auditors.

The audit committee asked for the general thoughts from the auditor and how did it compare with others.

The auditor stated that there was nothing fundamentally wrong and that it was more linked to keeping evidence to be audited. The government was noted as having some initiatives which are causing some uncertainty of process, but it was hoped that once those embed in the future more clarity will be available.

v) To note the College Audit Monitoring Report

22AC29

The Vice-Principal shared that the overall report showed fifty four actions which would be expected to drop by six as part of the sub-contracting audit.

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Of the total thirty three remained ongoing/overdue which would be those expected to conclude in the remainder of the year.

The committee asked if the college had enough capacity to complete the actions. The college felt that there was enough capacity and with the enhanced focus by the College Leadership Team should complete. The next update to CLT would be on 7 August 2023.

vi) To note any additional work undertaken by IAS/EAS

None to note.

vii) To review and discuss Strategic Risk monitoring and Board Assurance Framework 22AC30

The register was taken as read with the Vice-Principal sharing that not much had changed from the previous report which was reflective of the challenges facing the college at this point.

Financial deterioration as reported to the Finance and General Purposes and Strategic Review Committee with was considered when updating the register.

The college transformation has been linked into the work with the Sustain and Grow Programme noted as a mitigation and the performance there being monitored.

Business Continuity has shifted in focus and whilst it maintains a view on health, safety, and buildings an increased emphasis exists around Cyber and data recovery implementation. It was felt that the college was making satisfactory progress in the area, but that final write ups had to be completed,

The restructuring phase within the college was noted as having been completed and the business engagement team was noted as fully back to strength and as such risks in those areas had been reduced back to previous levels.

The committee felt that the risks were sensible and noted that some of the mitigations were not fully delivering such as the Sustain and Grow element. There was some discussion regarding the college rating the financial risks as the highest risk possible where things could still get worse. Overall it was thought that the volatility of the sector currently pushed the risk to that level as the college remains highly concerned.

The committee felt that the register did drive the right conversation but asked the college to consider the grading moving forward.

viii) To review and discuss KPI Updates

22AC31

The Principal and CEO discussed that the purpose of the update was to show where the college was across its five year plan and the trajectory of the performance indicators.

Detail could be seen in the annex report and the committee was aware that external benchmarking had been unavailable during COVID. External information was noted as returning to the sector and whilst the college is reviewing its KPIs as standard to ensure they are still valid; it was hoped that greater detail would be available soon.

The KPIs should be read across with the risks and the committee felt that they were in line with each other. There was detail in the report that compared rural and coastal colleges which showed that learners in larger conurbations do better, it was no reason for the college to not seek to level up with those areas. Differential effects including COVID are showing various impacts in different areas of the country.

One area noted that should be more under the colleges control which was not performing well was in Personal Development Awards. Last year the target was beaten, this year whilst the start of the year showed positive lift due to morale and the necessary use of agency staff the trajectory was not maintained.

Staff morale was reported as poor, which was not unexpected, but it was noted that morale was higher at the Tiverton Campus following the Tiverton Transformation Project.

In other areas employer and learner satisfaction has lifted which has thought to be a result of greater management control focus and enhanced work on apprenticeships and relationship management.

The committee welcomed the report, noted the progress and issues, and agreed that regaining the ability to benchmark across the sector would be of benefit.

The committee asked if improvement work around closing the disadvantaged gap was being fed into other committees?

The college confirmed that it was, and that specific quality improvement plans and curriculum planning toolkits have been put into place for use for this specific action.

The college spoke to initiatives being put into place such as Enhanced Transition and H2O.

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ix) To note the Bank Covenant Letters

22AC32

The college updated the audit committee that the bank had now provide a letter from their Credit Committee which was described as a 'letter of discomfort.' The letter reserved the Banks right to act and call in the loan at its discretion.

Advice sought has prompted the college to reassure the Bank and the committee that no further breach was likely and that that it was producing a College Financial Forecasting Return (CFFR) which did not show any further breach occurring.

The college has been in discussion with the Department for Education and Further Education Commission who have been very supportive. The college also confirmed that it would be collaborating with the auditors closely across the coming year on this.

The committee recognised that the account manager and credit committee may have distinct positions but noted the close attention that the college was paying the matter.

x) Review Accounting Policies

22AC33

Committee approved the policies.

Confidential minutes held separately.

Meeting ended at 18:00

The next meeting of the Audit Committee is November 2023.

Action Plan

Action No	Action	Completion Date	Owner	Status
1	Cyber Security monitoring plan to Chair for approval	01/05/2023	S-MC	Completed - approved by Chair 13/06/23
2	Recommend to Board that all committees now have action plans on the agenda	19/04/2023	JBo	Completed – approved
3	Executive to take more accountability on audit actions monitoring through approval of plans and regular monitoring in College Leadership Team	31/05/23	SM	Completed - Now added as standing monthly item on CLT meetings

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