

Minutes of the meeting of the Audit Committee held via Teams on Tuesday 18 June 2024 / 16.30 – 18.30

Present:

Iain Springate	Chair of Committee
Andrew Champion	External Governor
Neil Sherman	External Governor
Mark Tibbert	External Governor
Martin McNeill	External Governor
James Wright	External Governor

In attendance:

Joanna Boardman	Director of Governance and Director of Executive Operations
Bill Blythe	Vice Principal Finance, Resources and Regional Affairs
Claire Isaac	Head of Finance
Alex Farmery	Executive Officer (minutes)
Adam George	Auditors – RSM
David Broughton	Auditors – RSM
Jake Trembling	Auditors – Mazars
Jon Marchant	Auditors - Mazars

1. Apologies for Absence

Apologies were received from Sean Mackney.

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

Confidential items as per the agenda

4. Matters Arising

No matters arising.

5. Matters brought forward by the Chair

No matters were brought forward by the Chair.

6. Minutes Approval

23AC23

The minutes from the previous meetings were approved.

7 Audit reports

7.1 IAS progress report

23AC24

The RSM Auditor confirmed that all planned Internal Audits this year had been completed as per the report and a report on FE emerging issues had also been added to the papers for information.

A slight anomaly this year was that Actions from an Audit in September 2023 (Estates Management Framework) had been pulled forward to the Follow up Audit in March 2024 due to the urgency and priority of the issues/actions.

7.2 IAS Audit reports

23AC25

7.2.1 Follow up report

As per the paper it was reported that a total of 26 actions had been reviewed including actions from the Estates Management Framework Audit from earlier in the year. Of those 21 had been confirmed as implemented and 5 receiving an amber rating. These should come to a conclusion at the next Follow up Audit as there were minor issues with being able to present the full evidence and being partially or almost completed. It was confirmed that "Reasonable Progress" had been achieved. The college had taken a much more thorough approach with this report, ensuring it was updated monthly and presented to the College Leadership Team. It was agreed that perhaps much clearer actions were needed to ensure full completion and for the college to seek evidence before marking any actions as completed.

7.2.2 Funding rules/Learner Numbers

The Auditor confirmed that this Audit is only an advisory Audit so it would not include an opinion. However, a new management action had been set and would need to be prioritised in order for the college to be compliant with the ESFA Funding rules.

As part of the FM25 study learners review the auditors found that 2 students had been withdrawn from their enrichment/tutorial sessions due to sporadic attendance. The question would be if the college is too prudent by taking hours off learners only because the enrichment attendance is not frequent? The recommendation was to not withdraw learners.

It was noted that the funding rules are becoming more complicated and difficult to manoeuvre and a few other colleges missed the rule regarding the monthly Off the Job hours breakdown, however, the recommended action would need to be completed by the set date to stay compliant.

7.3 Internal audit plan

23AC26

The draft internal Audit plan for 2024/25 included 5 recommended Audits which had been decided on based on risks, the FE sector and emerging issues. However, the plan was recommended a couple of years ago and had not been changed since. The Committee challenged whether the 4 substantive areas would deliver the most value to the College, given the current financial risks the College was facing. Therefore, after a brief discussion it was decided to change the plan from:

Proposed plan:

- Legal and Regulatory Requirements – Accountability Framework
- Mid Devon Transformation
- Learner journey
- Funding compliance – Learner numbers
- Follow up

To instead include an Audit on business planning / cashflow forecasting and an audit on stress testing. This decision was based on the fact that finances and financial planning was one of the biggest risks on the colleges risk register, with a stress testing audit later in the year to ensure that all processes are tight and followed.

New proposed plan:

- Business planning/cashflow forecasting
- Stress testing
- Learner journey
- Funding compliance – Learner numbers
- Follow up

The Auditors agreed to rework the plan, and this would then be approved by the Board with recommendation from Audit committee.

It was agreed that the Accountability Agreement and the Mid Devon Transformation were not a priority currently. The first one would be postponed to another academic year and the second one was no longer necessary as the focus of Tiverton had changed over the last few months.

7.4 College audit monitoring report

23AC27

It was reported that the Audit Monitoring report was now shared with CLT monthly and some progress had been made in clearing some of the actions. There were still 43 actions on the report, and it was noted that the majority of slipped actions were due to staff changes and challenges within the IT team.

The report was monitored monthly by the Executive Office and actions updated and followed up accordingly

7.5 To note the external auditors having carried out the work on the corporation tax return

It was reported that Mazars had carried out the work on the corporation Tax Return, however there had been no crossover with any other Audits and the Auditors were not compromised.

7.6 External Audit strategy plan

23AC28

It was reported that next year's strategy plan includes additional audit work due to the PESL audit requirements. (PESL – Petroc Energy Services Limited)

The plan laid out the risks and areas that would be the key focus of the audit including going concern and covenant compliance.

It was noted that PESL would need its own Audit, hence the extra fees, however it doesn't if there is a parental guarantee from Petroc for PESL. It was recommended for the VPFRRA and the Auditor to take this offline and resolve if the extra audit was needed or not necessary. If the parental guarantee was in line with section 4.7.9, the audit was not necessary and PESL could step out of the audit process, saving some money.

ACTION – *Agree if the extra audit for PESL is necessary*

7.7 Risk register

23AC29

It was reported that the risk register has seen numerous updates due to significant recent changes within the college, including the resignations of two Executive Team members and ongoing financial challenges, which have led to the introduction of the Financial Recovery Project. Consequently, two new risks have been added: SR3 'College operations are negatively impacted due to the depletion/attrition of staff in the Executive Team' and SR14 'Financial Recovery Project does not deliver intended outcomes'.

PETROC

The primary risk currently was the financial resilience of the college, and this would be presented to the next meeting of the Task and Finish group, which had met regularly over the past few weeks and was due to meet again on 26 June.

It was concluded that the risk register demonstrated the colleges current situation very well.

7.8 Financial accounting policies

23AC30

The policy was taken as read and there was a query regarding the section on the “going concern”, it was requested that there should be more detail added in this section surrounding how we test a going concern.

It was agreed for the VPFRRA and the auditor to take this offline, improve the document and send it to the Audit committee for approval via correspondence.

ACTION – *update the policy and send via correspondence for approval*

8. KPI update

23AC31

It was noted that previously the committee had recommended to review the KPIs and adjust to be more realistic in its targets, however this was declined by the Executive Team. The document showed that six of the ten Strategic Objective KPIs are currently RAG rated as red, indicating that they have not met, or are unlikely to meet, the challenging year-4 targets.

It was reported that with the next academic year a new strategy with clear KPIs and Objectives would be drafted.

Once the document and the KPIs are drafted, the Audit committee would review the robustness of the document and recommend to the Board for ongoing review by the Board.

9. Policy Process

23AC32

As per the paper it was reported that Petroc's policy process, following a significant revision in June 2023, aims to ensure that all policies are reviewed and updated in a timely manner, with quality amendments that are shaped by external research and best practice. Since then, the process and all policies are more efficiently maintained. However, this was an ongoing process, and the next step was to review the list of policies and procedures to ensure the two were separated and only necessary policies were published and updated.

It was suggested to keep the Audit committee informed about any progress on policies and present high-risk policies to the committee.

It was also recommended in future to add key risks and core KPIs to each paper for the appropriate committee.

10. Review the Terms of Reference and Membership

23AC33

As per the papers it was agreed to review the Terms of Reference and to add KPIs to the Board ToR to ensure that KPIs are owned by the Board not by committee individually. It was agreed to add risks to the ToR for each committee to look at the risks that apply to the areas that the committee is responsible for.

ACTION - *Reposition risk and KPIs and circulate to committee*

The Auditors withdrew from the meeting

11. Performance indicators

23AC34

The committee were asked to ensure that the questions asked in the Performance indicators were still relevant and approve them accordingly.

It was noted that there was no question in the questionnaire that referred to “Value added”, the committee asked for this to be added and approved the document with those amendments.

ACTION – add value added question to the questionnaire

The meeting concluded at 18.17

The next meeting of the Audit Committee is tbc

Action Plan

Action	Completion Date	Owner	Status
Agree if the extra audit for PESL is necessary		BB	Completed
Financial accounting policies - update the policy and send via correspondence for approval		BB	Part of the financial accounts, note 1 , mtg at 6.30 Wording about going concern in the policy – yes – completed
Performance indicators - add value added question to the questionnaire		BB	
Succession plan as current chair was due to retire at the end of March 2025	01/03/25	IS/JB	Underway
Introduce other external Audit assurance reports to this committee such as Health and Safety and Safeguarding	First Audit Committee 24/25	JB	
Report Health and Safety breaches and GDPR breaches to the committee - from next as line above	First Audit Committee 24/25	JB	
Monitor college policies	June 2024	JB	Ongoing
Monitor outcome and results of the “42 days” review	tbc	JB	On hold
Only include high level risks at this meeting, deep dive into one risk per meeting and have that risk owner deliver it and speak to it.	First Audit Committee 24/25	JB	
Encourage other committees to look at their risks and feed back into Audit Committee	24/25		
Include Office for Students compliance (conditions of registration)	First Audit Committee 24/25	JB	
Cyber Security monitoring plan to Chair for approval	01/05/2023	S-MC	Completed - approved by Chair 13/06/23
Recommend to Board that all committees now have action plans on the agenda	19/04/2023	JBo	Completed – approved
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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