

## Minutes of the meeting of the Audit Committee held via Teams on Wednesday 27 November 2024 / 17.00 – 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:

Kurt Hintz	Interim Principal and CEO
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 Mark Tibbert

### 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

24AC01

The minutes from the previous meetings were approved.

Complete the actions and remove etc

### 7 Review of Compliance with GDPR, Health and Safety, and Anti-Fraud Protocols

Nothing substantive has occurred that requires reporting to the committee.

## 8. 2023/24

### 8.1 Audit Completion Report

24AC02

The auditors thanked the finance team for their support in completing the audit and presenting the accounts on the new consolidated format.

The discussion focused on the financial audit reports for the college, its subsidiary company (PESL), and the consolidated accounts.

#### Audit Results and Key Findings:

- **Clean Audit Opinions:** The audit reports for all three entities were unqualified, indicating that the financial statements were prepared in accordance with applicable accounting standards and fairly presented.
- **ESFA Funding Risk:** A key risk identified was the accuracy of funding claims from the Education and Skills Funding Agency (ESFA). While processes are in place to mitigate this risk, it remains a concern.
- **Pension Liability Assessment:** The accuracy of pension liability calculations was assessed and deemed acceptable.
- **Property Valuations:** The valuation of properties, including the treatment of Brannams lease and the classification of investment properties, was found to be legal and sufficient although questions were raised to the College Management team about looking to disclose this in a different way.
- **Minor Disclosure Issues:** Some minor disclosure issues were identified, particularly related to:
  - The Brannams transaction: The disclosure of this transaction was deemed insufficient and requires improvement to provide better clarity to the reader.
  - Cash flow statements: A question was raised about the appropriate presentation of cash flows, specifically whether separate cash flows for the parent and subsidiary should be presented or a consolidated cash flow is sufficient. This was checked by the auditors during the meeting, and it was agreed that it was sufficient.

The finance team was commended by the auditors for their hard work and dedication in producing high-quality financial reports.

Overall, the audit process was successful, and the financial statements were deemed to be accurate and reliable and were approved for recommendation to the board accounts as a fair and true picture.

***Note:** Later in the meeting there was a conversation around the committee's judgement on the audit opinion and some minor additional changes to the accounts on paper structure and display that would require the accounts to be amended before recommendation to the Board. The accounts were therefore approved subject to those changes before presentation to the Board for sign off.*

### 8.2 Annual Internal Audit Report

24AC03

The discussion primarily focused on the overall assurance grade and the specific areas of concern identified in the audit reports.

## Key Points:

The internal auditors shared that the overall assurance grade was downgraded from the previous year and that whilst that may seem negative, it was important to contextualise it within industry benchmarks. Approximately 6% of clients received a similar grade, and the college's performance was comparable to others in the sector.

- **Specific points**
  - **Estates Management:** The implementation of new systems and the lack of a robust plan to ensure ongoing compliance were identified as an area of note to monitor.
  - **Attendance Monitoring and Policies:** The college's approach to attendance monitoring and related policies was also highlighted as a potential risk.
- **Financial Controls:** The financial controls were deemed strong, with particular emphasis on learner numbers.
- **Audit Committee Reporting:** The audit committee's report was discussed as it was felt that it lacked sufficient detail and context. It was decided that it needed to provide a clearer explanation of the assurance provided and the underlying rationale and inserted into the annual accounts.

Overall, the discussion highlighted the need for ongoing improvement in several key areas, particularly in relation to estates management, attendance monitoring, and audit committee reporting.

It was also noted that in future the report should be provided to the Chair of the committee in advance of the submission to the group, however the timing of the audit reports coming into the college had made that challenging in this cycle.

## 8.3 Report any additional work undertaken by IAS/FSA

N/A

## 8.4 Annual Report of the Audit Committee

24AC04

It was asked that sections 9 and 14 should be reviewed and resubmitted by correspondence to the committee for approval.

It was also noted that in future the report should be provided to the Chair of the committee in advance of the submission to the group, however the timing of the audit reports coming into the college had made that challenging in this cycle

The committee felt that at this time the report could not be approved until:

- The going concern was confirmed as acceptable by the Finance and Resources committee.
- Amendments were made to the paper (especially sections 9 and 14) to provide a clearer picture of the committee's work and its role in overseeing these checks.
- The judgement made in this paper was cross referenced to the Annual Accounts and a more critical judgement considered.

## Actions:

Revise Annual Audit Committee Report: The report will be revised to address the concerns raised, particularly regarding the going concern statement and the description of committee oversight/judgement.

## 9. 2024/25

### 9.1 IAS progress report

24AC05

It was noted that the first item was completed (Learner Journey) and that there was a reasonable assurance opinion given which would not change.

All other audits due had been diarised.

### 9.2 College Audit Monitoring Report

24AC06

The committee noted that there were:

- Two red actions remaining that were both under enhanced management with greater scrutiny through the College Leadership team. It was expected that would be signed off by the next Audit Committee meeting.

In addition, there were only twelve actions outstanding in total which the committee was very pleased to see and commended the college on.

### 9.3 Strategic Risk Register Review

24AC07

The committee discussed the Strategic Risk Register focussing on the risk that remain in the Red category.

**Financial Stability (SR1):** The college's financial position is deteriorating, which was noted as a common issue across the sector. While restructuring efforts have been completed across the year there was still concern about the overall financial outlook.

**Cyber Security (SR4):** The risk of cyberattacks remains significant, and the college must continue to invest in robust security measures and recovery plans.

**Regulatory Compliance (SR15):** The college must comply with new funding requirements related to cyber security essentials.

#### Additional Considerations:

- **Risk Appetite:** The college's risk appetite should be considered when setting priorities and allocating resources to address key risks and this should be embedded into the strategy development cycle this year and agreed by the Board as a whole.
- **Risk Register:** The risk register should be streamlined to focus on the most critical risks and avoid unnecessary complexity.

Overall, the discussion highlighted the need for a proactive approach to risk management, with a focus on financial stability, cyber security, and regulatory compliance.

The recommendations to close SR14 and SR15 were considered and SR15 was agreed although it was asked that the potential impact of losing key senior personnel should be considered in the wider staffing risks.

SR 14 was rejected for closure at this time as the Task and Finish Group had not officially been closed down by the Board.

## 9.4 Risk Management Policy review

24AC07a

Policy was approved

## 9.5 Key Performance Indicators – closure report

24AC08

It was agreed that the necessary metrics to monitor progress needed to be updated and that they would be developed alongside the strategy development this year.

The closure of the current set of KPIs were approved. The committee commended the quality of the reporting on these over the years and asked for their thanks to be passed along to Dan Brown.

## 9.6 OfS Regulatory monitoring report

24AC09

Report was approved

*Auditors withdraw from the meeting*

## 10. Confidential items

*The meeting concluded at 18.54*

*The next meeting of the Audit Committee is 18 March 2025*

### Action Plan

Action	Completion Date	Owner	Status
Revise Annual Audit Committee Report: The report will be revised to address the concerns raised, particularly regarding the going concern statement and the description of committee oversight/judgement.	02/12/24	JB	Completed
Agree if the extra audit for PESL is necessary		BB	Completed
Financial accounting policies - update the policy and send via correspondence for approval		BB	Completed
Performance indicators - add value added question to the questionnaire		BB	Completed
Succession plan as current chair was due to retire at the end of March 2025	01/03/25	IS/JB	Underway

# PETROC

Introduce other external Audit assurance reports to this committee such as Health and Safety and Safeguarding	First Audit Committee 24/25	JB	Completed
Report Health and Safety breaches and GDPR breaches to the committee - from next as line above	First Audit Committee 24/25	JB	Completed
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	Completed
Encourage other committees to look at their risks and feed back into Audit Committee	24/25		Completed
Include Office for Students compliance (conditions of registration)	First Audit Committee 24/25	JB	Completed
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