

**Preston College**  
**Redacted<sup>1</sup> Minutes of the Audit Committee Meeting held on 24<sup>th</sup> November 2021 at 5.30pm**  
**In the Boardroom**

**Present:**

Mr M Driver                      Chair  
Mr S Browne  
Mr D Patel

**Apologies:**

Miss F Patel

**In attendance:**

Mrs L Doswell                      Principal and Chief Executive  
Mr M Frankish                      External Auditor, Grant Thornton (until Minute 8)  
Mr G Gillespie                      Partner Internal Auditor, Wylie and Bissett  
Mr A Mawsley                      Assistant Manager, RSM (Until Minute 6)  
Miss N Muthukumar                      External Auditor - Grant Thornton (until Minute 8)  
Mr S Nixon                      Executive Director – Resources  
Ms L Randall                      Head of Internal Audit, RSM (Until Minute 6)  
Mrs C Rayner                      Clerk to the Board

**1. Welcome**

The Chair welcomed everyone to the meeting.  
It was noted that a quorum was present.

**2. Apologies**

It was noted that apologies had been received from Miss Patel.

**3. Declarations of Interest**

No declarations of interest were noted.

**4. Minutes of the Meeting**

The Committee agreed the minutes of the meeting on 9<sup>th</sup> June 2021 and 6<sup>th</sup> July 2021 as correct records.

**Resolved: the minutes of the meeting of 9<sup>th</sup> June 2021 and 6<sup>th</sup> July 2021 were signed as correct records.**

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<sup>1</sup> Please note that any matters which the Corporation is satisfied should be dealt with on a confidential basis have been removed from these minutes.

## 5. Matters arising

The Committee noted the report on progress on actions from previous meetings. In reference to minute 10 of the 9<sup>th</sup> June 2021, the Committee noted that the Education and Skills Funding Agency (ESFA) had published a Supplementary Bulletin to the College Accounts Direction 2020-21 and the Post-16 Audit Code of Practice 2020-21 (July 2021) and a copy of the bulletin had been appended to matters arising report.

**Resolved: The Committee noted the report on progress on actions from previous meetings and noted that the Education and Skills Funding Agency (ESFA) had published a Supplementary Bulletin to the College Accounts Direction 2020-21 and the Post-16 Audit Code of Practice 2020-21.**

## 6. Internal Audit Review Reports

### a) ESFA Subcontracting Controls

Mr Mawdsley, Internal Audit – RSM, presented RSM’s report on ESFA Subcontracting Controls audit. Mr Mawdsley reported that one management action had been identified on General Subcontracting requirements. The Committee noted the report.

### b) ESF Subcontracting Controls

Mr Mawdsley presented RSM’s report on ESF Subcontracting Controls  
Mr Mawdsley reported that there were no management actions. The Committee noted the report.

### c) Follow up

Mr Mawdsley presented RSM’s Follow Up report, dated 15<sup>th</sup> November 2021. Mr Mawdsley reported that of the 14 management actions in the report, 13 had been fully implemented and one, which related to GDPR Governance and staff completion of GDPR training, was going and should be carried forward. The Committee noted the report.

### d) Annual report

Ms Randall, Head of Internal Audit RSM, presented RSM’s Follow Up report dated 15<sup>th</sup> November 2021 which included the Annual Internal Audit Opinion. In response to a query Miss Randall outlined the scope of the Internal Audit work completed. She reported that the internal audit work for 2020/21 had been undertaken during substantial operational disruptions caused by the Covid-19 pandemic. She advised that RSM recognised that there had been a significant impact on both the operations of the College and its risk profile, and RSM’s annual opinion should be read in this context.

Ms Randall thanked the Committee and management for their support and wished everyone well for the future.

The Chair and Mr Nixon, Executive Director of Resources, recorded thanks to the management from RSM for the quality of their work and professional delivery whilst internal auditors for the College.

**Resolved: The Committee noted the ESFA Subcontracting Controls report, ESF Subcontracting Controls report, follow up report and annual report and endorsed the action to be carried forward on GDPR governance.**

## **7. Audit Committee Annual Report**

The Committee considered the draft Audit Committee Annual Report 2020/21 at Appendix A. The Clerk explained the Committee would need to update the section of its effectiveness review once this had been completed.

Following a request from the Chair, the Committee agreed to hold a short additional Audit Committee meeting before the December Board meeting to allow the Committee to consider the draft alongside the final version of the Management Letter.

**Resolved: The Committee noted the draft Audit Committee Annual Report 2020/21.**

**Action: The Clerk to arrange an additional meeting of the Audit Committee.**

## **8. Annual Report, Financial Statement and Management Letter**

The Committee noted the draft Preston College Financial Statements, at Appendix A, the Grant Thornton Management Letter - Draft Audit Findings for Preston College, at Appendix B, the draft letter of representation, at Appendix C, and the Regularity self-assessment questionnaire (2020 to 2021) with Covid Annex at Appendix D.

Mr Frankish and Miss Muthukumar reported on:

- the progress of their work which was at an advantaged stage and outlined areas where work was ongoing including testing of Adult Education Budget (AEB) samples, revenue recognition, the AEB clawback, actuarial assumptions relating to the pension scheme and the going concern review;
- additional audit work required in 2020/21, including significant sample testing, due the decision of the ESFA not to issue funding confirmations for use by auditors. However, the work had gone well and had provided the auditors with valuable insights beyond the usual audit work with the College;
- other significant risks including management overriding of controls and completion of pension work;
- a final version of the management letter would be issued once the audit work had been completed.

Mr Nixon reported that he had been informed that the College's business case related to AEB funding had been unsuccessful. It was noted that no changes would be required as the Annual Report and Financial Statements had been prepared with this assumption.

The Committee discussed with Mr Frankish:

- successful testing of the journal process;

- the impact of the pension liability of the fair valuation issue and the importance of focusing on cash flow when reviewing going concern. The Committee noted the College's underlying financial position before actuarial adjustments, the performance of the pension scheme and the low level of risk involved. Following discussion the Committee agreed, that whilst it wasn't urgent, it would be helpful for the Board to have a presentation from the Pension Scheme administrators as this would provide assurance on the going concern issue and as the College's going concern position was a matter for the Board it would ensure all governors fully understood the risk. Mr Nixon explained that the Management Accounts did not show the pension adjustments so that the Board could monitor the College's underlying performance.

Mr Frankish reported that there were no issues to highlight in relation to fraud or related party transactions. Mr Frankish asked the members of the audit committee if they were aware of any instances of non compliance or fraud. Members did not raise any issues.

Mr Nixon referred members to the Regularity self-assessment questionnaire (2020 to 2021) with Covid Annex at Appendix D.

The Committee agreed to defer agreement of its recommendation to the Board pending receipt of the updated Management Letter.

**Resolved: The Committee noted the draft Preston College Financial Statements, the Management Letter - Draft Audit Findings for Preston College, the draft letter of representation, and the Regularity self-assessment questionnaire (2020 to 2021) with Covid Annex.**

**Action: The Committee to meet before the Board meeting on 9<sup>th</sup> December 2021 to review the final version of the management letter and agree its recommendation to the Board.**

*Mr Frankish and Miss N Muthukumar left the meeting.*

## **9. Internal Audit Needs Assessment 2021/22 – 2023/24**

The Chair welcomed Mr Gillespie to the meeting.

Mr Gillespie, Partner - Wylie and Bissett, presented Wylie and Bissett's Audit Needs Assessment (ANA) 2021/22 to 2023/24. Mr Gillespie reported on:

- the proposed area of work for 2021/22- 2023/24 and the plan for 2021/22 for audits of budgeting and forecasting, Corporate Governance, Adult Education Budget, Business Continuity Planning, Student Experience, Procurement and Follow up review;
- the Wylie and Bisset team who would work with the College;
- Wylie and Bisset would inform the Committee if the key performance indicators listed were not met;
- training offered by Wylie and Bisset to governors.

The Committee discussed the ANA report and the work plan for 2022 onwards. The Committee noted that the plan was not final and could be amended by the Committee. Following discussion the Committee agreed:

- the scope of the Student Experience Audit should be reviewed to see if it could include the whole of the learner experience from recruitment onwards in order to provide assurance to the Board on the student journey ahead of an Ofsted inspection;
- it would be helpful to have more opportunities for governors to speak to learners;
- it would be helpful for governors from other committees to review the plan and provide feedback. It was noted that the draft internal audit plan would be considered by the Board for approval on 9<sup>th</sup> December 2021.

Following discussion, the Committee agreed to recommend the internal audit plan 2021/22 to the Board for approval.

**Resolved: The Committee agreed to recommend the internal audit plan 2021/22 to the Board for approval.**

**Action: The Committee to discuss the ANA at the Board and ask for other committees' perspectives on the plan.**

## 10. Risk Management Register

Mr Nixon presented this report on the Risk Management Register. He reported that:

- there had not been any significant changes since the report had been considered by the Board on 21<sup>st</sup> October 2021;
- the proposal to remove a number of items from the register to remove duplication. It was noted that College departments operated their own risk registers.

The Committee discussed the Risk Management Register, dated November 2021, and agreed the current risks, actions completed and further actions still to be completed. The Chair highlighted the importance of having a management team in place that were able to react to significant risks such as the pandemic. He commended the work of Executive Leadership Team in quickly moving to remote learning when the pandemic started in March 2020 and dealing with the ongoing challenges of the pandemic. Members discussed the importance of ensuring potential significant events were included on the register and also that the management team and College systems were able to respond to significant events.

The Committee discussed the risks proposed for removal. The Committee were supportive of the approach outlined and agreed that the risks should be removed. It was noted this would be considered by the Board at its next meeting.

**Resolved: The Committee agreed the current risks, actions completed and further actions still to be completed the Risk Management Register, and agreed that the risks should be removed.**

## 11. Audit Register

Mr Nixon explained why the usual Audit Register had not been included for this meeting. He referred to the follow up audit report (item 6 (c)) which confirmed that all outstanding RSM recommendations had been addressed, with the exception of additional work

needed to ensure better compliance with completion of mandatory training on UKDPA (previously GDPR). He explained that this action would be included on the Audit Register at the next meeting, with an update on the position at that time, together with other recommendations made in RSM's final reports, Grant Thornton's audit findings, and Wylie & Bisset's first set of audit reports.

**Resolved: The Committee noted the Audit Register report.**

**Action: To carry forward the outstanding RSM recommendation relating to completion of mandatory training on UKDPA.**

**12. Annual report of debts written off (if required) 2020/21**

Mr Nixon presented his report on Debt Write Offs 2020/21. The Committee discussed the report and referred to the helpful discussion with colleagues from the finance team prior to the meeting on the process for recovering student debt. Mr Nixon undertook to provide an update on the credit references in the report and explained that future reports would not include a mixture of in year and previous year debts.

**Resolved: The Committee noted the report on Debt Write Offs 2020/21.**

**Action: Mr Nixon to clarify the credit references listed in the report.**

**13. Senior Post Holder Expenses Report**

The Chair referred members to the report on Senior Post Holder Expenses report 2020/21. The Committee discussed and noted the report.. The Committee noted the Senior Post Holder Expenses report.

**Resolved: The Committee noted the Senior Post Holder Expenses report.**

**14. Audit Committee Forward Work Programme**

The Clerk referred members to the draft Audit Committee Forward Work Programme (FWP) for 2021/22 which was at Appendix A. The Clerk explained that the FWP would be kept under review by the Chair of the Audit Committee, the Executive Director of Resources and the Clerk and the Committee would be informed of any substantive changes.

Mr Nixon suggested it could be beneficial to arrange some induction sections on the College's finances for new governors, particularly if they did not come from financial backgrounds. The Committee agreed that this would be helpful and suggested that the sessions were open to all Board members as CPD. Members suggested that the sessions could be held before Audit Committee meetings or on Zoom. The Committee reviewed and approved the Forward Work Programme.

**Resolved: The Committee approved the Audit Committee Forward Work Programme 2021/22.**

**15. Date of Next Meeting – 9<sup>th</sup> March 2022**

The Committee noted that the next meeting would take place on 9<sup>th</sup> March 2022.

