

Preston College
Redacted and Abridged¹ Minutes of the Audit Committee Meeting held on
16 November 2022 at 5.30pm Boardroom

Present:

Mr Marcel Driver Chair
Mr Steve Browne
Mr Malcolm Goulding
Mr Dipesh Patel

In attendance:

Ms Helen Knowles,	Director, Beever and Struthers (from Minute 1 to Minute 11)
Mr Simon Nixon	Interim Principal and Chief Executive
Mr Steven Pringle	Senior Internal Audit Manager, Wylie and Bissett (from Minute 3 to Minute 13)
Mr Iain Stott	Interim Executive Head of Resources
Mrs Clare Rayner	Clerk to the Board

1. Audit Committee Closed Session

Redacted.

2. Welcome and Apologies

The Chair welcomed everyone to the meeting. It was noted that a quorum was present. The Chair reported that this would be Mr Patel's final meeting of the Audit Committee. He thanked Mr Patel on behalf of the Committee for his contribution to the Committee over the last four years.

The Chair welcomed Mr Goulding to his first Audit meeting since he joined the Board and Mr Stott to his first Audit Committee meeting since his appointment of Interim Executive Head of Resources.

The Chair welcomed Ms Knowles to her first meeting since Beever and Struthers had been appointed as the College's new external auditors.

3. Declarations of Interest

No declarations of interest were made.

4. Minutes of the Previous Meeting

The Minutes of the Meeting on 15 June 2022 were agreed as a correct record.

Resolved: The Minutes of the meeting held on 15 June 2022 were agreed and signed as a correct record.

¹ 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.

A member requested an update on the Committee's request for management to provide further information on financial contribution by curriculum area by demonstrating the College's 4cast system. The Interim Principal and Chief Executive explained that the demonstration had been postponed due to plans for the College to join the FEC curriculum efficiency support programme which would review this area.

A member explained that in his view this development would not provide the assurance on contribution by curriculum area the Committee required. He highlighted the importance of the Committee having a report on financial contribution by curriculum area as this had been requested at the previous meeting and discussed at the Board and that this information was needed for the Committee to review the scope of the Curriculum Planning internal audit which was due to start in January 2023.

Following discussion on the scope of the Curriculum Planning internal audit, management and Mr Pringle, Senior Internal Audit Manager, provided assurance that a review of contribution by curriculum area would be included as part of the scope of this audit which would start in January 2023.

The Interim Principal and Chief Executive offered to find an opportunity to demonstrate the College's 4cast system before this internal audit took place. However, the Committee were assured that if the scope of the Curriculum Planning internal audit covered contribution by curriculum area this would be sufficient.

Resolved: The Committee noted the report on progress on actions from previous meetings.

Action: To include a review of financial contribution by curriculum area in the Curriculum planning internal audit.

6. Handover from External Auditors – Update Report

The Chair reported that he had updated the Audit Committee on his meeting with Mr Frankish from Grant Thornton, the College's previous auditors, during the Closed Session.

Ms Knowles confirmed that the handover with Grant Thornton had been completed satisfactorily from an external audit perspective. She confirmed that Beever and Struthers had received the professional audit discharge letter and access to required files and she had no issues to raise.

Resolved: The Committee noted the verbal report from the Chair of the Audit Committee and Ms Knowles on the handover from external auditors.

7. Annual Report of Debts Written Off 2021/22

Mr Stott, Interim Executive Head of Resources, presented the Debt Write Offs 2021/22 report. Mr Stott responded to queries from members.

The Committee noted the Debts Write Offs 2021/22.

Resolved: The Committee noted the Debts Write Offs 2021/22.

8. Senior Post Holder Expenses 2021/22

Mr Stott, referred members to the Senior Post Holder (SPH) Expenses 2021/22 report. The Committee noted the SPH Expenses 2021/22 report.

Resolved: The Committee noted the SPH Expenses 2021/22 report.

9. Internal Audit Report

Mr Pringle presented the Subcontracting Controls 2021/22 internal audit report. He reported that no management recommendations had been raised.

The Committee noted the Subcontracting Controls 2021/22 internal audit report.

Resolved: The Committee noted the Subcontracting Controls 2021/22 internal audit report.

10. Audit Committee Annual Report

Mr Stott referred members to the draft Audit Committee Annual Report at Appendix A. it was noted that the draft report would be updated to include an actions from the Committee's effectiveness review which would take place at the end of the meeting.

Resolved: The Committee agreed the Chair could sign the Audit Committee Annual Report 2021/22, subject to the College's receipt of the final management letter and any updates following the Committee's effectiveness review.

11. Annual Report Financial Statement, Management Letter, Letters of Representations Regularity self-assessment questionnaire 2021/22

a) Draft Preston College Financial Statements 2021/22

Mr Stott referred members to the draft Preston College Financial Statements 2021/22 at Appendix A.

Ms Knowles reported that the substantial work of the audit had been completed. She reported:

- on the increased work required across the sector to audit college income streams;
- that the auditors were waiting the reconciliation statement from the ESFA for confirmation of any clawback;
- on the auditor's identification of unsigned enrolment forms which the College were compiling evidence to address;
- there were no adjusted on unadjusted misstatements.

The Committee discussed the outstanding matters with Ms Knowles and management. Members highlighted that unsigned enrolment forms had been highlighted in a previous internal audit and whether management need to review procedures in this area. Management provided information on the background to this issue which related to the processes with one of the College's partners.

Management confirmed that they were addressing the outstanding audit requests.

The Interim Principal and Chief Executive reported that the College was very close to achievement the Adult Education Budget (AEB).

The Committee discussed with management and Ms Knowles the impact of pension adjustment on the accounts and changes to accounting treatments.

Following a query on the significant increase in maintenance spending at the College in 2021/22, the Interim Principal and Chief Executive confirmed that this work had been funded by condition fund grants.

Following discussion of the Annual Report Financial Statements, the Committee requested some of the commentary in the draft report be updated, particularly the paragraphs related to iSTEM, apprentice growth and levies.

b) Draft Management Letter

Ms Knowles, Director at Beever and Struthers, presented the draft management letter. Ms Knowles explained that the auditors could not make the going concern statement until the point of signing. However, there were no concerns at present and a clean audit was anticipated.

c) Letter of representation – Regularity

The Committee noted the draft Letter of representation for regularity.

d) Letter of representation – Audit

The Committee noted the draft Letter of representation for audit.

e) Regularity self-assessment questionnaire 2021/22

The Committee noted the draft Regularity self-assessment questionnaire 2021/22.

Resolved: The Committee noted the draft Preston College Financial Statements, the draft Management Letter, the draft letters of representation, and the Regularity self-assessment questionnaire (2021/22).

The Committee agreed, that subject to receipt of the final version of the management letter with all outstanding issues addressed, the Committee would inform the Board that the audit process undertaken to date had given the Committee sufficient confidence to provide assurance that the financial statements and associated regularity self assessment review had been prepared in a satisfactory manner. The Committee agreed the Chair could review the final management letter on behalf of the Committee.

Ms Knowles left the meeting.

12. Risk Management Register

It was noted that the Committee had took part in a CPD session on risk management with Mr Pringle prior to the meeting.

Mr Stott presented his report on the Risk Management Register.

The Clerk apologised as two pages from the Risk Register had been omitted from the pack in error. She reported that the complete version of the Risk Register, which had been considered by the Board on 20 October 2022, had been added to the Committee folder on the Governors' Portal.

The Committee discussed the Risk Register with management. During discussion it was noted that:

- the Risk Register would be revised and condensed with some risks amalgamated together;
- it was important to ensure the risks were more strategic which more operational risks included on internal risk registers;
- the residual risk for cyber attacks was currently High Risk. However, the College had implemented a number of actions to mitigate the risk including backup and disaster recover solutions which were currently being tested with further testing to take place over Christmas break;
- whilst the College had energy contracts in place until 2023, raising energy costs was a key risk and would need to be added to the Risk Register;
- updates to the financial handbook in 2023;
- challenges with recruitment of staff in certain sectors was a growing risk and would also be added to the Risk Register, particularly as the College needed to cap learner numbers on some courses to ensure there were sufficient staff;
- College management were keeping a watching brief on the possibility of power cuts and disaster recovery and business contingency plans were being revised to mitigate any impact on learners. The College were working with Lancashire Resilience Forum on emerging planning. However, it was likely that the power cuts would take place between 4pm - 7pm. It was noted that as the entire Preston area could be affected, remote teaching might not be feasible and the College might need to close early. It was agreed that this risk should be highlighted to the Board.

The Committee noted the Risk Management Register, the current risks, actions completed and further actions still to be completed were agreed.

Resolved: The Committee noted:

- **the Risk Management Register;**
- **the current risks, actions completed and further actions still to be completed were agreed.**

Actions: To reduce the size of the risk register and amalgamation of risks as required;

To add skills shortage and the impact on learners to the risk register;

To add increasing energy costs to the risk register.

13. Audit Register

The Committee noted the Audit Register dated November 2022.

Resolved: The Committee noted the Audit Register dated November 2022.

Mr Pringle left the meeting.

14. Penetration Testing

Mr Stott presented his Penetration Testing report and responded to questions from members.

Resolved: The Committee noted the Penetration Testing report.

15. Review of Committee Terms of Reference

The Clerk reported that the Search and Governance Committee had reviewed the College's governing documents. The Clerk explained that this review included proposed changes to committees' terms of reference following consultation with each committee. The Clerk referred members to the proposed changes to the Audit Committee Terms of Reference which were shown as track changes in Appendix A and outlined the rationale for the proposed changes. The Committee noted the proposed changes to the Audit Committee Terms of Reference.

Resolved: The Committee noted the proposed changes to the Audit Committee Terms of Reference.

16. Date of Next Meeting – 8 March 2023

The Committee noted that the next meeting would be held on 8 March 2023.

Preston College
Redacted and abridged¹ Minutes of the Audit and Risk Committee Meeting held on 8 March
2023 at 5.30pm Boardroom

Present:

Mr Marcel Driver Chair
Mr Steve Browne
Ms Isara McKnight

Apologies:

Mr Malcom Goulding

In attendance:

Mr Simon Nixon Interim Principal and Chief Executive (from Minute 4)
Mr Iain Stott Interim Executive Head of Resources (from Minute 4)
Mr Stephen Pringle Senior Internal Audit Manager, Wylie and Bissett (from Minute 4 to Minute 8)
Mrs Clare Rayner Clerk to the Board

1. Welcome and Apologies

The Chair welcomed everyone to the meeting. It was noted that apologies had been received from Mr Goulding. The Clerk reported that Mr Goulding had submitted questions on the Audit and Risk Committee reports which she would ask on his behalf under the relevant items.

It was noted that a quorum was present.

2. Declarations of Interest

No declarations of interest were made.

3. Audit Committee Closed Session

Redacted.

4. Minutes of the Previous Meeting

It was noted that the Committee could not approve the Minutes of the Meeting on 16 November 2022 as only two members in attendance at the meeting were present.

Action: The Clerk to ask the Committee to approve the minutes by written resolution.

5. Matters arising

The Committee noted the report on progress on actions from previous meetings.

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

A member noted the update in the report on the progress of the Curriculum Planning internal audit. The Committee noted that this audit had been delayed. However, the work had now been completed and the internal audit report would be included on the agenda of the next Audit and Risk Committee meeting.

A member was dissatisfied with the delay in providing curriculum planning information to the Committee. He asked for assurance that this audit included a review of the financial contribution of provision by curriculum area and review whether this was systematically applied across the College and embedded into curriculum planning.

The Committee discussed the scope of the Curriculum Planning internal audit with management and Mr Pringle, Senior Internal Audit Manager, Wylie and Bissett. Mr Pringle provided assurance that based on the sampling which had taken place during this audit, assurance could be provided to the Committee that a review of contribution by curriculum area systematically took place.

The Committee noted that it had been the intention for the report of the Curriculum Planning internal audit to be reviewed at this meeting. However the internal audit had been delayed for a number of reasons.

Resolved: The Committee noted the report on progress on actions from previous meetings.

6. Internal Audit Reports

a) Student Recruitment 2022/23

Mr Stephen Pringle presented the Student Recruitment 2022/23 Internal Audit Report. Mr Pringle outlined the scope of the audit and reported:

- that the overall conclusion was that a strong level of assurance could be given;
- that one low grade recommendation had been made: that the College should review and update its overarching policy to include a section on internal recruitment. Thereafter, each supporting procedure should be updated to include processes surrounding internal recruitment for each type of student;
- on 14 areas of good practice.

The Committee discussed the internal audit with management and Mr Pringle. In response to queries from members, the Committee noted the College's approach to Equality, Diversity and Inclusion and support for learners with special needs during student recruitment. Management reported that the College were really proud of the way learners with learning difficulties or special needs were supported at the College. The Interim Principal and Chief Executive undertook to discuss further with Ms McKnight outside of the meeting.

In response to a query, the Committee noted that the enrolment figures referenced in the report were from August 2022 to 31 January 2023.

b) Overall Financial Controls 2022/23

Mr Pringle presented the Overall Financial Controls 2022/23 Internal Audit Report. Mr Pringle outlined the scope of the audit and reported:

- that the overall conclusion was that a strong level of assurance could be given;
- that one low grade recommendation had been made;
- on eight areas of good practice.

The Chair referred to the valuable Continuing Professional Development (CPD) session on Fraud Awareness which had been delivered by Mr Pringle prior to the meeting.

The Committee discussed the internal audit with Mr Pringle and management. In response to queries from members, the Committee noted:

- the restrictions in place on College credit cards, for example they could not be used to withdraw cash or purchase fuel or alcohol;
- all receipts were signed off by the employees' line manager;
- the Ofsted inspection in January 2023 had contributed to the delays with submission of receipts by staff;
- the recommendation related to use of College credit cards and not employee expenses which would not be paid without receipts;
- in response to a query on what percentage of transactions had been audited as a sample of 10 appeared to be low, that it was standard practice for internal audit to sample 10 transactions or examples for data analysis during internal audits. However, if any issues were detected, further sampling would take place;
- the process for deciding which audits would be completed by internal audit each year and that the Committee could revise the plan if it decided to prioritise other areas or any new or more urgent risks were identified. The Clerk undertook to add a copy of the three year audit plan to the Governors' Portal. Members welcomed the views of new members on the plan. Mr Pringle highlighted that internal audit plans in many organisations had been revised during Covid to include topics such as remote working, business continuity and staff wellbeing.

The Chair welcomed comments and queries from new members of the Committee on the audit plan and the internal audit reports.

Resolved: The Committee noted the internal audit reports on Student Recruitment 2022/23 and Overall Financial Controls 2022/23.

Action: The Clerk to add a copy of the three year audit plan to the Governors' Portal.

7. Risk Management Register

Mr Stott, Interim Executive Head of Resources, presented the Risk Management Register. He reported that, following discussion at the previous meeting, he had reduced the Risk Management Register by amalgamating or removing risks as appropriate. He referred members to the list of removed risks which were listed at the end of the Risk Management Register. He reported that some of these risks might need to return to the Risk Management Register in future years.

The Chair of Audit Committee thanked Mr Stott for this work.

The Committee discussed the Risk Management Register with management. In response to queries from members, the Committee noted:

- the rationale for RAG rating and the categorisations of risk (e.g. financial, student impact risk or other risk) had been removed from the register following a previous review to simplify the register. Management undertook to review the format;
- the suggestion of an impact score would be reviewed, however it was difficult to assign a figure to some risks e.g. estimating the financial impact of reputational damage;
- that the College was currently benefiting from increased interest rates which had not been budgeted for;
- colleges were awaiting further details on the DfE as lender of last resort as a result of the reclassification of colleges as part of the public sector;
- management's rationale for reducing the risk for apprenticeship income from a 5 to a 4;
- that following a comment that the action for 'Failure to achieve Apprenticeship targets' of closely monitoring of budgets did not provide the Committee with sufficient information and a query on what actions were being taken to mitigate the risk, management referred to actions which could be taken including vacancy freezes and controls on pay;
- in response to a query on what actions were being taken re Apprenticeships, management reported on plans to increase enrolments, reduce attrition rates and actively recruit;
- that in response to a comment that rising energy costs were a certainty rather than an risk and should be reflected in budget forecasts, it was noted that whilst the energy costs would rise, the impact could be mitigated by reducing the College's energy usage. Members suggested it would be helpful to ascertain which parts of the College used the most energy. However, it was noted that some Schools and department would use more energy due to the subject being taught and equipment used. Members noted initiatives already in place such as introducing LED lighting as part of the Estates strategy. Management also highlighted the possibility that energy prices might not increase as much as originally anticipated by the end of the College's current contracts.

Management reported that the Education Skills Funding Agency (ESFA) had announced an in-year uplift of 2.2% to the final earnings for all Adult Education Budget (AEB) provision and in addition the ESFA

would apply a 20% boost to top up earnings for all AEB provision in six sector subject areas: Engineering, Manufacturing Technologies, Transport Operations and Maintenance, Building and Construction, ICT for Practitioners, and Mathematics and Statistics.

Mr Stott reported that whilst the final guidance had not yet been published, the College's Estimated uplift. Management explained this would reduce the risk rating for risks related to achieving AEB and surplus and the Risk Management Register would be updated before the next meeting to reflect this. The Committee noted that a further update would be given at the Board meeting including discussion on how this unexpected announcement could help alleviate other challenges faced by the College. The Committee noted that a report was being drafted for consideration by the Board on staff pay levels.

The Committee noted that the question on plans to mitigate the deficit had been superseded by the AEB funding announcement from the ESFA and a report would be provided to Board on how the announcement would impact the College's forecast deficit for 2022/23.

The Committee noted an update report on the implementation of T Levels.

The Committee reviewed the Risk Management Register, including the risk items that were amalgamated, embedded or removed and agreed the current risks, actions completed and further actions still to be completed.

Resolved: The Committee reviewed the Risk Management Register, including the risk items that were amalgamated, embedded or removed and agreed the current risks, actions completed and further actions still to be completed.

8. Audit Register

Mr Stott presented the Audit Register dated March 2023.

In a response to a query, Mr Stott outlined the processes in place to ensure learners returned loaned laptops including locking Windows accounts on unreturned devices.

A member queried if management preparations were in train for business continuity plan testing which had been deferred until May. The member acknowledged that the reason for deferring the testing was understandable, particularly given the Ofsted inspection in January, however, planning was required to be ready for the revised date in May. Management undertook to provide an update on the testing plan timetable.

The Committee noted the Audit Register – March 2023.

Resolved: The Committee noted the Audit Register.

Action: To provide an update on the testing timetable.

Mr Pringle left the meeting.

9. Health and Safety Report 2021/22

Mr Stott, presented the Health and Safety Report 2021/22.

The Clerk referred to a query from a member on why the Health and Safety Report 2021/22 was being considered by the Committee so late in the Committee's meeting cycle. The Clerk explained that the

scope of the Committee had been widened to include greater oversight of risk and the changes to the Committee's terms of reference had been approved by the Board in January 2023. The Clerk explained that for this reason the Health and Safety Report had been added to the Committee's forward work programme. It was noted that the report had been considered by Resources in November 2022 and the Board in December 2022. The Committee agreed that the Health and Safety Report should be added to the Committee's forward work programme of consideration in November in future years.

In response to a query, Mr Stott outlined how Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2012 (RIDDOR) incidents were identified at the College.

The Committee discussed the report and following a query, management provided more detail on the RIDDOR incidents at the College during 2021/22. The Committee noted that a number of RIDDOR reported incidents in 2021/22 related to the same incident and Lisa Keegan, the College's Health and Safety Officer, had given a verbal update at the Board meeting on 15 December 2022.

The Committee noted the report and agreed:

- it would be helpful for the Committee to receive notification of RIDDOR reported incidents after they had been reported to the Health and Safety Executive rather than wait for the annual report to enable the Committee to maintain a line of sight in real time;
- going forward the final annual report should include an appendix with a summary of all RIDDOR incidents taken place that year.

Resolved: The Committee noted the Health and Safety Report 2021/22 and agreed that the report should be added to the Committee's Forward Work Programme for 2023/24.

Action: Mr Stott to inform the Committee of any RIDDOR incidents after they had been reported to the Health and Safety Executive.

Action: To add an appendix to the Health and Safety report to include RIDDOR incidents.

The Chair recorded thanks to Mr Goulding for submission of questions which had been asked by the Clerk on his behalf and addressed during the meeting.

10. Date of Next Meeting

The Committee noted that the next meeting would be held on 14 June 2023.

Preston College
Redacted and Abridged¹ Minutes of the Audit and Risk Committee Meeting held
on 14 June 2023 at 5.30pm, Boardroom

Present:

Mr Marcel Driver Chair
Mr Malcolm Goulding
Mrs Isara McKnight

Apologies:

Mr Steve Browne

In attendance:

Ms Helen Knowles Director, Beever and Struthers (Until Minute 12)
Mr Simon Nixon Principal and Chief Executive
Mr Iain Stott Interim Executive Head of Resources
Mr Stephen Pringle Senior Internal Audit Manager, Wylie and Bisset (Until Minute 9)
Mr Kevin McDermott Senior Internal Auditor – I.T, Wylie and Bisset (Until Minute 6 (a))
Mrs Clare Rayner Clerk to the Board

1. Welcome and Apologies

The Chair welcomed everyone to the meeting. It was noted that apologies had been received from Mr Browne.

It was noted that a quorum was present.

2. Declarations of Interest

No declarations of interest were made.

3. Audit Committee Closed Session

It was noted that the Closed Session would take place at the end of the meeting.

4. Minutes of the Previous Meeting

It was noted that the Committee could not approve the Minutes of the Meeting on 16 November 2022 or 8 March 2023 at this meeting due to quoracy issues and the Clerk had issued the minutes separately and asked members to approve by written resolution.

¹ 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. The Committee noted that the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) incidents for 2021/22 and 2022/23 to date were appended to the report as requested by the Committee.

Resolved: The Committee noted the report on progress on actions from previous meetings.

6. Internal Audit Reports

a) Cyber Security

Mr Stephen Pringle, Senior Internal Audit Manager, Wylie and Bisset, and Mr Kevin McDermott, Senior Internal Auditor – I.T - Wylie and Bisset, presented the Cyber Security Internal Audit Report. They outlined the scope of the audit and reported:

- that the overall conclusion was that a substantial level of assurance could be given;
- that two management recommendations had been made: one low and one medium grade, which was lower than the benchmarked average for similar internal audits;
- on identification of eight areas of good practice.

The Committee noted the Cyber Security internal audit report and discussed the report with management, Mr Pringle and Mr McDermott.

Mr McDermott left the meeting.

b) Funding Review 2022/23

Mr Pringle presented the Funding Review 2022/23 Internal Audit Report which had been completed on behalf of the Education and Skills Funding Agency (ESFA). Mr Pringle outlined the scope of the audit and reported:

- that the overall conclusion was that a substantial level of assurance could be given;
- that three management recommendations had been made: two low and one medium grade; which was slightly higher than the benchmarked average for similar internal audits;
- the medium recommendation related to reviewing apprenticeship files to ensure they were all up to date;
- the two low grade recommendations related to ongoing work to review procedures to correct the recording, display and printing of work-based learning and off-the-job training and a recommendation for managers to produce full internal policies and procedures to encapsulate all of the systems and processes used for enlisting and enrolling all learners;

- on identification of 15 areas of good practice.

The Committee noted the Funding Review 2022/23 Internal Audit Report and discussed the report with Mr Pringle and management. In response to queries from members, the Committee noted that the recording of apprenticeship records was a historic issue from c. three to four years ago and would reoccur until those learners left the College as they could not be corrected. It was noted that the ESFA had since introduced a 42 day grace period to allow for Individual Learner Records (ILR) to be corrected and the College was currently compliant.

During discussion, a member suggested that the College could complete its own checking to mirror the checks which the ESFA. Following a related question on the process around recording learner attendance and whether this could be reviewed further by members, the Principal and Chief Executive suggested that, given the cross over with Quality and Standards Committee which also had oversight of learner attendance, it would be a good topic for the next Board Deep Dive and could include a demonstration of the College's system. It was noted that the issue highlighted by auditors was very specific to apprenticeships as the College had to demonstrate that 20% of time was spent on the job.

In response to a query, Mr Pringle undertook to clarify the size of the sample.

c) Curriculum Planning 2022/23

Mr Pringle presented the Curriculum Planning 2022/23 Internal Audit Report. Mr Pringle outlined the scope of the audit and reported:

- that the overall conclusion was that a strong level of assurance could be given with no management recommendations, which was lower than the benchmarked average for similar internal audits;
- that 16 areas of good practice had been identified.

The Chairperson highlighted that the scope and importance of the Curriculum Planning Internal Audit had been discussed at a number of Audit and Risk Committee meetings and the audit report provided the Committee with strong assurance.

The Committee noted the Curriculum Planning Internal Audit Report and discussed the report with Mr Pringle and management. In response to queries from members, the Committee noted:

- the RAG rating of courses was used in other colleges;
- when the College decided to stop running a course, it was a careful decision made over time and consideration was always given to the importance of the course to the local job market and whether the course could increase in popularity in future years;

- red/amber awarding body fees were quite high;
- that in response to ongoing sector issues with existing T Levels, the government had delayed the roll out of some new T Levels subject;
- how the College documented its decision making, including sharing notes with auditors of curriculum validation meetings;
- whilst it was always disappointing to make staff redundancies, the recent minor restructure had been curriculum led.

The Chair commended management on the internal audit.

Resolved: The Committee noted the internal audit reports on Cyber Security – April 2023, Funding Review 2022/23 and Curriculum Planning 2022/23.

Actions: To hold a Deep Dive session on learner attendance including apprenticeship attendance processes.

Mr Pringle to confirm the sample size of the Funding Review Internal Audit.

7. Curriculum Efficiency and Financial Sustainability

Mr Stott referred members to the Curriculum Efficiency and Financial Sustainability (CEFS) report on Preston College, at Appendix A, which had produced by the Department for Education (DfE) as part of a CEFS pilot which had been led by Andrew Tyler, Deputy FE Commissioner.

The Committee noted the CEFS report and discussed the report with management. In response to queries from members, the Committee noted:

- management actions to date in response to the report;
- the meaning of EBITDA;
- the benchmark ratio of 65% for pay costs as a percentage of income was now regarded as an ESFA benchmark guidance rather than a target and that, prior to Covid, the College had made good progress and had achieved c. 67% pay costs as a percentage of income ratio. However, during Covid the College's approach, supported by the Board, had been not to undertake any major restructuring and for 2023/24 the College's pay costs as a percentage of income ratio was c.70%. Notwithstanding the College continued to work towards the benchmark of 65%. However, the cost of living crisis and staff pay rises could make achievement of this benchmark challenging;
- the impact of rising energy prices on colleges and the recently approved electricity contract, which was below the proposed budget, would secure electricity costs for 2023/24;
- whilst the financial data in the report was correct, some recommendations could be challenging to implement in practice. However, alternative approaches could be identified and explored.

The Chair referred to the challenge of getting the right level of pay to attract and retain staff without over paying staff. The Principal and Chief Executive reported that the introduction of temporary additional Spinal Column Points (SCPs) had enabled the College to retain staff and avoid further expensive agency costs.

Resolved: The Committee noted the Curriculum Efficiency and Financial Sustainability report.

8. Risk Management Register

Mr Iain Stott, Interim Executive Head of Resources, presented the Risk Management Register. Mr Stott reported that two risks had been added to the register in March 2023:

- increasing energy costs and inflationary pressures;
- hard to recruit staff for some curriculum areas.

The Committee discussed the Risk Management Register with management. In response to queries from members, the Committee noted:

- changes to the residual risk rating on the risk register as the energy cost risk would be reduced but the risk of achieving apprenticeship income would increase;
- that some sectors, such as hair and beauty, had not recovered as quickly from Covid as other sectors and were therefore not taking on as many apprentices. However, there had been encouraging signs in sectors such as construction. For some subjects the College had capped the number of learners to ensure the quality of teaching could be retained;
- changes to the way the College profiled new starters;
- whilst the College continued to drive recruitment throughout the year, management were being more realistic about the likelihood of significantly increasing recruitment in the second half of the year based on patterns from previous years;
- the percentage of College income of apprenticeships;
- how risk was managed via the College's business planning process and ongoing dialogue with the Vice Principal for Curriculum Delivery and Planning and the Apprenticeships team and how these discussions informed the risk register;
- the sector trend for apprenticeships and how the College's experiences compared with this. In particular, a common trend across the national sector was reduced retention rates due to the number of apprenticeships leaving colleges for full time employment.

The Clerk referred members to the risk of not recruiting new independent governors in 2022 and reported that successful governor interviews had been held in May 2023 and, at its meeting on 29 June 2023, the Board would be asked to approve the appointment of three new governors. The Clerk proposed that, subject to the Board's approval of these appointments, this risk could be removed from the Risk Register. The Committee agreed this approach.

The Committee noted the Risk Management Register.

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

9. Audit Register

Mr Stott presented the Audit Register dated June 2023. Mr Stott reported:

- that most actions had now been completed and other actions were in train;
- on the business continuity plan testing timetable;
- that following discussion with the Senior Procurement Officer, the actions following the Procurement Internal Audit would be deferred for 12 months.

The Chair queried the rationale for postponing the recommendations from the Procurement Internal Audit for 12 months and whether additional procurement support was required. Management explained that, due to a secondment in the team, the Senior Procurement Officer had less administrative support than usual during 2022/23, although he had been supported by other staff. In addition, there had also been a higher number of tenders and capital bids during 2022/23 and this level of work would continue into 2023/24. Therefore, following a review of key priorities, the procurement actions had not been prioritised as the best use of Senior Procurement Officer's time at present but would be developed during 2023/24.

The Chair, whilst understanding management's rationale, noted the rescheduling of the implementation of the procurement audit recommendations with concern.

The Committee noted the Audit Register – June 2023.

Resolved: The Committee noted the Audit Register.

Mr Pringle left the meeting.

10. Post 16 Audit Code of Practice 2022 to 2023

Mr Stott referred members to the ESFA Post 16 Audit Code of Practice 2022 to 2023 (the code), at Appendix A and the ESFA guidance on 'The scope and Work of audit committees and internal auditors in college corporations' at Appendix B. He reported that the main changes to the Post 16 Audit Code of Practice 2023 to 2023 were outlined on pages 5 and 6 of the code and the majority of the changes related to the reclassification of colleges as public sector.

The Committee noted the Post 16 Audit Code of Practice 2022 to 2023.

The Chair referred to the references in the report to applying HM Treasury's 'Managing Public Money' (MPM) and commented that whilst the College had been classified as private sector the Board and management had always remained cognisant that the College was funded by public money and had taken this into account value for money during decisions making.

Resolved: The Committee noted the Post 16 Audit Code of Practice 2022 to 2023.

11. Audit and Risk Committee – Forward Work Programme

The Clerk to the Board (the Clerk) referred members to the draft Audit and Risk Committee – Forward Work Programme 2023/24 at Appendix A. The Clerk reported that the dates would be added to the report following Board approval.

The Committee approved the draft Audit and Risk Committee – Forward Work Programme 2023/24

Resolved: The Committee approved the draft Audit and Risk Committee – Forward Work Programme 2023/24.

12. Audit Plan Year Ended 31 July 2023

Ms Helen Knowles, Director, Beever and Struthers, presented the Audit Plan Year Ended 31 July 2023 which was at Appendix A. Ms Knowles made reference to:

- the external audit timetable and approach;
- materiality and the importance of the Committee being comfortable with the triviality level set;
- fees;
- sector update;
- going concern statement;
- assessment of risk;
- reclassification of the Further Education sector;
- regularity self- assessment questionnaire 2022 to 2023.

The Chair was of the view that the materiality approach appeared sensible and issue raised the previous year had been addressed.

In response to a query on the auditor's reference to the College's 'going concern' statement, Ms Knowles provided assurance that going concern had been highlighted to all colleges in the FE sector due on going issues in the wider economy, including costs of living increases, and there were no specific concerns regarding the College.

In response to a question on whether the reclassification of colleges as public sector increased or decreased the overall risk for colleges, the Principal and Chief Executive explained that there was the possibility that the Treasury could provide assurances in relation to pensions and the financial benefits of this assurance for colleges, however this had not happened to date. It was too early to tell other potential benefits but management would maintain a watching brief.

The Committee recommended the External Audit Plan for the Year Ended 31 July 2023 to the Board for approval.

Resolved: The Committee recommended the External Audit Plan for the Year Ended 31 July 2023 to the Board for approval.

Ms Knowles left the meeting.

13. Date of Next Meeting

The Committee noted the date of the next meeting would be agreed at the Board meeting on 29 June 2023.

