

## **Notes of the Inquorate Meeting of the Audit Committee held on 15<sup>th</sup> June 2016 in the Board Room at Preston's College**

*Note : These 'Notes' were subsequently ratified by Mr T Readett, with each of the proposals thereby converted into formal decisions.*

### **Present**

Mr S Browne (Vice-Chair)  
Mr M Driver

### **In Attendance**

Mr S Fell	(Clerk to the Corporation)
Mr P McMellon	(Assistant to the Clerk)
Dr E H Smith	(Principal and Chief Executive)
Mr S Nixon	(Executive Director of Resources)
Ms N Crail	(RSM)
Mr A Osborne-White	(KPMG)
Ms H Knowles	(KPMG)

Those present were informed that, in the absence of Mr Readett, the meeting was inquorate. It was agreed that the meeting go ahead on an inquorate basis and that Mr Readett's approval be sought to ratify decisions after the meeting. It was also agreed that, as Vice Chair (and in the absence of an appointment to replace Mr P Williams as Committee Chair), Mr S Browne would chair the inquorate meeting.

### **20. Welcome and Apologies**

Apologies for absence had been received from Mr T Readett.

### **21. Declarations of Interest**

Mr S Fell and Mr P McMellon declared their interest in any matters relating to the College's relationship with the University of Central Lancashire.

### **22. Minutes of Previous Meeting**

**Proposed: That the Minutes of the meeting held on 17<sup>th</sup> March 2016 be agreed as a true record and be signed by the Chair.**

### **23. External Audit Planning Memorandum**

The Committee had received the Planning Memorandum prepared by the external auditor (KPMG). Ms Knowles drew attention to the key aspects of the impending audit, including proposed materiality thresholds, significant risks (fraud, FRS102, financial strength, pensions and regularity), the audit team and the fees.

Ms Knowles drew attention to the Confirmation of Independence statements and she confirmed that the fees (which had been held at the level of the previous year) covered any additional work under FRS102.

**Proposed:** That the Planning Memorandum be received and that the strategy for the annual external audit be approved.

### **24. Internal Audit Reports**

Mr A Osborne-White (RSM) presented the Internal Audit reports.

**(i) Progress Report**

The opinions issued following internal audits in 2015/16 (including those for the recent reviews reported below) were noted.

It was agreed that consideration of the Indicative Audit Plan for 2016/17 should be deferred until after consideration of the reports on the recent reviews.

**(ii) Code of Good Governance**

It was noted that the review had considered the College's governance in the context of its compliance with the updated Colleges' Code of Good Governance. The Auditors confirmed that governance at the College was in a good state and that their report was positive. Although the Auditors reported that a small number of sections within the Code had not been complied with, this was largely due to the fact that the College did not find these aspects practical and/or beneficial. With this caveat, a number of actions had been agreed by the College to seek to more closely meet those provisions of the Code were deemed to be relevant and helpful.

It was, however, agreed that a re-wording of the 'Conclusion' (section 1.2) would serve to clarify the scope of the review undertaken. Mr Osborne-White undertook to re-draft the section.

**(iii) Enterprise Strategy – Embedding Framework**

The need for a documented operational implementation plan was noted together with two associated action points. It was also noted that the Internal Audit opinion offered 'reasonable assurance'.

**(iv) Procurement and Creditors (including value for money)**

Performance under this Key Financial Indicator review had resulted in 'a positive opinion of substantial assurance', with three recommendations for action. It was noted that the 'value for money reporting' recommendation was dealt with later in the agenda (Minute 27 below).

**(v) Preston Project - Governance**

A very positive report commended the College for the installation of a timely and robust governance framework. Those present considered the key findings and the Chair was pleased to note confirmation of the Board's objectives and expectations.

**Proposed:** That, subject to the revision to the Conclusion section of the Code of Good Governance report, the reports be otherwise received and the Action Plans therein be endorsed.

Those present then examined the Indicative Audit Plan for 2016/17.

The Chair recommended that consideration be given to inclusion of a review covering the management of income targets (planning, forecasting and monitoring of performance against targets etc). There was discussion on the external factors (EU Referendum, apprenticeship funding levels etc) which would impact on the sector and funding therein.

It was agreed that, on that basis, the detailed discussions with College Management should now proceed and that a final Internal Audit Plan for 2016/17 should be prepared for consideration by the Committee, approval to be confirmed by way of Written Resolution.

## **25. Audit Register**

Mr Nixon talked through the Audit Register and the accompanying summary report. He suggested that, of the 16 'ongoing/delayed' action points, none was of major concern.

The Chair drew attention to those actions which were still 'ongoing/delayed' from July 2015. He agreed that consideration needed to be given to the signing off of those actions which were effectively now 'completed' (although technically ongoing in the sense that some matters can never be considered to be absolutely concluded). He also suggested that more precise wording of agreed action points would result in fewer 'ongoing' cases.

**Proposed:** that the Audit Register be approved.

(Ms Crail, Mr Osborne-White and Ms Knowles left the meeting at this point)

## **26. Appointment of Internal Audit Service 2016-2019**

Mr Nixon reported on the tendering process and the subsequent assessment of the valid tenders received. As a result, the re-appointment of RSM as Internal Auditor for a further three years (from 1 August 2016) was now recommended.

Mr Driver confirmed that, along with Mr E Bassa, he had represented the Audit Committee and the Board throughout a very thorough process and that the objective evaluations had taken into account quality of service as well as cost.

**Proposed:** That the Board is recommended to appoint RSM as Internal Auditor for a period of three years from 1<sup>st</sup> August 2016 (which can be extended by a further year at the discretion of the Board).

(Ms Crail, Mr Osborne-White and Ms Knowles returned to the meeting at this point)

## **27. Value for Money Policy**

Mr Nixon presented his report on the ways in which value for money had been pursued in 2014/15 and 2015/16.

Those present examined the report. Mr Nixon elaborated on the 'one off rebate of £9,725'.

The Chair suggested that the range of the VfM endeavours needed to extend beyond procurement. It was generally agreed that a widening of definitions and the use of benchmarks would assist the pursuit of VfM, and Mr Nixon undertook to produce a new framework for this activity for Audit Committee consideration.

## **28. Risk Management Register**

Those present received the College's Risk Management Register and covering report, supported by a brief presentation from Mr Nixon. He drew attention to three new risks now included in the Register and elaborated on the issues which lay behind

- The College's role as Lead Accountable Body for ESIF programmes
- The possibility of OFSTED inspection in the relatively near future
- Increased risk through criminally organized cyber attacks

The Chair sought more detail on the mitigating actions for the OFSTED risk. Dr Smith reminded those present of the OFSTED framework expectations as regarded Board member direct involvement. She confirmed that the Quality & Standards Committee sought to ensure optimal preparedness, primarily through its comprehensive treatment of the Self Assessment Report process. There were, however, leadership and management aspects which required contributions from the full Board. Thus, it was recognized that all members of the Board needed to be fully aware of the College's plans and the governance aspects therein.

With regard to the cyber attack risk, those present discussed at length the College's vulnerability and the options for countering such attacks. The need to ensure adequate staff training/awareness was central to the College's defences. It was agreed that this risk should be added to the matters under consideration for inclusion in the Internal Audit Plan for 2016/17 (see Minute 25 above). Ms Crail undertook to provide Mr Nixon with further guidance on this particularly topical matter.

Mr Nixon confirmed that Risk 2.04 ('Failure to plan curriculum effectively...') had been re-graded at 'High'. The learner behavioural issues which contributed to this risk were discussed.

Finally, Mr Nixon drew attention to the re-ordering of the Register column and he confirmed that, in line with the Committee's instructions at the last meeting, a process for reporting relevant individual risks to appropriate Board Committees had now been instituted.

**Proposed:** That the Risk Management Register is noted.

## **29 Committee Self Evaluation.**

Those present members noted and agreed with how it was intended that a year-end review of performance and effectiveness of the Audit Committee's contribution to the College's governance in 2015/16 would be conducted in the coming weeks. This would feed into a general review of the overall effectiveness of the College's governance arrangements.

In briefly reflecting on the year's performance, it was felt that all aspects of the Committee's terms of reference had been covered.

It was noted that a generic questionnaire would be used and that input from the officers serving the Committee would be included.

## **30. Dates for Future Meetings**

It was noted that the Board would be recommended to approve a schedule of meetings which includes the following dates for meetings of the Audit Committee in 2016/17:

Wednesday, 30<sup>th</sup> November 2016 (5.30pm)

Thursday, 16<sup>th</sup> March 2017 (5.30pm)

Wednesday, 14<sup>th</sup> June 2017 (5.30pm)