

Minutes of the Meeting of the Audit Committee held on 23rd November 2016 in the Board Room at Preston's College

Present

Mr E Bassa (Chair)
Mr S Browne (Vice-Chair)
Mr M Driver
Mr T Readett

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)
Mr M Harding	(RSM – Internal Audit)
Ms H Knowles	(KPMG – Financial Statements Audit)
Ms E McIntyre	(KPMG – Financial Statements Audit)

30. Welcome and Apologies

Apologies for absence were received from Mrs R Kay.

31. Declarations of Interest

No declarations of interest were made.

32. Minutes of the Previous Meeting

It was noted that the record of the previous meeting (15th June 2016) was in the form of 'incomplete notes', subsequently endorsed by all Committee members via Written Resolution, and thus converted to formal Minutes.

Resolved : That the Minutes of the meeting held on 15th June 2016 be agreed as a true record and be signed by the Chair.

33. Audit Committee Annual Report on 2015/16

The Committee examined the draft Annual Report. The inclusion of reference to the additional work ('Preston Project – Governance') undertaken in the course of the year by Internal Audit was noted, with the explanation that it related to the potential collaboration with UCLan.

Resolved: That

- (i) the Annual Report of the Audit Committee (2015/16) be accepted and be signed by the Committee Chair;**
- (ii) and be then submitted to the Corporation Board on 15th December 2016.**

34. Internal Audit (IA) Reports

Mr M Harding presented the Internal Audit reports on behalf of RSM, the College's Internal Auditors.

(i) Framework for Compliance – Counter Terrorism & Security Act 2015

Mr Harding confirmed that the review had resulted in 'substantial assurance'. He elaborated on the 3 action points which had been agreed with College Management.

Mr S Nixon advised on the strategies which were being deployed in order to attain 100% for staff training on Safeguarding and Prevent.

(ii) Cyber Security

Mr Harding confirmed that 'reasonable assurance' could be taken from this review. He advised that the review had been conducted by audit specialists in this field.

Mr Harding then drew attention to the 6 action points within the report

Mr Nixon advised on progress regarding the introduction of new processes, pointing out that although the remedial measures were both time-consuming and costly they were necessary,

(iii) Progress Report

In noting that the IA Progress Report confirmed that reviews in 2016/17 were on track, the Committee reflected on current developments (including the outcome of the Government's Autumn Statement) likely to affect the College. Mr Harding drew attention to impending advice on the Autumn Statement from the Internal Auditor.

There was also consideration of the need for independent assurance with regard to future models for operating. Mr Nixon confirmed that he would pick up this and other points when he met with the Internal Auditor in the near future.

(iv) Benchmarking Report 2015/16

Mr Harding presented the annual Benchmarking Report. He pointed out that Preston's College's assurance levels remained at or close to the sector's median points. He cautioned that there were tremendous variations between the colleges included in the comparison.

The Principal and Chief Executive emphasised the fact that that the College routinely sought to direct internal audit reviews to areas of concern so as to genuinely improve the College as opposed to focusing on areas that would lead to strong assurances. The Committee concurred with this laudable and, pragmatic and valuable approach and advocated a strategy whereby new or changed systems were reviewed so as to obtain maximum value for audits.

(v) Internal Audit Annual Report

Mr Harding drew the Committee's attention to the positive contents of the Annual Report. He confirmed that the strong culture of continuous improvement within the College continued and there had been an impressive level of support from College staff.

The Committee examined the report, noting the reassuring opinion of the Head of Internal Audit in section 1.1 of the Report.

Resolved : That the Internal Audit Reports, including the Annual Report on 2015/16, be noted.

35. Risk Management

(i) Annual Report on 2015/16

Mr S Nixon presented the Annual report. He reminded the Committee that the format of reporting had been changed during the course of the year so as to articulate 'risk appetite' more clearly. He also reminded the Committee about the new risks which had emerged in the course of 2015/16.

Resolved : That the Risk Management Annual Report be noted.

(ii) Risk Management Register

Mr S Nixon drew the Committee's attention to the current Risk Register and particularly to those 'High' risks where risk movement showed heightening degrees of exposure.

The Committee considered each of the four such risks identified in the report, noting Mr Nixon's comments in respect of mitigating measures and the prospect of effectively managing the associated challenges. In broad terms, the major concerns revolved round the failure to secure funding/income, including via student recruitment.

The Committee also noted and concurred with Mr Nixon's assessment of risks which could be removed

Resolved : That

- i) current risks and actions (complete and incomplete) in the Risk Management Register be noted;**
- ii) Items 1.02 and 4.01 be removed from the Risk Register, with 1.03 retained.**

36. Annual Report and Financial Statements (2015/16)

Mr Nixon introduced the report and outlined the decisions required from the Committee. He confirmed that the Committee's role was largely to consider whether the audit process provided suitable assurance to enable the Board to approve the content of the financial statements. He reminded the Committee that the Letter of Representation was for the Board to accept and execute, following any recommendations of the Committee.

Ms H Knowles reported that the audit process had proceeded very smoothly despite the additional challenges which the introduction and application of FRS 102 had presented. With only a few final checks now awaited, she was confident that the External Auditor would be able to give a clean opinion on regularity and on the overall financial position.

Ms E McIntyre then talked through each section of the Management Letter, outlining the issues behind the 3 audit adjustments (none of which affected the College's 'bottom line'). Mr Nixon reported on how steps taken to prevent similar occurrences.

The Committee noted Ms McIntyre's comments on the absence of fraud, audit independence, FRS 102 alignment, pensions assumptions (noting the possible consequences of the impending revaluation), regularity, going concern status and audit differences.

The External Auditors thanked the College for their helpful approach and explained how this had greatly assisted the audit process. In closing the Auditors confirmed that the College was in a relatively healthy financial position in what was an extremely challenging public sector environment. The Committee noted the strong management of the College's

finances and associated processes.

Resolved: (i) That the audit process undertaken gave sufficient confidence to provide assurance that the Financial Statements for 2015/16 had been prepared in a satisfactory manner, and

(ii) That, following receipt of suitable assurance from College Management, the Corporation Board be recommended to authorise that the Letter of Representation be signed.

37. Internal Audit Plan for 2016/17

It was noted that approval of the 2016/17 Internal Audit Plan had already been secured via Written Resolution of the Committee. For completeness and for any further discussion, the Plan was now presented in full.

Resolved : That approval of the 2016/17 Internal Audit Plan be confirmed.

38. Date of Next Meeting

It was noted that the next meeting of the Committee will be at 5.30pm on 16th March 2017.