

Preston's College

Notes of the Inquorate Meeting of the Audit Committee held on 2nd December 2015 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

Paul Williams (Chair)
Steve Browne (Vice-Chair)

In Attendance

Stephen Fell
Simon Nixon
Lis Smith

Lisa Randall (RSM)
Erin Macintyre (KPMG)
Amanda Latham (KPMG)

Those present were informed that, in the absence of Mr Readett, the meeting was inquorate. It was agreed that the meeting go ahead in an inquorate capacity and Mr Readett's approval be sought to ratify decisions after the meeting.

1. Welcome and Apologies

Mr Fell reported that no apologies had been received.

2. Declarations of Interest

No declarations of interest were made.

3. Appointment of Chair and Deputy Chair

Proposed: That Paul Williams be appointed as Chair and Steve Browne be appointed as Vice-Chair.

In the absence of formal capacity to appoint a Chair, Mr Williams acted as Chair an informal capacity for the duration of the meeting.

4. Terms of Reference

Mr Fell drew the attention of those present to the Terms of Reference for the Committee. In response to a query from the Internal Auditors Mr Fell confirmed that the Terms of Reference specifically prohibited staff members were from serving on the Committee, as per the Joint Audit Code of Practice. Mr Fell also reported that the College's Search and Governance Committee largely comprised independent members of the Board.

Proposed: That the report be noted.

5. Internal Audit Reports

Lisa Randall presented the Internal Audit reports on behalf of RSM, the College's Internal Auditors.

Safeguarding Key Controls

Lisa Randall presented a report setting out the outcome of a review of the College's Safeguarding Framework and confirmed that the conclusion was positive.

Employer Engagement/Responsiveness

Those present questioned the robustness of employer facing activity figures referred to on page 2 of the report. It was agreed that it may be appropriate for an audit of this projection and the detailed related operations of the College to form part of the Internal Audit Plan for 2016/17 given the importance of this area to the College.

Progress Report

Lisa Randall commented on the College's proactivity and positivity and talked through the key aspects of the report. Those present requested that the client briefings referred to on page to be circulated to Committee members, directly from the Internal Auditors.

Annual Report

Lisa Randall drew the attention of those present to the positive contents of the report. She confirmed that there was a strong culture of continuous improvement within the College and that the firm had received a strong level of support from the College.

Those present thanked the Internal Auditors for the more concise format of the reports.

Proposed: That the reports be noted.

6. Audit Register

Mr Nixon talked through the Company's Audit Register and the accompanying summary report.

Those present sought clarification in respect of the student outcome achievement data and whether this action was linked to the recent issues regarding inaccurate forecasting. Mr Nixon confirmed that the process for recording achievements and destination data had been reviewed and was fit for purpose and that the incorrect forecasting was a separate matter.

Lisa Randall confirmed that there would be a follow up report that would include consideration of outstanding matters. Those present also requested that the Audit Register be amended to include a column entitled "Carried forward and awaiting external validation".

Proposed: that

- i) the Audit Register be approved; and
- ii) amended to include an additional column entitled "carried forward and awaiting external validation."

7. Members' Report and Financial Statements

Mr Nixon introduced the report and briefly talked through the decisions required from those present. 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.

Erin McIntyre and Amanda Latham talked through the detailed aspects of the financial statements and the audit highlights memorandum. Those present noted the content of the “standard” representation letter which contained no specific representations.

The External Auditors confirmed that the audit process had been extremely smooth and thanked the College for the cooperation. In closing the Auditors confirmed that the College was in a relatively healthy financial position in what was an extremely challenging public sector environment. Those present noted the strong management of the College’s finances and associated processes.

The Auditors confirmed that FRS102 was not expected to have a significant impact upon the College’s financial statements for next year.

Mr Nixon confirmed that the revised engagement letter would be presented to the Board for their consideration at their meeting on 17 December 2015.

Finally, Mr Nixon confirmed that documents would be amended to refer to RSM (formerly Baker Tilly).

Proposed: That i) the audit process undertaken gave sufficient confidence to provide assurance that the financial statements had been prepared in a satisfactory manner; and

ii) following receipt of suitable assurance from management, the Board be recommended to authorise that the letter of representation be signed.

8. Risk Management Register and Annual Report

Those present received the College’s Risk Management Register and covering report, supported by a brief presentation from Mr Nixon who explained that the Register had been refined to take account of prior Internal Audit Reviews and to reflect the risks associated with the College’s Strategic Plan. He drew the attention of those present to the new risks relating to, inter alia, the Comprehensive Spending and Area Reviews and the attendance and punctuality of learners.

Those present noted the volume of red-rated items but recognised that this was representative of the challenges faced by the sector.

Proposed: That i) the Risk Management Register and Annual Report be noted; and

ii) the current risks, actions completed and further actions still to be completed be agreed.

9. Annual Report of the Audit Committee

Those present received the Annual Report of the Audit Committee. Mr Nixon explained the content and purpose of the report. He confirmed that reference to RSM would be amended to reflect the transition from Baker Tilly.

Proposed: That the report be approved for onward submission to the Board.

10. Matters to be Discussed in the Absence of Officers

Those present confirmed that there were no items they wished to raise under this heading.

11. Any Other Business

Terms of Office for the College's External and Internal Auditors.

Mr Nixon reported that the College was hoping to shortly undertake a tender process for the Internal Audit function and that it was proposed that the term of office for KPMG, the External Auditors, be extended for a further year.

After a brief discussion, whilst those present recognised that Internal Auditors were technically no longer required, those present agreed upon the importance of retaining the service given its value to the College.

Proposed: That the Board be recommended to approve that

- i) the College continues to have an internal audit function;
- i) a tender process to appoint internal auditors be undertaken in April 2016; and
- ii) KPMG be appraised of the internal audit situation and offered a contract extend their term as external auditors for a further year.