**PRESTON’S COLLEGE AUDIT COMMITTEE MEETING MINUTES - 22ND NOVEMBER 2017**

**Present:**

Mr E Bassa

Mr M Driver

Mr T Readett

**In Attendance:**

Mr S Nixon (Executive Director Resources)

Dr E H Smith (Principal and Chief Executive)

Ms H Knowles (KPMG)

Mr M Harding (RSM)

Ms J Crowther (Clerk to the Corporation)

**Apologies**

Mr J Wilson

**ITEM 1:** **Welcome and Apologies:** The chair welcomed members and noted apologies.

**ITEM 2:**  **Declarations of Interest:** No additional interests were declared.

**ITEM 3: Minutes of the meeting held on 14th June 2017:**

The question of bad debt written off was raised, and it was agreed that although this would be handled at the Resources Committee, a full list of any debt over £1k written off would be copied to the Audit Committee. The Principal confirmed that any learner with outstanding debt would not be able to re-enrol on a programme in College without the debt being cleared. Any learner in this position would receive support, where appropriate from the college.

**Resolved: The minutes were agreed as an accurate record of the meeting**

**ITEM 4: Audit Committee Annual Report 2016/17**

The Clerk presented the Annual Report to the Audit Committee providing a summary of the activity of the Committee in the year ending 31st July 2017, presented with the annual report of the Internal Auditor, and the Management Letter of the Financial Statements Auditor. The Internal Auditor report provided a summary of the work undertaken, and assurance that sufficient audit work had been completed. Seven areas of work had been reviewed in year, and overall, 40 management actions were recommended and 32 of the 40 had been fully implemented or superseded. The remaining actions had been restated for further review as part of the follow up work for 2018. The Opinion of the Internal Auditor was, “The organisation has an adequate and effective framework for risk management, governance and control. However, our work has identified further enhancements to the framework for risk management, governance and internal control to ensure that it remains adequate and effective.”

The Financial Statements Auditor provided an unqualified opinion on the financial statements of the college for the year end 31st July 2017 that they, “Give a true and fair view of the Group’s and of the College’s affairs as at the 31st July 2017, and have been properly prepared in accordance with the UK Generally Accepted Accounting Practice.” They also confirmed that there were no recommendations arising from the 2016/17 audit.

**Resolved: The Annual Report be approved for onward submission to the Board.**

**ITEM 5 Internal Audit Reports:**

The auditor confirmed that agreed areas had been examined and reported on. **Curriculum Planning:** the report commented on the process and procedures for planning and alignment to College priorities. The review noted good practice with clear links across College. The Principal noted that some small changes may yet be made to take into account the introduction of the Technical Levels.

**English and Maths:** The report acknowledged the work that had gone into the area, but identified that there were still targets that had not yet been met. Management actions had been raised to progress this. Members noted that the College was still finding it difficult to meet attendance targets in English and Maths. The Principal confirmed that a dual approach was now taken, with differences in messages to learners to make this part of the approach to employability, and this appeared to have had some traction and improvements had been seen. Heads of School and Student Managers work together, improved induction and changes to timetabling had further supported this. The Principal confirmed that alongside this, there had also been significant improvements in attainment in English and Maths.

The overall opinion was that, “The organisation has an adequate and effective framework for risk management, governance and control. However, our work has identified further enhancements to the framework for risk management, governance and internal control to ensure that it remains adequate and effective.”

**Resolved: The Committee approved the submission of the report to the Corporation Board on the 14th December 2017**

**ITEM 6 Annual Report and Financial Statements (2016/17) Management Letter and Letter of Representation.**

Mr Nixon confirmed that the draft accounts had been included in the appendix for assistance. The auditor confirmed the key points from the report and noted the following. The audit was now substantially complete, with some final checks, and it was anticipated that an unqualified opinion will be given in terms of regularity along with a clean audit opinion overall. Attention was drawn to page 5 of the report and the adjustment noted there with regard to support funds. It was agreed that this was due to a change in accounting treatment rather than an error. It was noted that on page 13/14 there was an error with regard to the Terms of Office of two Members of the Committee. This was to be adjusted.

The Chair raised the issue of one Member’s declaration of a senior role with Preston City Council as to whether or not he could be seen to have influence on any purchasing decisions for either organisation. It was noted that the relationship existed, but it was agreed that it was not sufficient in terms of risk to merit any further action. The nature of the transactions was discussed, and it was agreed that there was no risk for 16/17.

\*Post Meeting Note: The report should have mentioned Lancashire County Council rather than Preston City Council. This was later clarified by the auditors with Mr Nixon, and the report amended to reflect this.

**Resolved:** **The report was received. It was agreed that the letter of representation would be recommended to the Board for signature.**

**ITEM 7 Funding Audit.**

Mr Nixon confirmed that the Funding Assurance Review had been undertaken. He further advised the Committee that the ESFA select a number of Colleges in a year for audit. Selection is on a random basis, or on a risk basis where concerns are received. The College was selected as part of the random sample, not the risk based approach. Auditors were looking for evidence that funding had been claimed correctly by selecting samples of learners. Mr Nixon confirmed that a couple of issues had been raised but adjustments totalled under £10k so were not considered significant. It was confirmed this was a successful outcome. Some recommendations to improve systems had been made and were due to be implemented quickly. Congratulations were offered by the Chair to college staff on the work to support the audit.

**Resolved: The positive outcome from the Funding Audit was noted.**

**ITEM 8 Risk Management Register and Annual Report.**

Mr Nixon confirmed that there were no significant changes to the paper presented to the Board. Changes to the Risk Register in terms of risks introduced or removed during the year were noted, and these were, changes with regard to Area Review, the Apprenticeship Levy, relationships with HE partners, and the changes to data protection coming into force with General Data Protection Regulation (GDPR) in May 2018. It was noted that the changes with regard to Area Review related to the planned relationship with UCLan. The Principal confirmed that this was now potentially high risk, and the situation was to be discussed and addressed in a Special Board Meeting on the 30th November.

Mr Nixon commented that in terms of the recent Budget Statement, there was nothing at first sight that posed an immediate risk to in year funding for FE.

**Resolved: The report was noted and current risks, actions completed, and further actions were agreed.**

**Date and time of next meeting: 5.30pm Wednesday 14th March 2018**