

## Preston's College

### Redacted and Abridged <sup>1</sup>Minutes of the Audit Committee Meeting held on 10 June 2020 at 5.30pm via Zoom

#### Present:

Mr M Driver                      Chair  
Mr E Bassa  
Cllr J Mein  
Mr T Readett

#### Apologies:

Mr D Patel                      Apologies received retrospectively

#### In attendance:

Mr K Azeem                      Internal Audit, RSM      (Until close of Minute 7)  
Ms L Randall                      Internal Audit, RSM      (Until close of Minute 7)  
Mr S Nixon                      Executive Director – Resources  
Mrs C Rayner                      Clerk to the Board  
Dr E Smith                      Principal & Chief Executive

#### 1. Welcome and Apologies

The Chair welcomed everyone to the meeting, and introduced Ms Randall, Internal Audit RSM.

The Chair welcomed Mr Bassa who had returned to the Audit Committee temporarily during the coronavirus shutdown and recorded thanks to Mr Bassa for his support and contribution to the Committee.

It was noted that a quorum was present.

#### 2. Declarations of Interest

No declarations of interest were noted.

#### 3. Minutes of the meeting held on 11 March 2020

The Committee agreed the minutes of the meeting on 11 March 2020 part 1 and part 2 as a correct record.

**Resolved: that the minutes of the meeting on 11 March 2020 part 1 and part 2 were agreed as a correct record.**

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

#### **4. Matters arising**

The Committee noted the reports (part 1 and part 2) on progress on actions from previous meetings.

#### **5. Internal Audit Review Reports**

##### **a) Five Year Plan Framework**

Mr Azeem, Assistant Manager – RSM, presented a report on the Five Year Plan Framework which he advised should be read alongside the Risk Management review. He reported that through testing and review of evidence substantial reassurance could be provided that the College had a robust framework in place to identify, support, and monitor progress in relation to the Five-Year Plan. He reported that no management actions had been identified.

The Committee noted the Five Year Plan Framework report and were pleased to note internal audit's review provided substantial assurance.

##### **b) Further Education Benchmarking Report**

Mr Azeem and Ms Randall presented the FE Benchmarking report. They made reference to:

- how the report enabled the Committee to review the College's performance against others in the FE sector;
- the benchmarking data provided was based on all of the internal audit assurance reports and annual reports RSM had issued to FE clients during the audit year 2018-19;
- the majority of the College's audits resulted in reasonable assurance provided;
- the expectation that the College's performance compared to other colleges would vary year on year depending on the audits conducted;
- there had been a slight decrease in the number of management actions identified in the College's audits;
- the number and type of management actions was in line with the sector.

The Committee discussed the report with RSM and College management. The Committee noted that to ensure the College gained best value from internal audit, College management and the Audit Committee would normally focus on areas which required development or review and therefore it was to be expected that audits generated management actions.

##### **c) Internal Audit Progress Report**

Ms Randall presented the Internal Audit Progress Report, dated June 2020 which provided a summary progress against the internal audit plan for 2019/20 and a summary of work to date.

The Committee noted that:

- completion of the Timetabling and Registers audits had been delayed due to the Covid-19 pandemic and the College's closure;
- Key Financial Controls – General Ledger, Apprenticeships and Follow Up audits had been rescheduled due to the College's closure and were due to commence from 13 July 2020;
- as the College expected its subcontracted provision to exceed £100,000, a subcontracting controls review was required to comply with ESFA requirements for funding provision. It was noted that this review would be in addition to the Internal Audit Plan and covered by a separate letter of engagement;
- conducting audits remotely using MS Teams and Zoom had worked well to date.

Ms Randall referred to the additional RSM reports provided as appendices:

- RSM – Helping our Internal Audit Clients on the Road to Recovery;
- Cyber security risk - Remote working and new challenges.

Ms Randall reported that, following meetings with management on the Internal Audit Plan for 2020/21, it was proposed that the Committee did not confirm the audit plan for 2020/21 at this meeting to allow opportunity for the Committee, internal audit and management to further reflect on the impact of Covid-19 pandemic and how this could impact on the topic of future audits. It also allowed time to review internal audit activity in the sector, particularly in relation to Covid-19 risk management.

The Committee discussed the impact of Covid-19 including and noted:

- consequences of moving to online learning and the different safeguarding and Prevent related risks;
- increased necessity to support the mental health of staff and students;
- importance of engaging with students joining the College from September. It was noted that 'Sprint start' activities had been implemented to encourage new students to engage with the College before they started their courses in September;
- the curriculum of the first term would need to be adapted to allow time settled back into study.

Following discussion, the Committee agreed that it would not approve the audit plan for 2020 at this juncture and to consider in the first term of 2020/21 academic year.

The Committee noted the Internal Audit Progress Report.

**Resolved: The Committee noted all reports and agreed to postpone the approval of the Internal Audit Plan 20/21 until Autumn 2020.**

## 6. Risk Management Register

Mr Nixon referred to the Risk Management Register and the Reopening Post Covid-19 Risk Assessment.

Mr Nixon outlined the improvements to the Corporate Risk Register process which had been implemented as a result of the internal audit of the risk registers. He reported that local risk registers were now embedded in schools and support areas.

Following a request from the Chair, Mr Nixon agreed to reformat the Risk Register to show the residual risk categorised in order: high risks (red), then moderate risks (amber) actions and low risk (green) to help the Committee identify the more significant risks at a glance.

Mr Nixon referred members to the Risk Register, dated June 2020, and outlined the changes made to the risk register in light of the impact of Covid-19. He reported:

- the described risks remain the same, but the current position and further mitigations required had been impacted massively by the coronavirus pandemic;
- the current situation affected almost every risk on the register, and should also be read in conjunction with the specific Reopening Post Covid-19 risk assessment provided to the Audit Committee and the Board;
- on potential impact of Covid-19 on student numbers for 20/21;
- Apprenticeships had been the hardest hit type of activity. Mitigating actions in 19/20 had helped to minimise the financial impact, but they remained the highest risk income line for 20/21 in terms of size, significance and likely impact of Covid-19 on employers;
- College plans for 20/21 were based on broadly achieving a level of new starts comparable to that expected through the original five year plan, albeit that the timing of these starts was likely to be delayed. This would have financial consequences which were being worked through as part of budget setting;
- on financial risks relating to surplus generation, cash flow and financial health had generally worsened since lockdown, potential impact on surplus and efforts to protect income through remote learning, and achieving cost savings where possible;
- on the situation re bank financial covenants;
- that management were closely monitoring cash flow.

The Committee discussed the Reopening Post Covid-19 Risk Assessment and the College's re-opening plans. The Committee noted that the risk assessment was a work in progress document and consultation continued with governors, staff and unions.

The Principal and Chief Executive referred to the publication of government guidance to FE colleges on re-opening and outlined the College's plans to re-open the College for limited numbers of students and staff.

The Committee discussed the risks involved of re-opening the College with management noted:

- the importance of ensuring learners were not disadvantaged by allowing examinations and assessments to take place on site if it was safe to do so;
- restrictions in place to ensure staff and learner safety with only essential staff and learners allowed on site;
- the size of the campus and how the space could be used to implement social distancing;
- there was a possible risk of Personal Protection Equipment (PPE) shortage due to global demand but there was time to resolve this;
- noted the supportive response of unions to date to the College's re-opening plans and that a Health and Safety Committee had been established with the unions.

Members highlighted the importance of ensuring staff and learner safety at all times, particularly if the College's approach differed from government guidance, and management provided assurance that staff and learner safety was paramount.

The Chair reported that due to the unprecedented nature of the coronavirus shutdown it would be useful to ask the Board to revisit the Risk Register and the Covid-19 Risk Assessment and feedback if they had any additional comments or suggestions, including from experiences within their own organisations, to ensure no risks had been omitted. It was agreed that the feedback would be reviewed by the Chair of Audit with the Principal and Chief Executive and the Executive Director of Resources and the Risk Register and Covid-19 Risk assessment would be revised if appropriate.

**Resolved: The Committee:**

- **noted the Risk Management Register, dated June 2020, the current risks, actions completed and further actions still to be completed;**
- **noted the Reopening Post Covid-19 Risk Assessment.**

**Actions:**

**The Risk Register to be reformatted.**

**The Clerk to ask governors to feedback further comments and suggestions on the Risk Register and the Reopening Post Covid-19 Risk Assessment.**

**7. Audit Register**

Mr Nixon presented a report on the Audit Register, dated June 2020, which summarised all outstanding or partially completed recommendations arising from internal and external audits undertaken over the last year with a RAG rating of progress towards implementation. The Committee noted that progress of some actions had been impacted by the College's closure and necessity for staff to prioritise the implementation of remote learning.

The Committee noted the Audit Register and progress to date.

**Resolved: The Committee noted the Audit Register, dated June 2020.**

*Mr K Azeem and Ms Randall left the meeting.*

## **8. Appointment of External Audit Service**

Mr Nixon referred to the decision at the previous meeting to tender for external audit services. He presented his report which summarised the process to date. The Committee noted:

- the evaluation panel comprised of Marcel Driver, Chair of Audit Committee, Simon Nixon, Executive Director - Resources, Mark Airey, Head of Finance, and Steven Eaves, Senior Procurement Officer. It was noted that the Clerk had observed;
- update on response via Crescent Purchasing Consortium (CPC);
- the panel's combined tender scores.

The Committee discussed the process, the recommendation of the evaluation panel to appoint Grant Thornton and fees.

Following discussion, the Committee endorsed the recommendation of the appointment panel and agreed to recommend to the Board the appointment of Grant Thornton for a period of three years from 10<sup>th</sup> July 2020, which could be extended by a further year at the discretion of the Board.

The Committee agreed to refer its recommendation for consideration at the next meeting of the Board in order to confirm the arrangements for the next three year period.

**Resolved: To recommend to the Board the appointment of Grant Thornton for a period of three years.**

## **9. Any other business**

There was no other business on this occasion.

## **10. Date of next meeting**

It was noted that the next meeting date would be confirmed following the July Board meeting.

*The meeting concluded at 7.10pm*