

Preston's College

Minutes of the Audit Committee Meeting held on 25th November 2020 at 5.30pm via Zoom

Present:

Mr M Driver Chair
Mr S Browne
Cllr J Mein
Mr D Patel
Mr T Readett

In attendance:

Mr K Azeem Internal Audit, RSM
Mr M Frankish Engagement Lead, Grant Thornton (until Minute 4 (c))
Ms C McCourt Audit Manager – Grant Thornton
Mr S Nixon Executive Director – Resources
Mrs C Rayner Clerk to the Board
Dr E Smith Principal and Chief Executive
Mr I Stott Head of Department – MIS, ICT & Data Services (from Minute 4 (b) until Minute 4 (f))

1. Welcome and Apologies

The Chair welcomed everyone to the meeting. All members introduced themselves to Ms McCourt and Mr Frankish from Grant Thornton.

It was noted that a quorum was present.

2. Declarations of Interest

No declarations of interest were noted.

3. Annual Report, Financial Statements, Management Letter

The Chair explained that, in a variation to the order of business, the Annual Report and Financial Statements the Grant Thornton's Management Letter would be considered first to allow Mr Frankish to attend another meeting later that evening. Mr Frankish thanked the Chair.

The Committee:

- considered the draft Annual Report and Financial Statements for the year ended 31st July 2020 and the draft Management Letter dated 25th November 2020;
- noted the regularity self-assessment questionnaire (2019 to 2020) and the additional Annex A - Additional Issues for Corporations to Consider (2019 to 2020) which related to Covid, which would be signed by the Chair of the Governing Body;
- noted the Resources Committee would review the financial statements at its meeting on 26th November 2020.

Mr Frankish, Engagement Lead - Grant Thornton, referred to the challenges in 2020 as it was their first audit and auditors had largely worked remotely to Covid restrictions. He also outlined the potential impact of Covid on impairment of assets and pension assumptions.

Ms McCourt provided further information on the pension assumptions and potential impact of Covid on the investment market. She reported that Grant Thornton awaited further information in relation to scheme assets and the impact of the material uncertainty caveat on the property assets held by the Local Government Pension Scheme.

Ms McCourt outlined three internal controls deficiencies identified during the audit:

- opening balances on income and expenditure accounts;
- reconciling retained earnings;
- segregation of duties - due to the small size of the finance team, the Head of Finance could post journals, which was a common risk identified with most colleges.

The Committee noted that the risks identified in opening balances on income and expenditure accounts and reconciling retained earnings related to limitations of external accounting software.

In discussion of the risk for posting journals, Mr Nixon provided assurance that he reviewed any journals posted by the Head of Finance who would only post journals in exceptional circumstances. Members queried why the risk remained red given the controls in place. Mr Frankish explained that the Audit Committee needed to be satisfied with the controls in place. The Committee Member discussed the risks and the controls in place. A member suggested that internal audit could review the controls. Following discussion, Grant Thornton agreed to provide further description of the risk and the recommendation for review by the Committee in 2021 in the first instance.

In response to queries the Committee noted;

- the timing of the impairment review could affect whether there were any changes to asset values;
- Education and Skills Funding Agency (ESFA) funding confirmation was expected in December.

The Committee noted that the ESFA had extended the submission date for the 2019/20 financial statements due to Covid. However, College management and Grant Thornton continued to work to the deadline of the 10th December Board meeting. The Committee noted that, pending a number of the outstanding matters, Grant Thornton expected to be in a position to sign the audit opinion on the College's financial statements on 10th December 2020.

The Committee agreed that, following confirmation from Grant Thornton on outstanding matters, it could inform the Board that the audit process undertaken to date provided sufficient confidence to provide assurance that the financial statements and associated regularity self-assessment review had been prepared in a satisfactory manner. The Committee agreed it would either approve this at a short meeting before the Board meeting or by written resolution.

Resolved: The Committee to give assurance to the Board that the financial statements and associated regularity self-assessment review had been prepared in a satisfactory manner, subject to confirmation from Grant Thornton on outstanding matters.

Action: Grant Thornton agreed to review the segregation of duties risk and provide further description of this risk and recommendation.

4. Internal Audit Review Reports

a) Key Financial Controls – General Ledger

Mr Azeem, Assistant Manager – RSM, presented a report on the Key Financial Controls – General Ledger, which was designed to assess whether College’s controls and processes in relation to the general ledger system, OpenAccounts, were appropriately designed and complied with. He reported that there were no management actions from this audit.

Mr Stott joined the meeting.

b) Timetabling and Registers Framework

Mr Azeem presented a report on the Timetabling and Registers Framework. He reported that substantial assurance could be given that the controls upon which the College relied to manage the identified risks were suitably designed, consistently applied and operating effectively.

The Committee noted this internal audit work had taken place at the request of the Audit Committee. Mr Stott, Head of Department – MIS, ICT and Data Services, confirmed that the IT system had been adjusted to ensure that learners could not be marked as in attendance prior to lessons as this had been identified as a risk.

c) Subcontracting Controls

Mr Azeem presented a report on Subcontracting Controls. He explained that as the College’s subcontracting provision was more than £250,000, as per ESFA funding agreements, the College must obtain a report from an external auditor on the arrangements in place to manage and control their subcontractors.

Mr Azeem reported on the four management actions identified related to the Adult Education Budget apprenticeships Pre May 2017 and the Post 2017 Apprenticeships.

During discussion with Mr Azeem and management the Committee:

- noted that the signed Subcontracting controls certificate had been issued to ESFA by the College and the College had submitted the report to ESFA as part of a random standard sample check;
- agreed to consider whether compliance with ESFA subcontracting rules could be incorporated into an internal audit in future years;
- noted it was unlikely that the subcontracting element could impact of ESFA’s funding letter as it was a small part of the College’s income.

d) Apprenticeship Funding Assurance Review

Mr Azeem presented a report on Apprenticeship Funding Assurance Review. Mr Azeem referred members to the six management actions identified, four low priority, one medium priority and one high priority.

During discussion of the high priority management action relating to eligibility for funding and the correct funding being claimed, Mr Nixon and Mr Stott explained:

- that the action related to 10 learners in place prior to the ESFA clarifying the funding rules on negotiated price for frameworks;
- the framework complied with the ESFA funding rules in place at the learners' start date and had not been changed retrospectively in year;
- this would affect very few learners continuing into 2020/21. Mr Azeem advised that new processes should be put in place to ensure compliance with the new funding rules.

e) Follow up

Mr Azeem presented a report on the Follow Up report dated 20th November 2020. In response to a query Mr Azeem confirmed all high priority actions had been implemented.

f) Internal Audit Annual report

Mr Azeem presented the Internal Audit Annual report for 2019/20. It was noted that this would be appended to the Audit Committee's Annual Report to the Board.

Mr Stott left the meeting.

Resolved: The Committee noted the internal audit reports and endorsed the Action Plans.

Action: The Audit Committee to consider whether compliance with ESFA subcontracting rules could be incorporated into an internal audit in future years.

5. Minutes of the previous meetings

The Committee agreed the minutes of the meeting on 10th June 2020.

The Committee considered the minutes of the meeting on 28th October 2020 and noted that a correction would be made to the year in Minute 5 – Internal Audit Report. With this amendment the minutes of the meeting on 28th October 2020 were agreed as a correct record.

Resolved: The Committee agreed the minutes of the meetings on 10th June 2020 and 28th October 2020 as correct records.

6. Matters arising

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

7. Risk Management Register

Mr Nixon referred to the Risk Management Register. He reported that the following risks had been added:

- a risk related to the necessity to ensure that the College's Adult offer reflected the needs of learners and employers through effective curriculum design;

- a risk relating to learner engagement, particularly for remote learning as part of new blended learning approaches;
- a risk had also been added relating to not filling independent governor vacancies on the Corporation Board in 2021.

Mr Nixon referred to:

- particular oversight on Adult recruitment with good progress in the first quarter;
- impact of pension adjustments;
- income risks;
- the Resources Committee and the Board would consider a paper on the impact of Covid as the pandemic continued and possible scenarios and related opportunities, risks and mitigations in place, particularly risks to funding. The paper would prompt discussion of Board “red lines” going forward.

In response to a query, management confirmed that alongside risks related to Covid, there was the possibility of increased demand for training and the College would continue to work with stakeholders such as the Job Centre Plus and the Chamber of Commerce.

Resolved: The Committee noted the Risk Management Register, dated November 2020, the current risks, actions completed and further actions still to be completed.

8. Audit Register

Mr Nixon presented a report on the Audit Register, dated November 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 the Audit Register and progress to date.

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

9. Audit Committee Annual Report

Mr Nixon referred to the draft Annual Report of the Audit Committee 2019/20. The Committee noted that the final report would be considered by the Board at its next meeting with the Annual Report of Internal Audit 2019/20 included as an appendix.

The Committee agreed it would approve the Audit Committee Annual Report either by holding a short meeting or via written resolution, pending the final management report from Grant Thornton.

Resolved: The Committee considered the draft Annual Report of the Audit Committee. It was agreed that the Committee would approve the final version either by holding a short meeting or via written resolution, pending the final management report for Grant Thornton.

10. Senior Post Holder Expenses Report

The Clerk referred members to the Senior Post Holder (SPH) Expenses Report 2019/20 which had been developed at the request of the Audit Committee. She reported that:

- whilst the Committee had requested an expense report for SPHs, all travel and subsistence expenses paid for internally or using procurement cards during 2019/20 had also been included;
- the report would be provided twice yearly going forward and an interim report was scheduled for March 2021;
- the information would also be included in the Senior Post Holder Remuneration Committee's report to the Board.

The Committee discussed the report and noted the Senior Post Holder Expenses Report. Members noted that due to Covid, Senior Post Holders had travelled less during 2020.

Resolved: The Committee noted the Senior Post Holder Expenses Report.

11. Any other Business

The Clerk reported that, at the request of the Chair, at the next meeting she would provide an update into the College's dormant subsidiaries including their membership and work (objects).

12. Date of next meeting

It was noted that the next meeting date would be 10th March 2021.

The meeting concluded at 7.15 pm