

**Preston College**  
**Minutes of the Audit and Risk Committee Meeting**  
**held on 22 November 2023 at 5.30pm In the Boardroom**

**Present:**

Mr Marcel Driver	Chair
Mr Malcolm Goulding	(Until Minute 10)
Mrs Isara McKnight	
Mrs Sally Little	

**Apologies:**

Mr Steve Browne

**In attendance:**

Ms Audrey Cowan	Internal Audit Supervisor - Wylie and Bisset (Remote – Zoom)
Ms Helen Knowles	Director - Beever and Struthers
Ms Sana Mumtaz	Audit Manager - Wylie and Bisset
Mr Simon Nixon	Principal and Chief Executive (From Minute 2)
Mr Iain Stott	Vice Principal – Corporate Services (From Minute 2)
Mrs Clare Rayner	Clerk to the Board

**1. Audit and Risk Committee Closed Session**

Redacted.

**2. Welcome and Apologies**

The Chair welcomed everyone to the meeting. The Committee noted that apologies had been received from Mr Steve Browne.

The Chair welcomed Mrs Sally Little to her first Audit and Risk Committee meeting.

The Chair welcomed Ms Helen Knowles and Ms Sana Mumtaz from Beever and Struthers and Mrs Audrey Cowan, Internal Audit Supervisor - Wylie and Bisset, to the meeting.

It was noted that a quorum was present.

**3. Declarations of Interest**

The Committee noted the interest of senior post holders, i.e. the Principal and Chief Executive and the Clerk, in Item 7.

#### **4. Minutes of the Previous Meeting**

The Minutes of the Meeting on 14 June 2023 (Part 1 and 2) were agreed as a correct record.

**Resolved: the minutes of the meeting held on 14 June 2023 (Part 1 and 2) were agreed as a correct record.**

#### **5. Matters arising**

The Committee noted the report on progress on actions from previous meetings.

In response to a query on why the action on online training for governors from 2019 had not yet been fully completed, the Clerk explained that whilst other online training had been introduced for governors since this date, including Safeguarding and Prevent, GDPR was not yet available as an online training unit for governors and the action had therefore not been closed. She reported that the Search and Governance Committee and the Board had agreed that the next online training unit for governors should be Equality, Diversity and Inclusion and then she would progress GDPR. The Clerk explained that at present governors could not access the College's Canvas system for online training and she would work with staff at the College in the New Year to see if it would be possible for governors to use this system as it would make it much easier for governors to complete online units.

The Chair suggested that in the interim, a session on GDPR could be included in the Data Protection, Cyber Security and Artificial Intelligence governor CPD session planned for March 2024, which had been deferred from 19 October 2023.

**Resolved: The Committee noted the report on progress on actions from previous meetings.**

**Action: To include an update on GDPR as part of the session on Data Protection, Cyber Security and Artificial Intelligence.**

#### **6. Annual Report of Debts Written Off 2022/23**

Mr Iain Stott, Vice Principal – Corporate Services, presented the Annual Report of Debts Written Off 2022/23.

In response to a query, the Principal and Chief Executive explained that where County Court Judgements had been made but the debts had not been paid for accountancy reasons these were now written off the sales ledger due to the small values involved. However, the debts could still be paid back in the future.

In response to a query, the Principal and Chief Executive confirmed that there was no set time period before debts were written off and decisions were taken on a case by case basis.

Following discussion, the Principal and Chief Executive undertook to review whether it would be helpful to set a defined length of time, e.g. six months. He suggested that the

new Vice Principal – Finance would review when she joined the College in January 2024.

Members commented positively on the low cash value of annual debts written off at the College.

The Committee noted the report.

**Resolved: The Committee noted the Annual Report of Debts Written Off 2022/23 report.**

**Action: To review whether a set time period should be agreed for write offs.**

## **7. Senior Post Holder Expenses 2022/23**

Mr Stott presented the Senior Post Holder (SPH) Expenses 2022/23 report. The Committee noted the report.

**Resolved: The Committee noted the Senior Post Holder Expenses 2022/23 report.**

## **8. Internal Audit Reports**

### **a) Risk Management**

Ms Audrey Cowan, Internal Audit Supervisor - Wylie and Bisset, presented the Risk Management Internal Audit report. She reported:

- that an overall conclusion of Strong had been awarded;
- on the responses from governors to the risk management questionnaire;
- on two 'low' management recommendations including further development of the risk appetite statement as part of the Risk Management Framework and linking all the College's risks to the strategic plan;
- benchmarking with other colleges.

The Committee noted the report.

### **b) Subcontractors**

Ms Cowan presented the Assessment of Education Skill Funding Agency (ESFA) Subcontracting Standard for Funding Year 2022/23 Report. She reported that, as the ESFA's template must be followed, an overall grading was not given. However, assurance could be provided that controls were in line with standards.

Ms Cowan reported that three areas for improvement and three areas of good practice were highlighted in the report. It was noted that the next review would take place in three years' time.

**c) Follow up Review 2022/23**

Ms Cowan presented the Follow Up Review Report 2022/23. She reported that:

- an overall conclusion of strong had been awarded;
- 12 of 19 recommendations had been fully implemented, including four recommendations that were carried forward from 2021/22;
- where actions were outstanding, they were partially completed and plans were in place for completion during 2023/24.

Mr Stott reported that:

- the financial handbook was in development but was also connected to the development of the procurement strategy which had been delayed pending the implementation of the Procurement Act during 2024;
- updating of Business Continuity plans post Covid had been completed with scenario testing built in.

The Committee noted the report.

**d) Internal Audit Annual Report 2022/23**

Ms Cowan presented the Wylie and Bisset Internal Audit Annual Report for 2022/23. She reported:

- that Wylie and Bisset were satisfied that sufficient internal audit work had been undertaken to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes and a clean opinion could be given;
- that there were no high priority management actions and all other outstanding actions were captured in the follow up report;
- on benchmarking with other colleges which showed that the College had less management actions in total.

The Chair and the Principal and Chief Executive thanked the internal auditors and College staff for their work during 2022/23.

In response to a query, Ms Knowles reported that Beever and Struthers received all the internal audit reports as part of their risk assessment work and whilst they were unable to rely directly on the reports, they provided additional assurance on internal controls.

Members and management discussed the College's approach to risk management and the recommendation to develop the College's risk appetite statement. Members queried whether it would now be possible to adapt the risk

appetite to encourage progression of new opportunities alongside management of risks.

The Principal and Chief Executive responded that the College had a low appetite for risk due to the history of the College and the challenges over recent years. However, as the College had successfully emerged from these challenges, it was a good time to review risk appetite and taking risks in a managed way. It was suggested that risk appetite might be a good discussion for a future Board strategy day.

**e) Internal Audit Plan 2023/24**

Ms Cowan presented the Internal Audit Plan 2023/24 which was based on the Audit Needs Assessment and three year audit plan developed in 2021.

Members and management discussed with Ms Cowan:

- the schedule for each internal audit. The Principal and Chief Executive explained that it would be helpful for the Health and Safety internal audit to take place slightly later in 2023/24 as the College's Health and Safety Officer would leave the College at the end of December 2023. Members suggested moving the Safeguarding internal audit to February and Health and Safety internal audit to March;
- to include a review of Equality, Diversity and Inclusion (EDI) in the scope of the HR internal audit. It was suggested that this could include: a review of EDI provision which was in place, how staff were supported if they experienced life events whilst working at the College and staff awareness of the available support. Ms Cowan agreed that Wylie and Bisset could do a general overview of EDI provision within College policies and procedures as part of the HR internal audit. However, if more detailed work was required, more time would be need to be allocated. Members agreed a general overview would be sufficient at this juncture;
- that, as the financial aspect of apprenticeships had been audited extensively in recent years, whether it would be more beneficial to focus the internal audit on operational, safeguarding elements or viability of apprenticeships as the number of standards were introduced. Ms Cowan undertook to review the scope of this audit with management.

In response to a query, the Principal and Chief Executive outlined interim arrangements that would be in place for health and safety at the College until a new appointment could be made in 2024.

The Committee agreed to recommend the draft internal audit plan 2023/24 to the Board, subject to the changes agreed.

**Resolved: The Committee received the reports for information, endorsed the action plans and agreed to recommend the draft internal audit plan 2023/24 to the Board with the changes agreed.**

**Actions:**

- to add risk appetite as a potential topic for a future strategic planning day
- Wylie and Bisset to meet with management and update the plan as agreed.

## **9. Audit and Risk Committee Annual Report 2022/23**

The Committee reviewed the draft Audit and Risk Committee Annual Report 2022/23.

The Clerk explained that the draft report would be updated with any actions from the Committee's review of its effectiveness 2022/23 which would take place at the end of the meeting.

The Committee agreed to approve Chair's action for the Chair to sign the final version of the Audit and Risk Committee Annual Report 2022/23 following confirmation from Beever and Struthers that all outstanding matters had been completed and when the updated management letter had been received.

**Resolved: The Committee noted the draft Audit and Risk Committee Annual Report 2022/23 and approved Chair's action to approve the report.**

## **10. Annual Report Financial Statements, Management Letter and Letter of Representation**

### **a) Draft Preston College Financial Statement 2022/23 and Management Letter**

Mr Stott referred members to the draft Annual Report Financial Statements at Appendix A and the draft Management Letter at Appendix B.

Ms Knowles and Ms Mumtaz reported that the substantial work of the audit had been completed. They reported:

- that testing on income was being finalised;
- that the ESFA funding reconciliation would be reviewed when received;
- on the going concern statement and explained that the auditor's work could not be finalised as the review must reflect the position up to the date the audit report is signed, as required by International Standards on Auditing. However, based on the work completed to date, they had not identified any matters to draw to the Committee's attention;
- that the audit had been conducted in accordance with International Standards on Auditing (UK) and applicable law;
- on Preston College Education Fund (PCEF) which had been dissolved, however the College's balance sheet still recognised the entity as a fixed asset investment and this required amendment within the College's financial statements;
- on ongoing work on pensions and the rationale for not recognising the surplus as an asset as under FRS 102 as was unrecoverable;

- that the auditors had assessed the College's exposure to Reinforced Autoclaved Aerated Concrete (RaaC) and confirmed that none of the inspected structures of the building contained RaaC concrete and they were therefore satisfied that no provision or adjustment was required;
- that the auditors had considered the impact of the Harpur Trust vs Brazel ruling by the Supreme Court and were satisfied that no adjustments to existing policies and procedures were required and the matter would not have a material impact on the financial statements;
- statement on the auditor's independence.

In response to queries from members, management provided updates on:

- background on PCEF and an update on the use of the remaining PCEF, some of which had been used to support scholarship learners and gifted and talented learners;
- the College's subsidiary had been dissolved in 2022;
- expenditure to date from the Learner Support Fund, some of which had been used purchasing laptops. The management letter would be updated to reflect this.

#### **b) Letters of representation – regularity and audit**

Ms Knowles referred the Committee to the draft Letters of representation at Appendixes C and D.

#### **c) Regularity self-assessment questionnaire 2022/23**

The Committee noted the Regularity self-assessment questionnaire 2022/23 and agreed to provide assurance to the Chair of the Governing Body that this could be signed ahead of the Board meeting on 14 December 2023. The Committee agreed that it could inform the Board that the audit process undertaken to date had given the Committee sufficient confidence to provide assurance that the financial statements and associated regularity self assessment review had been prepared in a satisfactory manner.

**Resolved: The Committee agreed to inform the Board that the audit process undertaken to date had given sufficient confidence to provide assurance that the financial statements and associated regularity self assessment review had been prepared in a satisfactory manner.**

*Mr Goulding left the meeting.*

### **11. Risk Management Register**

Mr Stott presented the Risk Management Register. He reported that:

- the risk related to 16-18 learner numbers had been reinstated to the risk register as it was the start of term. Whilst early indicators were the College would surpass the allocation, there could be some attrition;
- T Level recruitment continued to be a challenge locally and nationally;
- increased risks relating to Adult Education Budget and Apprenticeship income due to the time of year. The risk status would be reviewed once the R04 ILR return had been submitted, which provided the first clear indication of the levels of income generated for these income streams;
- cost pressures remained a feature in many of the risks on the register. Close monitoring of budgets in-year through business planning and budget forecasting meetings has enabled the College to respond to these and manage them within budget and this close monitoring would continue throughout 2023/24.

In response to a query on significant risks, management referred to: the daily monitoring of income, the risk of cyber attacks due to the ongoing changing landscape, unknown people risks which were harder to mitigate, the impact of extreme weather on College buildings, apprenticeship income, mitigating staff stress levels, improving learner attendance and supporting staff as new technologies were introduced.

In response to queries, members discussed with management:

- the risk that achievement levels were not maintained due to increased learner numbers and the associated reputational risks;
- whether it would be beneficial to add 'risk type' category to the risk register. However, it was noted that many risks fell into more than one category;
- that local risk registers had greatly improved and were embedded throughout the College;
- how the risk register was used by management, the Board and the Committee.

Mr Stott undertook to review the format of the risk register in light of members' comments.

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

**Action: Mr Stott to review the risk register.**

## 12. Audit Register

Mr Stott presented the Audit Register report and updated the Committee on progress to date.

The Committee noted the Audit Register.



**Resolved: The Committee noted the Audit Register.**

*Ms Cowan left the meeting.*

### **13. Procurement Report**

Mr Stott presented the Procurement Report which outlined the rationale for postponing the development of the College's Procurement Strategy until 2024, in part to allow incorporation of the requirements of the Procurement Act, which had received royal assent on 26 October 2023 would be implemented during 2024. The Chair referred to previous discussions on whether there was a capacity issue. Mr Stott provided assurance that the College was compliant with Procurement law.

Following discussion, management undertook to include a draft strategy on the agenda of the next meeting in March.

The Committee noted the report.

**Resolved: The Committee noted the Procurement Report.**

**Action: To include the draft Procurement Strategy on the next agenda.**

### **14. Health and Safety Annual Report 2022/23**

Mr Stott presented the College's Health and Safety Annual Report 2022/23. Mr Stott reported:

- that the number of incidents in 2022/23 was 316, a reduction from 373 in 2021/22;
- that the number of Reporting of Diseases and Dangerous Occurrences Regulations (RIDDOR) incidents had reduced from eight in 2021/22 to one in 2022/23;
- that there had been an increase in near misses reports (7 to 15.) This was considered positive as it indicated that efforts to raise the profile of the importance of staff reporting near misses had been successful;
- on action taken as a result of near misses.

The Committee noted the report.

**Resolved: The Committee noted the Annual Health and Safety Report 2022/23.**

### **15. Data Protection Policy**

Mr Stott reported that the Data Protection Policy was reviewed annually and outlined a proposed minor change to the policy with a new reference to social media use.

The Clerk explained that the Data Protection Policy was not formally owned by any committee and the policy would be shared with the Audit and Risk Committee and Resources Committee for comment before it was considered by the Board on 14 December 2023. The Clerk advised that in particular, the Committee should review the policy from a risk management perspective.

The Committee noted the proposed changes to the Data Protection Policy.

**Resolved: The Committee noted the report on the Data Protection Policy.**

**16. Any other Business**

The Principal and Chief Executive recorded thanks to the external auditors for their work on the College's Report and financial statement external audit 2022/23.

The Chair recorded thanks to management and staff for their work on the Report and financial statement external audit 2022/23.

**17. Date of Next Meeting**

The Committee noted that the next meeting would be held on 6 March 2024.