

Preston College
Redacted and Abridged¹ Minutes of the Audit and Risk Committee Meeting
held on 18 June 2025 at 5.30pm on Zoom

Present:

Mrs Sally Little	Chair
Mrs Isara Cotton	Co-opted Member (Until Minute 7)
Mr Neil Fletcher	
Mr Malcolm Goulding	
Miss Hajara Ugradar	

In attendance:

Mr Mark Airey	Executive Director of Finance (From Minute 4)
Mr Jasper Ho	Audit Manager, Beever and Struthers (For Minute 10)
Mr Simon Nixon	Principal and Chief Executive
Mr Colin McNeil	Senior Internal Auditor - Wbg
Mrs Clare Rayner	Director of Governance
Mr Iain Stott	Vice Principal – Corporate Services (from Minute 4)

1. Welcome and apologies

The Chair welcomed everyone to the meeting. The Chair welcomed:

- Miss Hajara Ugradar to her first meeting since her appointment to the Board;
- Mrs Isara Cotton to her first meeting since her appointment as a Co-opted Member.

The Committee noted that all members were present.

It was noted that Gill Thornton, Director of Human Resources, had intended to join the Committee for the Closed Session but was experiencing technical difficulties and sent her apologies.

2. Declarations of Interest

No declarations of interest were declared.

3. Audit and Risk Committee Closed Session

Redacted.

4. Minutes of the Previous Meeting

Mr Airey, Mr Stott and Mr McNeil joined the meeting.

The Chair welcomed Mr Mark Airey and Mr Iain Stott from the College and Mr Colin McNeil from Wbg to the meeting.

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

It was noted that the Minutes of the Previous Meeting had been approved in the Closed Session.

5. Matters arising

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

The Director of Governance reported that over the summer the College would introduce new software called Smartlog for staff Continuing Professional Development (CPD) training, and that either Smartlog or Canvas would be used for the introduction of online General Data Protection Regulation (GDPR) CPD training for governors. Therefore, this action would be closed by the start of the next academic year. She explained that whilst online GDPR training had not been introduced to date, some governors had attended face to face training. The Committee noted the update.

Following a suggestion, the Committee agreed it would be helpful to introduce a target completion date to the report which would allow the Committee to better monitor progress, particularly with older actions.

In response to queries, the Director of Governance:

- explained that no actions would be removed from the report until the action stated “Closed” and therefore, if the Committee was not satisfied the action was closed it could be retained;
- suggested that now the new members had joined the Committee, the election of Vice Chair could be added to the agenda of the next meeting. The Committee welcomed this approach.

The Committee noted the matters arising report.

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

Actions: The Director of Governance to:

- **add a target completion date to the report;**
- **add appointment of Vice Chair to the agenda of the next meeting.**

6. Internal Audit Annual Report

Mr Stott, Vice Principal – Corporate Services, introduced the Internal Audit Annual Report for 2024/25.

Mr McNeil, Senior Internal Auditor - Wbg, reported:

- on the summary provided of internal audits completed during 2024/25 with overall conclusions and recommendations;
- benchmarking against other colleges and organisations;
- Wbg’s grading structure.

In response to questions and comments from members, the Committee noted:

- that the grading structure used by Wbg was a generic structure which they used for all clients;
- the KPIs used by Wbg for completion of internal audit reports and reasons they might not always be achieved;
- that some recommendations had only been partially completed and these could be discussed under the Audit Register Agenda Item.

The Committee discussed that whilst it was encouraging that the College had performed well in recent internal audit reports, with six rated strong and one rated substantial and no high priority recommendations, the Committee should consider whether it was identifying the most appropriate focus areas for audit. It was noted that as the current internal audit contract would end in July 2025, the Committee would need to consider the scope of future audits going forward. It was noted that some internal audits were determined by requirements of external bodies such as funding and payroll audits.

Mr McNeil confirmed that the same systems for selecting audits was used at different firms and usually included financial, HR and governance audits and beyond these audits the internal audit plan could be scoped to meet clients' needs.

The Committee discussed whether going forward a three-year internal audit plan should be agreed or if it was preferable to agree the plan by year to allow the Committee more flexibility to react if issues emerged. Members suggested reviewing the risk register to see if any existing risks, such as attendance, or emerging risks might benefit from an internal audit.

The Committee recorded congratulations to management on the internal audit report 2024/25.

The Committee noted the report.

Resolved The Committee noted the Internal Auditor's Annual Report.

Action: The Committee to review its approach to future internal audit plans.

7. Risk Management Register

Mr Stott, Vice Principal – Corporate Services, referred to the Risk Management Register at Appendix A. Mr Stott reported:

- that he had produced a condensed version of the Risk Register;
- that the commentary on risks had been reviewed, reduced and updated since the last meeting;
- the risk of litigation, which had been introduced at the last meeting, remained;

- that, following a recent governor resignation and a forthcoming governor retirement, the risk of not appointing new governors should return to the risk register with revised dates;
- that the risk “Changes in Board membership have adverse impact on College strategic direction and/or oversight” had been retained as the Governing Body did not currently have a Vice Chair. However, the Board would consider a report on this at its meeting on 3 July 2025;
- the risk relating to 16-18 student recruitment remained on the register, even though the College had a very positive year and had surpassed its recruitment target;
- due to the levels of growth in many colleges, the Department for Education (DfE) was only able to afford to fund growth at 66%. This resulted in the College receiving an additional in-year income in the allocation of c£426k. The DfE also reconciled the T Level student numbers and reduced the T Level income by c£98, due to the College not recruiting the number of T Level learners in the allocation. The net in-year increase in the 16-18 allocation was £329k and there would be a further reconciliation at the end of the year;
- the risk of failing to meet the Adult Skills had reduced;
- the risk of failing to achieve the Apprenticeship income had reduced;
- as reported at the Deep Dive session, the risk of cyber-attacks had increased, and the reasons for this including with the cyber breaches of a number of well known retailers;
- some College Helpdesk processes had been changed to reduce cyber risk;
- that following awareness raising across College, there had not been any further incidents of contaminated/illegal vape use by students and the action taken by the College had successfully mitigated this risk.

In response to questions and comments from members, the Committee noted:

- how the College had learned from high profile cyber attacks and protocol changes;.
- that the College had a cyber incident response team and a cyber incident plan which was part of the business continuity plan which had been tested during lock down and was tested during fire drill testing. In response to a query, it was noted that the College did not workshop scenario testing and this could be explored.

A member suggested that, although AI risks could already be considered as part of the risk on cyber and information security, there should be a separate AI risk given recent DfE guidance on schools and colleges on the use of AI and the wider AI risks at the College including teaching and assessment.

The Committee discussed that AI presented risks and opportunities for the College beyond security risks.

In response to questions, comments and suggestions from members, the Committee noted:

- cyber training was provided as part of induction and ongoing mandatory staff training;
- guidance was also provided at the annual staff Digifest;
- the College's new Digital Strategy provided a framework;
- government guidance on use of AI in education;
- that specific training on use of AI could be added to staff induction training.

Members suggested changes to the format of the risk register to aid the Committee in monitoring progress:

- to include the date the risk was first added to the risk register alongside the target completion date;
- to include categories of risk on the risk register;
- whether exit criteria could be agreed for some risks;
- to review whether some risks were normal in year management activity rather than risks that could put the College in jeopardy;

During discussion of the risk register format, the Committee noted:

- that risks such as recruitment of student numbers would vary year to year and during each year;
- Mr McNeil's view that the College's risk register content was standard within the sector;
- the challenge of including all the information suggested and also ensuring that the risk register columns could fit on one page.

Following discussion, the Committee noted the Risk Management Register agreed to recommend to the Board:

- to include a new risk on not appointing new governors in 2025;
- to introduce a separate risk on AI;
- that College risk management would be a good topic for a future Board deep dive session to allow governors to better understand the risk maturity of the College.

The Director of Governance undertook to add risk to the list of deep dives themes for 2025/26. She explained that the Committee had already suggested a deep dive session on risk appetite which could be expanded to a wider session on risk management. She also highlighted that the list of possible deep dive themes for 2025/26 was already considerable and only three deep dives were held each year. Therefore, the Board would need to review the list and prioritise for 2025/26.

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

Actions: Mr Stott to:

- include a new risk on not appointing new governors in 2025;
- introduce a separate risk on AI;
- explore workshops on scenario testing;

The Director of Governance to add risk management to the list of possible deep dive sessions.

8. Audit Register

Mr Stott presented the Audit Register report and updated the Committee on progress to date, including actions which had been completed and actions in train. Mr Stott reported:

- that actions in green had been completed and would be removed from the Audit Register;
- some actions were still amber and had been completed but had not yet been approved by the Board;
- actions from 2022/23 had now been completed and had been removed from the Audit Register.

The Committee discussed the register and noted progress made on recommendations relating to financial control.

The Committee noted the Audit Register report.

Resolved: The Committee noted the Audit Register.

Mr McNeil left the meeting.

9. DfE audit and regularity assurance requirements

Mr Stott referred members to the new DfE Framework and guide for external auditors and reporting accountants of colleges at Appendix A. He reported that:

- the Framework replaced the Post 16 Audit Code of Practice;
- in light of the reclassification of Colleges and the publication of the DfE College Financial Handbook, the DfE had expanded and updated its guidance, at Annex C, to reporting accountants concerning those areas where regularity testing might be focused.

The Committee noted the report.

Resolved: The Committee noted the DfE Framework and guide for external auditors and reporting accountants of colleges.

10. External Audit Planning Memorandum and Strategy

Mr Jasper Ho joined the meeting.

The Chair welcomed Mr Jasper Ho, Audit Manager – Beever and Struthers, to the meeting. Mr Ho referred members to the Audit Plan report at Appendix A and reported:

- that he had worked on the College's external audit for three years and this was his first year as Audit Manager;
- on the audit plan overview which set out the work to be undertaken, reporting plans and the proposed audit approach;
- on the key audit areas; assessment of fraud risk, valuation of pension scheme assets and capital investment;
- on other discussion areas including the College's going concern, regularity and external factors which impacted on Preston College.

In response to a query, Mr Ho confirmed that the audit approach was standard for FE colleges and there would be more focus on pensions and impairments.

The Committee agreed to recommend the Audit Plan to the Board for approval.

Resolved: The Committee reviewed the Audit Plan and recommended it to the Board for approval.

11. Policy Review

The Director of Governance reported on proposed changes to the Whistleblowing: Policy & Procedure for Speaking Out. She reported that:

- the policy was jointly shared with Resources Committee;

- the Audit and Risk Committee reviewed the policy as it had a role in the oversight of Whistleblowing arrangements and in particular the Chair of Audit and Risk Committee could be contacted;
- references to Audit Committee would be corrected;
- the proposed changes were shown as track changes at Appendix A.

In response to questions members, the Committee noted:

- that the Director of Governance reported to the Board annually on whistleblowing disclosures;
- activities to raise awareness of the existence of the policy to stakeholders. It was noted that the revised policy would be available on the College website and could be highlighted at the next staff briefing and the College could look at other ways of ensuring stakeholders were aware;
- that the Board would be asked to approve the policy at its meeting on 3 July 2025 and any feedback from the Resources and Audit and Risk Committee would be included in this report.

The Committee agreed the proposed changes and agreed to recommend the Whistleblowing: Policy & Procedure for Speaking Out to the Board for approval.

Resolved: The Committee agreed to recommend the Whistleblowing: Policy & Procedure for Speaking Out to the Board for approval.

12. Key Governance Update

The Director of Governance referred members to the Key Governance Updates report and highlighted:

- correspondence from Shelagh Legrave CBE DL Further Education Commissioner, on good governance, at Appendix A, which followed recent failings in governance in a small number of colleges;
- a report on the FE Commissioner's intervention assessment of Weston College and the governance learning from this case. She referred to her report, at Appendix B, which summarised the key risks she had identified from the report and the College's existing arrangements;
- an Office for Students regulatory case report on the University of Sussex and the governance learnings from this case. She referred to her report, at Appendix C, which summarised the key risk she had identified from the report and the College's existing arrangements.

The Committee noted the report and agreed that the reports provided at the Appendix B and C which detailed the College's existing arrangements were helpful.

Resolved: The Committee noted the Key Governance Update report.

13. Items to draw to the attention of the Board

Following discussion, the Committee agreed to highlight to the Board the Committee's discussion on the internal audit plan for 2024/25 and to ask if members would like to suggest any areas for internal audit going forward based on subjects discussed at other committees.

Resolved: The Committee agreed to highlight the Committee's discussion on the internal audit plan for 2024/25 and to ask if members would like to suggest any areas for internal audit going forward.

14. Date of Next Meeting

The Committee noted that the next meeting would be confirmed after the Board meeting on 3 July 2025.