

PROSPECTS COLLEGE OF ADVANCED TECHNOLOGY

AUDIT COMMITTEE

20 JANUARY 2015

Present: Theo Steel (Chair)
Gerry Levelle
Peter McKee
Jackie Northedge

In Attendance: Ian James Clerk to the Corporation
Robin Jones Clerk to the Corporation Designate
Neil Warren Chief Operating Officer

1 APOLOGIES FOR ABSENCE

The absence of Rachel Richards was noted.

2 MEMBERSHIP OF THE AUDIT COMMITTEE

Peter McKee was welcomed as a member of the Committee following his appointment to serve on the Board.

3 CLERK TO THE CORPORATION

The Committee noted that, subject to Corporation approval, Robin Jones would be the Clerk to the Corporation to replace Ian James who had resigned from the position.

4 DECLARATIONS OF INTERESTS

The Members and others present confirmed that there were no declarations of interest relative to the business to be considered.

5 MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 14 OCTOBER 2014

The minutes of the meeting of the Committee held on 14 October 2014 were confirmed to be a correct record and were signed by the Chair.

6 EXTERNAL AUDIT

The Committee reviewed the draft tender documentation relating to the proposed engagement of a firm to provide external audit services for the three year period to 31 July 2017 subject to the outcome of a satisfactory annual review and with the possibility of extending the period by up to two further years.

It was recalled that at the meeting of the Board on 10 December 2014 it had been agreed that a tender exercise be conducted for the external audit services.

The Members identified a number of issues associated with the draft documentation which warranted amendment including:

- References not to be made to specific individuals by name but rather “the College’s nominated representative”

- The price to be fixed for the three year period with scope for a review if the period of engagement was extended by the College for a further period
- The importance for the College of seeking consistency in the composition of the audit team and in particular with the Audit Manager
- The basis of the objective criteria for choosing which firms to short list and which one to select for appoint
- Recognition needed to be made to the possibility of the appointed firm being engaged for additional work over and above the end of year audit of the Financial Statements
- The firms submitting a tender to be asked to provide at least 4 and preferably 5 references so that the College had scope as to which colleges and as appropriate other organisations would be contacted prior to the final selection process
- Confirmation to be provided of the insurance arrangements in place

The Committee agreed, following a review of the firms currently providing audit services in the further education sector and other factors, to invite the following to submit a tender:

- Baker Tilly
- Grant Thornton
- KPMG
- Macintyre Hudson
- Mazars
- Rickard Keen

The Committee also agreed the timeline for the tender process which would include an initial review of the submissions leading to presentations and interviews of the shortlisted firms on Monday 20 April 2015 by a Panel of Members supported by the Chief Operating Officer and the Clerk to the Corporation.

Whilst considering the tender arrangements the Committee recognised that, although the initial appointment would be for a period of three years, there would be an annual review by the Committee and this would provide the basis of a recommendation to the Corporation.

To assist in the selection arrangements it was agreed that examples of questions used elsewhere in the sector would be circulated to all those concerned in the process.

7 Internal Audit Mapping

The Committee discussed the importance of considering the appropriateness or otherwise of engaging a firm of internal auditors so as to provide the Corporation and Management with an assurance that all appropriate controls were in place and they were working in practice.

To start the process the Chief Operating Officer and the Clerk to the Corporation were asked to prepare a framework map for consideration at a future meeting of the Committee. It was thought that this would inform the identification of the key risks which could then be reviewed over, say, a three year cycle. The current Risk Register was an important element of the control arrangements.

An associated factor concerned the usual approach of external auditors to place reliance on the work of internal auditors when progressing the end of year review leading to the publication of the Financial Statements. The absence of internal auditors may impact on the cost of the external audit service.

The Committee agreed to look forward to receiving the requested framework map and to use this as a prompt for a further consideration of the nature of the future internal audit arrangements for the College.

8 Risk Management

The Committee received and discussed the Risk Register and noted that there were opportunities to clarify further the nature of risks and the actions being taken to ameliorate the potential likelihood and impact such as the upgrading of the College IT systems.

It was recognised that the College – all colleges – continued to be subject to a range of risks including those associated with reduced levels of funding.

The Committee agreed:

- to look forward to receiving further updates of the Risk Register at future meetings
- that a summary of insurance cover would be reviewed by the Committee so as to increase awareness and comment as appropriate

9 Date of Next Meeting of the Committee

As indicated above, the next scheduled meeting of the Committee would take place on Monday 20 April 2015 commencing at 10.00 at Basildon with the main item of business concerning the proposed appointment of a firm of external auditors.

10 Ian James

The Chair, on behalf of all Members, thanked Ian James for his important contribution to the Corporation and the College and wished him well for the future.