

**PROSPECTS COLLEGE OF ADVANCED TECHNOLOGY**

**AUDIT COMMITTEE**

**23 NOVEMBER 2015**

**Present:** Theo Steel (Chair)  
Peter McKee  
David Wells

**In Attendance:** Helen Degrove                      Financial Controller  
Mark Eagle                                  MHA MacIntyre Hudson  
Alistair Grocock                          Director of Finance & Resources  
Robin Jones                                Clerk to the Corporation  
Neil Warren                                 Chief Operating Officer

**1 MEMBERSHIP OF THE AUDIT COMMITTEE**

The Clerk reported that David Wells, a Member of the Board, had been appointed to serve on the Audit Committee with the approval of the Chair of the Corporation Board.

**2 APOLOGIES FOR ABSENCE**

The Committee received and noted the apology for absence submitted by Gerry Levelle who was unable to attend on this occasion due to other commitments.

In addition the Committee noted that Rakesh Shaunak, the responsible Partner at MHA MacIntyre Hudson, had another commitment on this occasion.

**3 RACHEL RICHARDS**

The Committee noted, for the purpose of the Minutes and future reference, that it was intended that Rachel Richards would be participating in the meeting via telephone on loud speaker (thus satisfying the requirement of 10 (7) of the Instrument of Government) but, on this occasion, contact could not be made.

**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 ALISTAIR GROCOCK AND HELEN DEGROVE**

The Chair welcomed Alistair Grocock and Helen Degrove to the meeting of the Audit Committee.

**6 MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 30 JUNE 2015**

The minutes of the meeting of the Committee held on 30 June 2015 were confirmed to be a correct record and were signed by the Chair.

**7 MATTERS ARISING FROM THE MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 30 JUNE 2015**

The Committee agreed that there were no issues arising from the minutes of the last meeting which were not covered by the published agenda.

**8 JOINT AUDIT CODE OF PRACTICE (JACOP)**

The Committee received and noted the updated version of the JACOP.

## 9 FINANCIAL STATEMENTS – 2014/15

The Committee reviewed the proposed Financial Statements for 2014/15 to provide the context for the presentation of the Management Letter prepared by MHA MacIntyre, the College's Auditors.

The sector wide model template for the presentation of the income and expenditure had been followed by the College including the identification of what were regarded as key factors such as the staff costs, senior post-holders and related party transactions so that there was complete clarity as to the business of the College.

It was noted that the final version of the Financial Statements would be considered by the Board on 9 December 2015 together with the Letter of Representation, the Auditor's Management Letter and the Annual Report of the Audit Committee.

## 10 FINANCIAL STATEMENTS – 2014/15 – MANAGEMENT LETTER AND OPERATIONAL REVIEW

The Chair welcomed Mark Eagle, representing MHA MacIntyre Hudson, to the meeting and those present introduced themselves.

The Committee received the Management Letter and Operational Review prepared by the Financial Statements Auditors and invited Mark Eagle to take Members through the document.

Most importantly the Committee noted that, based on the audit work, MHA MacIntyre Hudson would be issuing an **unqualified opinion** in respect to the Financial Statements and the Regulatory Audit.

The key issues highlighted included the following:

- The scope of the work carried out by MHA MacIntyre Hudson had been communicated to the Audit Committee at the meeting on 30 June 2015
- The period covered by the audit was the 11 months from 1 September 2014, following the incorporation of the College on 31 August 2014, to 31 July 2015 (the end of the financial year for colleges)
- The College Group recorded a surplus of £178,000 in the period
- There were no misstatements identified during the review that were not adjusted for by the College and to the College staff there were very few "overs and unders" found
- No significant matters arose following the review of the key financial controls
- No issues arose from the review of capital expenditure
- Grant income as recorded was agreed
- Cash-flow projections and other forecasts had been reviewed and as with many colleges the safety margin for cash was not great but appeared to the Auditors to be reasonable as it stands at present
- The treatment of "negative goodwill" for the purposes of the Financial Statements
- The changes to the presentation of the Financial Statements in 2015/16 to meet the requirements of the Accounting Standard FRS 102 and that the College Bankers were aware of the impact that this will have on the apparent position of organisation (most notably that the deferred capital grants will be shown as part of the net assets rather than part of reserves)
- A range of key sector ratios and performance indicators which compared PROCAT with some other colleges in terms of, for example, cash days in hand and dependency on Funding Body income.

Particular attention was given to the fact that, notwithstanding prior discussions, it was now the view of the Auditors that the College should be viewed as a new organisation and, therefore, “acquisition accounting” is the most appropriate method to frame the Group Financial Statements for 2014/15.

The Committee noted that the Auditors had identified one issue requiring further attention and this concerned the approval of an up to date Financial Regulations. The Clerk reported that this had been identified prior to the audit and was an agenda item for the meeting of the Board scheduled to take place on 9 December 2015.

The representative of MHA MacIntyre Hudson was invited to reflect on the experience of the first year of acting as the College’s Financial Statements Auditors.

A significant consideration for both the Auditors and the College was the fact that 2014/15 was the first year for PROCAT post incorporation and this had resulted in a significant “learning curve” for all concerned. Whilst the fieldwork leading to the assurance had gone relatively smoothly, a number of issues had subsequently arose impacting on the preparation of the Financial Statements and, therefore, there had been some slippage from the planned timetable of events. It was anticipated that the review of 2015/16 would run much smoother although it was agreed that it was appropriate to publish a clear and realistic programme for the audit leading up to the presentation of the Management Letter to the Audit Committee in early to mid November 2016. This would be addressed via the audit scope report to be presented to the Committee on 21 June 2016.

It was also suggested that further consideration be given to the engagement of Internal Auditors so as to provide the Executive, the Committee and the Board with comfort that robust controls are in place – see item 11 below.

Mark Eagle was thanked for the presentation of the Management Letter and Operational Review.

## **11 INTERNAL AUDIT**

The Committee recalled the earlier discussions associated with the potential benefits from the appointment of Internal Audit and agreed that this would be a major agenda item at the next meeting of the Audit Committee so that an appropriate recommendation may be presented to the Board.

On a related matter the Committee noted that the SFA arrange a cycle of Funding Audits and that it should be assumed that the College may have such a review in September 2016 or possibly 2017. To provide the College with an assurance as to the basis of funding claims the College has in the past engaged a third party to review the College approach with a high degree of positive outcomes.

## **12 ANNUAL REPORT OF THE AUDIT COMMITTEE – 2014/15**

The Committee received and discussed the draft Annual Report of the Audit Committee for 2014/15 which had been prepared by the Clerk.

The Committee agreed that the report as drafted covered the key issues and, therefore, the only additions that would be made by the Clerk, in consultation with the Chair, prior to presentation to the Board on 9 December 2015, would be to reflect the outcomes from this meeting of the Audit Committee.

**13 RISK REGISTER**

The Committee received and discussed the updated Risk Register as originally presented to the Board on 16 October 2015.

The revised approach as set out in the Risk Register was very much welcomed by Members.

The Committee recognised that the Risk Register was very much a “live document” and would be updated on an ongoing basis to reflect changes such as those encountered recently at the Airport.

An updated Risk Register will be presented to the Board on 9 December 2015 when it was anticipated that it would be possible to take into account such factors as the outcome on college funding of the Comprehensive Spending Review to be announced on 25 November 2015.

*At this point Mark Eagle left the meeting*

**14 REVIEW OF THE PERFORMANCE OF THE FINANCIAL STATEMENTS AUDITORS**

The Committee agreed, following discussion, to recommend to the Board on 9 December 2015 the reappointment of MHA MacIntyre Hudson as the Financial Statements Auditors for 2015/16.

**15 ALISTAIR GROCOCK**

The Committee agreed to place on record the appreciation of Members for the important and long-term contribution of Alistair Grocock to the College and to wish him a long and happy retirement.

**16 CALENDAR OF MEETINGS – 2015/16**

The Committee recalled that it had been agreed on 20 April 2015 that future meetings would take place on Tuesday 15 March 2016 and Tuesday 21 June 2016.

It is anticipated that these meetings will commence at 2.30pm and, subject to ongoing review, will take place at the Basildon campus.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_