

PROSPECTS COLLEGE OF ADVANCED TECHNOLOGY

AUDIT & RISK COMMITTEE

19 JULY 2018

Present: Theo Steel (Chair)
Sue Dare
Peter McKee

In Attendance: Judith Abbott Chief Executive
Nick Cattini Associate Director RSM UK
Robin Jones Clerk to the Corporation
Amanda Schofield Compliance Officer

1 APOLOGIES FOR ABSENCE

The Committee received and noted the apologies for absence submitted by Rachel Richards given her holiday commitments.

The Clerk confirmed that the meeting was quorate.

2 MEMBERSHIP OF THE AUDIT & RISK COMMITTEE

The Committee noted that the Board had approved the appointment of Sue Dare to serve on the Audit & Risk Committee.

The Chair welcomed Sue Dare to the meeting.

3 DECLARATIONS OF INTERESTS

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

4 MINUTES OF THE MEETING OF THE AUDIT & RISK COMMITTEE HELD ON 27 APRIL 2018

The minutes of the meeting of the Committee held on 27 April 2018 were agreed to be a correct record and signed by the Chair.

5 MATTERS ARISING FROM THE MINUTES OF THE MEETING OF THE AUDIT & RISK COMMITTEE HELD ON 27 APRIL 2018

The Committee agreed that there were no issues arising from the minutes of the meeting held on 27 April 2018 which were not covered by the published agenda.

6 AGENDA FOR THE MEETING

The Chair proposed, and Members agreed, that the order of business as set out in the published Agenda should be revised to enable the representative of RSM to present the Audit Plan and then leave the meeting.

7 FINANCIAL STATEMENTS AUDIT PLAN – 2017/18

The Chair welcomed Nick Cattini, an Associate Director at RSM, to the meeting to present the draft Audit Plan.

The Committee was advised that the Audit Plan, as circulated with the Agenda, was based on the early discussions with the PROCAT staff and it was possible that changes would need to be made in which case the document would be reissued to the Committee.

The Associate Director took the Committee through the Audit Plan and in doing so provided an opportunity for Members to ask questions and seek clarification of issues.

A range of issues were highlighted including the following:

- Income would be reviewed on a line by line basis as an integral part of the audit fieldwork
- There was an understanding of the need to take into account that part of the Adult Education Budget allocation would be the subject of clawback by the ESFA in about January 2019
- The basis for determining the Going Concern opinion when the College would be reliant on Exceptional Funding Support from the ESFA and progressing the arrangements towards the planned merger with South Essex College
- The possible relevance for PROCAT of the insolvency regime which it was understood would be introduced within the next twelve months following the passing of the required legislation
- The valuation of assets and the anticipation that these would be transferred to the merger partner based on the book value
- The position with the Bank given that the College would not be meeting the requirements for the loan
- To recognise that it was necessary to have regard to the PROCAT subsidiary when undertaking the audit
- The VAT position which was now the subject of a separate review the outcome of which would be made known to the Committee

The Committee agreed, following discussion:

- 1 To receive the draft Audit Plan which would lead to the production of the Financial Statements for presentation to the Committee on 29 November 2018 and the Board on 20 December 2018
- 2 To look forward to receiving updates on progress during the audit fieldwork and, if necessary, to arrange a further meeting of the Committee
- 3 To thank the RSM Associate Director for the presentation of the Audit Plan which was thought to be appropriate for the purpose and to appreciate that it may be necessary to issue an updated version in the light of further discussions with the College

Note: Nick Cattini left the meeting

8 FUNDING AUDIT

The Committee received and discussed at some length:

- The reports prepared by SRF on (1) ESFA funded Apprenticeships and (2) ESFA Study Programmes
- The report of the Compliance Officer providing an overview of the two SRF reports

The position with regard to Apprenticeships was noted to be that, although the error rate at 9.28% was better than the previous year of 12.74%, it was recognised to be far too high which provided a risk of extrapolation in the event of an ESFA audit.

The position with regard to Study Programmes was far lower than for Apprenticeships at 1.5%.

Whilst discussing the findings of the two SRF reviews the Committee recognised that the funding reforms introduced by the Government last May (2017) had brought significant changes to the funding rules and it was known that other colleges and providers were experiencing some difficulties in ensuring full compliance although it was appreciated by all concerned that there had to be improvements.

The Committee agreed following discussion:

- 1 to note the two reports prepared by SRF on funding in 2017/18 and the overview presented by the College Compliance Officer which included the responses made by the College to the points raised and the actions to be taken to bring about improvements in the level of error rates
- 2 to acknowledge that the planned merger with South Essex College provided the opportunity to adopt a new information system and associated policies and procedures

9 REVIEW OF EVIDENCE OF LEARNING

The Committee received the report prepared by the Compliance Officer setting out the findings from the review of the evidence of learning carried out by the College.

The main finding from the review was that 164 Apprentices do not attend College regularly and of these:

- 41% had passed their expected end date
- 75% had received no reviews, or recorded visits, from PROCAT staff in the current year to date (2017/18)
- 40% had received no recorded reviews or visits since before August 2016

The Committee recognised that funding was at risk for those learners where the College did not hold evidence of continued learning activity.

As a result of the review carried out by the Compliance Officer, an action plan had been put in place involving the following:

- Heads of Department to confirm the status of all on-site only Apprentices
- All withdrawals to be identified and sent to the MIS team for processing
- Evidence of continued learning to be obtained for all Apprentices and scanned to the PICS Information System.

All actions were scheduled to be completed by 3 July 2018 although it was reported that there had been slippage in completion.

The report provided the Committee with the opportunity to gain a greater understanding of the arrangements in place for staff at all levels of the College organisation to engage with and indeed challenge the Executive. It was explained that, from the perspective of the Compliance Officer and she thought others, there was now far greater openness and willingness than there had been a year or more ago to address issues and to seek improvements

The Committee agreed to note following discussion:

- 1 the report of the Compliance Officer on the review of the evidence of learning including the actions identified as a result
- 2 that it was pleasing and indeed reassuring for Members to hear that the Members of the College Executive were thought to be approachable and supportive of staff

3 that a Whistleblowing Policy was in place and staff were aware of how to go about raising concerns etc.

10 RISK AND ASSURANCE REPORT ON SUB-CONTRACTING

The Committee received the draft report prepared by Scrutton Bland following the recent audit of sub-contracting.

It was explained that the Scrutton Bland report was still a draft as the ESFA had not published the required guidance until 27 June 2018. However, it was thought that there would be no changes to the final version.

Overall the audit had identified that the governance, risk management and control arrangements provided significant assurance that material risks were being managed effectively.

The report detailed the basis of the four recommendations – one medium priority and three low priority – and the actions to be taken by the College by 1 August 2018 with one action scheduled for 1 December 2018.

The report prompted a question from a Member on the current position with regard to CSL given the difficulties previously experienced in obtaining the requisite evidence to support funding claims in a timely manner.

The Chief Executive explained that the intention was that any students who had not completed current programmes by the time that the end of year return for 2017/18 was prepared by PROCAT for submission to the ESFA would be regarded as non-achievers. This would then end the relationship with CSL.

In the meantime, it was understood that the ESFA had awarded a funding contract to CSL but this did not involve PROCAT.

The Committee agreed to note the report prepared by Scrutton Bland on sub-contracting provision as well as the background information on CSL.

11 RISK REGISTER

The Chief Executive presented the updated Risk Register to the Committee.

The Committee gave particular attention to risk 1.1 which concerned apprenticeships. The updated position indicated that the College would not hit the recruitment target of 424 funded apprentice starts in September 2018; the current projection was noted to 308.

Given the materiality it was thought that a discussion with South Essex College was worthwhile to see if in partnership the impact could be mitigated.

It was appreciated that the position with regard to the rail provision was being addressed by the Board and, therefore, there was little value in discussing the current and potential future position other than to acknowledge that, when the proposal for TUCA was put forward, little if any thought appeared to have been given to the fact that the delivery of part of the provision remained at Basildon which gave logistical challenges.

A new addition to the Risk Register was noted to be the current position of the London Borough of Newham which had not accepted the PROCAT specific Instrument & Articles of Government as proof that the College should receive a 80% relief from the Council Tax for TUCA. This meant that if Newham did not change its position the College would have to find an additional £200k to cover the costs. This in turn would increase the projected end of year deficit from c £1.3m to c £1.5m. This was thought to be most surprising and would be pursued via the ESFA and/or the Department for Education.

The Committee agreed to note the current Risk Register and to look forward to receiving a further update next term.

12 MERGER

The Committee recognised that the planned merger with South Essex College would involve a number of risks to be addressed and taken into account over the coming months.

A Risk Register specifically for the merger would be prepared by the Project Manager and this would be reviewed regularly by the Shadow Board made up of Members of the PROCAT and SEC Corporations.

If and when appropriate issues would be made known to this Committee for consideration although it was thought that, in all likelihood, the Shadow Board Members, which by chance included three of the Members of the Audit & Risk Committee, would be well placed to take a view on what was in the best interests of PROCAT.

13 CALENDAR OF MEETINGS – 2018/19

The Committee confirmed that the next meeting would take place on 29 November 2018 at 11am – start time to be confirmed.

The meeting will take place at the Basildon campus unless otherwise agreed.

The Committee also recognised that one or more additional meetings may be required to address issues such as outcomes from the audit fieldwork to be carried out by RSM UK.

Signed: _____ Date: _____