

PROSPECTS COLLEGE OF ADVANCED TECHNOLOGY

AUDIT COMMITTEE

20 OCTOBER 2016

Present: Theo Steel (Chair)
Angela Clarke
Peter McKee
Joanne Miller

In Attendance: Helen Degrove Financial Controller
Rakesh Shaunak MHA MacIntyre Hudson
Robin Jones Clerk to the Corporation
Neil Warren Chief Operating Officer

1. ABSENCE

The Committee noted the absence from the meeting of Rachel Richards.

The Clerk explained that it was understood that Rachel should have greater availability as from January and she looked forward to playing a greater part in the work of the Board and its committees.

2. DECLARATIONS OF INTERESTS

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

3. FINANCIAL STATEMENTS – 2015/16

The Chair invited the Partner of MHA MacIntyre Hudson to introduce the Management Letter prepared following the review of the draft Financial Statements for 2015/16.

The Committee noted the key audit issues and their resolution. This included the recognition of income and specifically accrued income for CSL Ltd and Prospects Learning Foundation which will continue to be reviewed by the Auditors up the point of the approval of the Financial Statements to gain additional audit evidence where possible.

The Going Concern opinion was noted to be positive but will be kept under review until the Financial Statements are approved by the Board.

The “bottom lines” for 2015/16 were noted to be:

- The Group recorded a deficit before asset sales of (£87,000) (2015 surplus £172,00)
- Total income for the period was £9,071,000 (2015 £7,987,000) and total expenditure was £9,158,000 (2015 £7,809,000)
- Net assets of the Group were £8,019,000 (2015 £395,000).

The sale of Fairfax Drive and the Southend campus in July 2016 changed the financial health position completely. On the basis of the SFA financial health assessment PROCAT was now “outstanding”.

The Members took the opportunity to ask the Audit Partner and the Chief Operating Officer a number of questions so as to have a complete understanding of the end of year position. The issues addressed included pensions – PROCAT is part of the Essex LGPS scheme although only the four Senior Post Holders are members and further information is awaited.

The Chief Operating Officer confirmed that the College used the SFA diagnostics tool on a monthly basis to cleanse the learner related data so that claims were as accurate as possible.

The Management Letter included an indication of key sector ratios which were noted by Members with interest:

- Cash days in hand
- Dependency on funding body income
- Surplus/Deficit after tax
- Pay expenditure as a percentage of income
- Bank borrowing as a percentage of income

The Committee noted that a Treasury Management approach was being developed to reflect the cash days – at present the funds are invested in a deposit account that yielded a return to three-month money market rates.

The Committee agreed, following discussion, to advise the Board on 31 October 2016:

- The outcome of the audit review of the Financial Statements for 2015/16 and that the bottom lines have been used in the Area Review submission
- That the Financial Statements need to be cleansed in terms of formatting etc and the Members Report needs to be added before presentation to the Board for consideration and approval
- That the Committee will meet again on 30 November 2016 for a final review of the Financial Statements and the Management Letter so that the Board may receive and consider on 7 December 2016
- That on 30 November 2016 Members will receive a position statement on the pension position for the College and any material issues will be made known to the Board
- That the content of the Letter of Representation had been reviewed and this would be presented to the Board on 7 December 2016 for approval and signature by the Chair of the Board and the Principal
- That consideration is to be given to arranging an Internal Audit review of commercial income
- That there was a strong possibility that the SFA would carry out an audit of the 2016/17 funding claim in the early Autumn 2017 as part of a national review programme
- To place on record the appreciation of Members for the efforts of all those involved in the audit and in particular Helen Degrove and Mark Eagle from MHA MacIntyre Hudson.

4. AUDIT & RISK COMMITTEE ANNUAL REPORT – 2015/16

The Committee appreciated that, until the Financial Statements were completed and the final version of the Auditor's Management Letter was available it was not possible to prepare the Annual Report of the Committee for presentation to the Board.

Given the revised timetable of events for the completion and approval of the Financial Statements it was agreed that the Annual Report would be considered at the meeting on 30 November 2016 and the final version forwarded to the Board on 7 December 2016.

Note: At this point Rakesh Shaunak left the meeting.

5. MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 21 JUNE 2016

The minutes of the meeting of the Committee held on 23 November 2015 were agreed to be a correct record and signed by the Chair.

6. MATTERS ARISING FROM THE MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 21 JUNE 2016

The Committee agreed that there were no issues arising from the minutes of the meeting held on 21 June 2016 which were not covered by the published agenda.

7. FINANCIAL STATEMENTS AUDITORS – REVIEW

The Committee agreed, following discussion, that the audit programme had gone well this year and this was largely due to the preparedness of the College to provide the Auditor's with the appropriate data etc in a timely fashion and the willingness of MHA MacIntyre Hudson to prioritise the fieldwork so that the College was in a position to report the outcomes as part of the Area Review submission.

A final decision will be taken on 30 November 2016 in terms of a recommendation to the Board with regard to the reappointment of MHA MacIntyre Hudson to continue as the Financial Statements Audits for a further year.

8. ANNUAL REPORT ON RISK – 2015/16

The Committee received the Annual Report on Risk for 2015/16 as presented by the Chief Operating Officer.

The Committee agreed following review and discussion:

- to note the Annual Report on Risk for 2015/16 for presentation to the Board
- to note that the items which had been shaded in the Risk Register would be removed from the next version to be presented to the Committee on 30 November 2016
- that although covered by 2.1 in the current Risk Register it was appropriate to highlight the risks for the College arising from English and maths provision

9. CALENDAR OF MEETINGS – 2016/17

The Committee confirmed the following calendar of meetings for 2016/17:

- 30 November 2016 at 2pm
- 14 March 2017 at 2.30pm
- 19 June 2017 at 2.30pm

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

Signed: _____ Date: _____