

PROSPECTS COLLEGE OF ADVANCED TECHNOLOGY

AUDIT COMMITTEE

30 NOVEMBER 2016

Present: Angela Clarke
Peter McKee (in the Chair)
Joanne Miller

In Attendance: Helen Degrove Financial Controller
Robin Jones Clerk to the Corporation
Neil Warren Chief Operating Officer

1 ABSENCE

The Committee noted the absence from the meeting of Theo Steel and Rachel Richards who had other commitments and had submitted their apologies.

2 CHAIR OF THIS MEETING OF THE AUDIT & RISK COMMITTEE

The Committee noted that, in the absence of Theo Steel, Peter McKee would Chair this 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 20 OCTOBER 2016

The minutes of the meeting of the Committee held on 20 October 2016 were agreed to be a correct record and signed by the Acting Chair.

5 MATTERS ARISING FROM THE MINUTES OF THE MEETING OF THE AUDIT & RISK COMMITTEE HELD ON 20 OCTOBER 2016

The Committee agreed that there were no issues arising from the minutes of the meeting held on 20 October 2016 which were not covered by the published agenda other than to note that the anticipated deficit before asset sales of £87,000 had increased since the last meeting and this would be addressed when reviewing the Financial Statements.

6 RISK REGISTER

The Committee received and discussed the updated Risk Register.

The particular attention of Members was drawn to the following items which provided a focus for an exchange of views to gain a greater understanding of the implications for the College:

- The addition of 1.2a to the Risk Register to recognise the risks for the College of the changes to the funding of Apprenticeships – initially it was estimated that the College could lose £800k but, as a result of recent changes to the earlier announcements by the Government, the amount will be less and the College is continuing to look to mitigate the impact including via moving to the new Apprenticeship Standards faster than planned
- The addition of 2.1a to address the risk for the College of there being insufficient improvement in the outcomes for learners including timeliness for Apprentices (ie completing successfully within the agreed timescale and not at a later date)
- Whilst the College may aspire to manage the health and safety related risks to achieve a green in the RAG rating, in reality this may prove to be more aspirational than realistic as,

however rigours the application of related policies and procedures may be, there is always the potential of an accident or incident particularly in the vocational areas provided by PROCAT (Register 2.7)

- The ability to attract and retain quality, skilled employees continued to prove a challenge for the College and, as with health and safety, may never move to a green in the RAG rating given all factors such as the need to have up to date industrial skills and knowledge (Register 4.2)
- The proposed leasing of the TUCA brought with it a number of risks and these would need to be articulated in the Risk Register (Register 5.5 but to be expanded)
- The addition of a Part B section to the Risk Register to cover the proposed partnerships and other sensitive issues which would be regarded as confidential for the Board and Committee and not available for public review

The Committee agreed to note the updated Risk Register and to look forward to receiving further iterations in the light of the discussion at this meeting and future developments.

7 FINANCIAL STATEMENTS – 2015/16

The Committee received and discussed the updated Financial Statements for 2015/16 in the context of developments since the initial review at the meeting on 20 October 2016.

The main issues were noted to be:

- The awaited evidence associated with income for CSL Ltd had now been provided to the Financial Statements Auditors for review - a reply was awaited
- Essex County Council as the LGPS administering body had provided the College with information which meant that a provision of £89k for pensions had to be made – this in turn increased the deficit from the £87k, reported on 20 October 2016, to £136k with a further £40k shown as Actuarial loss in respect of Pension schemes at the year end.

The Committee agreed, following a wide-ranging discussion:

- To note the updated Financial Statements for 2015/16 and, in particular, the actions taken since the meeting of the Committee on 20 October 2016
- To note that only the 4 Senior Post Holders were members of the LGPS scheme administered on behalf of the Essex colleges and other admitted bodies by Essex County Council
- To note the intention of the Government to introduce an insolvency regime for colleges which requires legislation for implementation
- To recognise that most if not all pensions schemes are operating with large deficits which has a material impact on the financial health of many organisations including colleges
- To note that the Management Letter from the Auditors had also been updated and now included the Management responses to the points raised and made known to the Committee on 20 October 2016
- To note the proposed Letter of Representations addressed to the Auditors
- To advise the Board on 7 December 2016 that, subject to no other issues being raised by the Auditors, the review of the Management Letter provided sufficient comfort for the Financial Statements to be signed and published.

Whilst reviewing the Financial Statements the Committee drew attention to the fact that a majority of Members of the Board were due to complete their period of office in 2018. This could provide the Board with a shortage of the necessary skills and expertise if they all left at the same time. The Clerk advised that the Governance & Search Committee was mindful of the membership periods and, in doing so, confirmed that, with the approval of the Board, Members

may be appointed for a second period (in line with Nolan) and also the subsequent appointment of Members post incorporation meant that several continued beyond 2018.

8 REGULATORY AUDIT FRAMEWORK QUESTIONNAIRE

The Committee reviewed the Regulatory Audit Framework Questionnaire and agreed that there were no comments or concerns to be forwarded to the Board on the contents.

9 AUDIT & RISK COMMITTEE ANNUAL REPORT – 2015/16

The Committee received and considered the draft Annual Report of the Committee for 2015/16 and agreed that, subject to the updating of the contents to reflect the outcomes of this meeting, it may be submitted to the Board on 7 December 2016.

10 FINANCIAL STATEMENTS AUDITORS – REVIEW

The Committee agreed, following discussion, to recommend to the Board on 7 December 2016 the reappointment of MHA MacIntyre Hudson to continue as the Financial Statements Auditors for a further year.

Whilst considering the issue Members recalled that, following a comprehensive tender and selection process, MHA MacIntyre Hudson had been appointed for a period of three years subject to an annual review as from 2014/15.

11 INTERNAL AUDIT REVIEW OF THE COLLEGE'S FUNDING CLAIM

The Committee recalled that last year SRF Consultancy had been engaged to review the funding of the College's SFA and EFA funded provision.

The outcomes from the review had been considered by the Committee at the meeting on 21 June 2016.

It was appreciated that the College received a large proportion of its annual income from the two national funding agencies and it was business critical that claims were accurate.

Furthermore, there was an expectation that, sooner rather than later, the College would be the subject to an SFA audit review and it would be extremely helpful, therefore, if the College had undertaken preparatory work.

The Committee agreed, following discussion, to approve the engagement of SRF Consultancy to undertake a review of SFA and EFA funded provision in about January 2017. The report will be presented to the Committee so that Members may consider the outcomes and any proposed actions.

The Chief Operating Officer confirmed that the costs of the engagement could be covered from within the existing budget provision for such professional services.

12 INTERNAL AUDIT REVIEW OF FINANCIAL CONTROLS

The Committee agreed with the view of the Chief Operating Officer that it was appropriate to engage a firm, such as Scrutton Bland, to undertake a further review of financial controls during the Spring Term 2017.

The way forward was agreed to be as follows:

- The Chief Operating Officer to provide Members with a written brief for the proposed review by 31 January 2017 rather than waiting until the Spring Term meeting currently scheduled for 14 March 2017
- Members to indicate their support or otherwise by 5 February 2017 and if thought to be appropriate a brief meeting of the Committee would be arranged immediately before the Board currently scheduled for February 2017 with the intention of providing approval to the brief with or without amendments
- The audit brief to include a review of the actions taken as a result of the outcomes from the work carried out by Scrutton Bland in 2015/16 which was the subject of a report presented to the Committee on 21 June 2016

13 AGENDA AND SUPPORTING REPORTS – CIRCULATION TO MEMBERS

The Committee recognised that there were exceptional factors which had delayed the completion and circulation of the reports to Members for this meeting. However, in looking to the future Members stressed their expectation that the Agenda and supporting reports would be circulated at least one week prior to meetings so that there was sufficient time to read the documents and prepare for the discussions.

The Chief Operating Officer and the Clerk acknowledged the importance of early circulation of papers for future meetings.

14 CALENDAR OF MEETINGS – 2016/17

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

- 14 March 2017
- 19 June 2017

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

Members asked the Clerk to ask the two Members not present on this occasion if they were available to start future meetings at 1pm and not 2.30pm as originally scheduled.

Signed: _____ Date: _____