

PROSPECTS COLLEGE OF ADVANCED TECHNOLOGY

AUDIT & RISK COMMITTEE

3 MAY 2017

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

In Attendance: Innes Campbell Interim Director of Finance
Helen Degrove Financial Controller
Robin Jones Clerk to the Corporation

1 APOLOGIES FOR ABSENCE

The Committee noted that all Members were present.

2 INTERIM DIRECTOR OF FINANCE

On behalf of the Committee the Chair welcomed Innes Campbell, the Interim Director of Finance, to his first meeting of the Committee.

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 30 NOVEMBER 2016

The minutes of the meeting of the Committee held on 30 November 2016 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 30 NOVEMBER 2016

The Committee agreed that there were no issues arising from the minutes of the meeting held on 30 November 2016 which were not covered by the published agenda other than the addition of an item of other business concerning compliance with the Financial Memorandum associated with the completion and approval of the Financial Statements – see item 10 below.

6 POST 16 AUDIT CODE OF PRACTICE

The Committee received and noted the Post 16 Audit Code of Practice 2016 to 2017 published by the SFA and EFA in March 2017 just before the two Funding Agencies were merged on 1 April 2017.

The Clerk drew attention to the condition of funding that College Corporations established an Audit Committee.

The Members took the opportunity to review this comprehensive document including what was said about the role and responsibilities of Audit Committee. It was recalled that the Terms of Reference of the Committee had only been updated last summer (2016) and, whilst there was no immediate need to make any changes, the contents would be kept under ongoing review.

The Members then went on to give particular attention to the contents of Annex C of the Code which addressed the distinction of governance and management in terms of regulatory concerns.

The review of the Post 16 Audit Code of Practice prompted a wide-ranging discussion on the extent of reliance that Members and the Executive could place on some of the data and analysis provided specifically with regard to financial health although this applied to other aspects such as student numbers.

The current review of the College MIS requirements was welcomed and it was noted that an update would be presented to the Board on 11 May 2017. There was no doubt on the part of Members that this did need an increased focus. This was illustrated by the absence of one comprehensive integrated MIS for the core activities and the fact that the College had, it was understood, 14 different systems in place not all had efficient and effective connectivity.

It was thought that experience suggested that it would be extremely useful for both the Committee and indeed the Board if the nine highlighted concerns set out on page 27 of the Post 16 Audit Code of Practice could be reviewed in the context of PROCAT so that any learning points and issues to be addressed could be identified and then tracked to bring about improvements.

7 FINANCIAL STATEMENTS – LOOKING TO THE FUTURE

The Committee had a wide-ranging discussion promoted by experience since the Incorporation of PROCAT in 2014 and the importance of looking to the future.

Members welcomed the commentary and associated data on the financial health of the College which had been prepared by the Interim Director of Finance for the meeting of the Board on 11 May 2017 and had been circulated in advance of the full Agenda.

There was no doubt that, although the Financial Health assessment was outstanding based on the SFA review, the College had a range of challenges ahead and these needed to be addressed. The potential cashflow difficulties arising from the introduction of the Apprenticeship Levy was just one of a number of examples that could be cited.

It was essential, therefore, that the College had a realistic Financial Plan and Annual Budget as preparations were made for 2017/18 and beyond. The intention of the Interim Director of Finance to adopt a zero-based approach to the drafting of the Plan and Budget was supported by Members.

The provision of an appropriate set of KPIs specifically for PROCAT but with the opportunity to measure against other colleges plus data on course costs so that there was an understanding of which areas made a surplus and which, if any, required subsidy would be extremely helpful for Board Members and College Managers.

The Committee also noted that a review of the Financial Regulations and Financial Procedures was underway for presentation to Board Members as soon as practicable.

The fact that, unlike many organisations including the majority of colleges, the College had opted not to appoint Internal Auditors was highlighted. It was recognised that various specific reviews had been commissioned by the College and this had some merit although this meant that there was no obvious comprehensive plan to review all aspects over, say, a three-year period depending on the level of assessed risk. It was agreed that this should be returned to in the near future so that an appropriate recommendation could be presented to the Board.

The final point made at this time was to invite the Board to consider the establishment of a Finance Committee or, at least, a short-term Task & Finish Group so as to provide Member oversight and contributions to the review of the monthly Management Accounts as well as the emerging three-year Financial Plan and the Annual Budget for 2017/18 which may include the need to utilise borrowing facilities.

The Interim Director of Finance advised Members that he was aware that the Relationship Director from Barclays had recently met the Principal to provide an update which was part of a regular cycle of contact. The possible need for borrowing facilities needed to be seen in the context of the existing overdraft for which the College made a quarterly payment.

To raise awareness of the way forward it was noted that a report was scheduled to be presented to the Board on 11 May 2017 setting out the assumptions which would inform the Annual Budget for 2017/18 and, in turn, the three-year Financial Plan.

8 INTERNAL AUDIT OF THE COLLEGE'S FUNDING CLAIM

The Committee noted that the planned review of funding would commence on 22 May 2017 and would take 7 days including on-site and off-site work.

It was explained that deferring the review until May made good sense in the view of the College and the specialists undertaking the work as the funding out-turn position for 2016/17 would be more certain by then and, therefore, there would be greater value.

The report on the review was scheduled to be presented to the Committee on 19 June 2017.

9 INTERNAL AUDIT REVIEW OF FINANCIAL CONTROLS AND OTHER AREAS

The Committee noted the position with regard to the reviews undertaken by Scrutton Bland:

- the review of Data Security and IT Infrastructure was completed during the week commencing 3 April 2017
- the review of Income and Debtors was completed during the week commencing 19 April 2017

It was understood that only one high risk issue had been identified. This concerned the College's password control systems and was being investigated by the IT Manager.

The reports on the reviews were scheduled to be presented to the Committee on 19 June 2017.

10 FINANCIAL MEMORANDUM – TECHNICAL NON-COMPLIANCE IN 2015/16

The Committee noted that there had been a technical non-compliance with the provisions of the Financial Memorandum in that the Financial Statements for the Subsidiary Company for 2015/16 had not been reviewed and signed off at the same time as the Financial Statements for the College.

Whilst this had now been addressed and there had been no need to make any amendments to the College Financial Statements presented and approved by the Board on 7 December 2016, it was recognised that this must not happen again.

The issue would be addressed with the Audit Partner at or possibly before the meeting of the Committee on 19 June 2017 so that there was absolute clarity as to what was expected of the Auditors.

11 TECHNICAL AND FURTHER EDUCATION ACT 2017

The Clerk advised the Committee that the Technical and Further Education Act 2017 had received the Royal Assent on 27 April 2017.

The legislation provides for the introduction of the insolvency arrangements for colleges as well as other measures.

A full briefing would be provided for all Members as soon as practicable.

The Committee agreed to note the introduction of the insolvency arrangements and to request that the College reviewed the basis for insurance cover for Members in the light of the legislation.

Note: Helen Degrove left the meeting at this point and did not return

12 RISK REGISTER

The Committee received and discussed the updated Risk Register as at 28 April 2017 and for comparison purposes the position as at 30 November 2016 was noted.

Members focussed much of the discussion on section 3.1 relating to student recruitment.

The current position with regard to the Apprenticeship Register would suggest that the RAG rating needed to be changed to red. Furthermore, mitigating actions needed review in the light of experience and the prospects for the future.

One of the mitigating actions concerned the application of the business planning process. Given the level of the updated current and projected risk Members asked for sight of the Business Plans and a briefing on the associated process so that there was a clear understanding and an opportunity to contribute.

Finally the Committee agreed that an appropriate item for the June 2017 meeting would be a consideration of the College's risk appetite as a precursor to a discussion at the following meeting of the Board.

13 CALENDAR OF MEETINGS – 2016/17

The Committee confirmed the next meeting would take place on 19 June 2017 at the Basildon campus commencing at 1pm.

14 CALENDAR OF MEETINGS – 2017/18

The Committee confirmed the calendar of meetings for 2017/18:

- 30 November 2017
- 28 March 2018
- 27 June 2018

The meetings would take place at the Basildon campus commencing at 1pm unless otherwise agreed.

Signed: _____ Date: _____