

AUDIT COMMITTEE

Minutes of a Meeting 11.00am on Tuesday 22nd November 2011 Gordon Canning Room

Present: Mrs Rosamund Blomfield-Smith (RBS) (Chairman)
Mr D Clegg (DC)
Councillor Tony Hicks
Mr Paul Reynaert (PR)

In Attendance: Mr Graham Ledden (GL)
Mr Malcolm Wharton (MW)

Mr John Golding – Grant Thornton (JG)
Mr Jamie Paddon – Mazars (JP)

Apologies: Mrs Barbara Buck
Dr Lawrence Ware

Minutes: Mr Rob Lee

		ACTION	ACTION DATE
1.	<p>Apologies</p> <p>Apologies were received from Mrs B Buck and Dr L Ware.</p>		
2.	<p>Declaration of Interest – Paper A02/11/11</p> <p>The Clerk advised that member's interests would be taken as those disclosed in the Register of Members Interests. There were no further declarations of members interests for agenda items.</p> <p>Mr Golding and Mr Paddon left the Meeting.</p>		
3.	<p>Closed Session</p> <p>(A) Agree Minutes of the last Closed Session. Paper A03A/11/11</p> <p>Minutes of the meeting held on the 23rd September 2011 were agreed to be a true and accurate record and signed by the Chairman.</p>		

		ACTION	ACTION DATE
	<p>(B) Review progress on the appointment of external auditors.</p> <p>Mr Paddon and Mr Golding re-joined the Meeting.</p>		
4.	<p>Minutes of the Last Meeting – Paper A04/11/11</p> <p>Minutes of the meeting held on the 23rd September 2011 were agreed to be a true and accurate record and signed by the Chair.</p>		
5.	<p>Matters Arising</p> <p>(A) Review deferred tax issue with Limbury Ltd. Paper A05A/11/11</p> <p>GL advised that the SFA has confirmed that they believe the transfer of assets between Limbury Ltd and the College is a matter for the College. GL advised that the next stage was to liaise with Grant Thornton over any potential legal and tax issues and then bring back to the Committee. MW advised that if the transfer did take place it was vital to ensure that individual records are maintained of income and expenditure on student accommodation and presented separately in our accounts.</p> <p><i>It was agreed that an update will be given to the next meeting.</i></p> <p>(B) Update on Bribery Act</p> <p>The Clerk advised that it had been difficult to find a person who was suitably independent to act as Compliance Officer and the new Health and Safety Officer was proposed. RBS felt that this was not at the right level and various other candidates were suggested but all had some potential conflict. DC believed that we should not be over concerned about conflict and that a senior manager should fill this position that was able to delegate tasks. AH agreed and stressed that this was an important issue particularly as the College was involved with foreign agents and second hand bribery was quite common abroad. MW thought our agency agreements were transparent but needed to be reviewed.</p> <p><i>It was agreed that further discussions would take place on the appointment of a Compliance Officer and reported to the next meeting.</i></p>	<p>GL</p> <p>MW/GL</p>	<p>15/05/12</p> <p>Immediate</p>
6.	<p>Discuss and approve Internal Audit Report on Cash Handling. Paper A06/11/11</p> <p>JP advised that they were asked to audit this area after the Report from Mr J Hawkswell on the loss of cash at an equestrian event in July 2011. JP advised that partial assurance had been given to the adequacy of the Colleges control environment is generally operating effectively but there are weaknesses which put some of the system objectives at risk. Substantial assurance has been given to the effectiveness of these controls giving some scope for improvement. The audit has resulted in six recommendations being made, one at high priority, two at medium and three at low priority. The recommendations were discussed. The high priority of reviewing cash handling procedures was almost complete and would meet its deadline of 31st</p>		

		ACTION	ACTION DATE
	<p>December 2011. JP advised that the College was reducing the amount of cash being handled by introducing more on line services. In response to DC GL advised that under the new system cash taken would be checked on a timely basis and that checks should be made at source not at Finance Office. MW advised that the regulations on temporary collection of cash such as with Gamekeepers and the security of charity cash containers should be included in the review. One of the low priorities concerned cash being held in safes. In response to RBS GL advised that details of each safe were being investigated and then checks will be made with our insurers. In response to AH GL advised that there was not a safe for use by students. MW advised that this would not be something we want to encourage as for security reasons students should keep a minimum of cash on campus. In response to RBS JP advised that a second review will be held in August 2012 to check that actions agreed from Report by Mr Hawkswell and this Report has been fully implemented.</p> <p><i>The review of cash handling process to be completed by the end of the year will include the proposals mentioned above.</i></p> <p><i>The Joining Instructions will be reviewed to see if they contain information on students keeping cash on campus.</i></p> <p><i>The Cash Handling Audit was approved.</i></p>	<p>GL</p> <p>GL</p>	<p>31/12/11</p> <p>Immediate</p>
7.	<p>Discuss progress on recommendations from Internal Audit Reports. Paper A07/11/11</p> <p>GL referred Members to the Report and recommended actions that were not as yet complete. It was noted that the introduction of password parameters was outside the proposed completion date. GL advised that there were some practical issues and further discussions were being held with internal auditors. There were particular issues with students in forgetting and passing on passwords. JP advised that the suggestions put forward had been considered and there were some practical reasons why some could not be carried forward but he was not unhappy with the current arrangements. JG thought there was no single right answer as there were a range of options. There was need for balance but the solution was more important for staff. AH noted that the procedural documentation relating to the duties of the Financial Accountant had not been completed and GL confirmed that the Financial Accountant has put some time aside each week to work on this documentation and it should be completed by the end of March 2012.</p>		
8.	<p>Discuss and approve:-</p> <p>(A) Draft Key Issues Memorandum. Paper A08A/11/11</p> <p>JG advised that the Memorandum summarises the matters that have come out of the audit. JG advised that the first part of the commentary gives key number comparisons to last year and he confirmed to MW that this was after reduction for FRS17. JG asked Members to note the large reduction in the pension deficit and the bench mark analysis. The current ration at 0.48 against a GFEC bench mark of 1.50 is due to our high level of borrowing and residential accommodation. It was also noted that our pay to income was 44.0% against GFEC of 64.0%. The key audit issues were discussed. JG advised that the audit had concluded that the College had reasonable</p>		

		ACTION	ACTION DATE
	<p>grounds to support the preparation of its financial statements as a going concern. JG advised that as part of their testing it was noticed that retentions were not being capitalised on items under construction and this resulted in an understatement of £121,926.00 but this has no impact on the reported surplus. JG confirmed, as discussed above, that discussions were still taking place on the deferred tax issue with Limbury Ltd. JG also advised that the audit had a provision for dilapidations on the Dingle was £44,000.00 larger than the amount currently provided but they consider this not to be materially misstated. JG outlined the unadjusted misstatements and confirmed that none were material. In response to PR JG advised that he was comfortable that Limbury will earn enough to ensure that tax is not payable. JG then outlined the assumptions that had been used and confirmed that these had been tested against national sector benchmarks. Only one relating to cash was not in line and JG advised that this did not have a material impact. JG outlined the tax issues that had been considered and in response to DC GL outlined the procedures that we used in dealing with self employed persons who worked for the College. JG advised there would be a new reporting framework based on International Financial Reporting Standards which will start from January 2014 and this will entail more work and implementation needs to be planned.</p> <p><i>The Key Issues Memorandum for the year ended 31st July 2011 is recommended for approval by the Corporation.</i></p> <p>(B) Letter of Representation. Paper A08B/11/11</p> <p>In response to DC JG confirmed that the Letter was based on previous year and DC believed that it should be marked up with changes from the previous year.</p> <p><i>The Letter will be checked against the previous year and if there are material changes these will be marked and sent to Members for consideration.</i></p> <p><i>The Letter needs to be confirmed, if there are material changes from last year, and recommended for approval by the Corporation.</i></p> <p>(C) Draft Hartpury College Financial Statements. Paper A08C/11/11</p> <p>GL advised that this is the final draft with the numbers being firm with some minor changes to the commentary. MW felt the comment relating to the Sports Academy Extension should note that it was for Gloucester RFC. It was also noted that this development was noted twice. There were a number of minor typing errors noted.</p> <p><i>It was agreed that subject to final minor amendments the Annual Report and Financial Statement for the year ended 31st July 2011 is recommended for approval by the Corporation.</i></p>	<p>Clerk</p> <p>GL</p> <p>ALL</p> <p>GL</p>	<p>08/12/12</p> <p>Immediate</p> <p>08/12/11</p> <p>08/12/11</p>
9.	<p>Discuss and approve Financial Statement for Limbury Ltd. Paper A09/11/11</p> <p>GL advised that the principal activity of the company was property development and rental. The results showed a loss for the year of £98,179.00</p>		

		ACTION	ACTION DATE
	<p>and a net gift aid to Hartpury College of £840,000.00. PR advised that note 5 of the Financial Statement shows a tax charge and note 14 shows deferred tax as a potential but not recognised liability. PR advised that FRS19 requires full provision of a potential liability if tax is to become payable at any point in time and asked JG for the audit opinion on this divergence. JG explained that the tax charge was a liability at 31st July 2011 but by the time the tax was due nine months later a gift aid payment against profits of the current year would ensure that no tax was payable. Since no tax bill arises and since the proposals for dealing with Limbury Ltd would result in the potential charge never crystallising it was felt that it was not necessary to recognise the potential liability.</p> <p><i>The Annual Report and Financial Statement for Limbury Ltd for the year ended 31st July 2011 is recommended for approval by the Corporation.</i></p>	Clerk	08/12/11
10.	<p>Discuss and approve Financial Statement for Rudgeley Services Ltd. Paper A10/11/11</p> <p>GL advised that the principal activity of the Company was the provision of transport. GL advised that there was nil profit for the year and net gift aid payable to the College was £29,122.00.</p> <p><i>The Annual Report and Financial Statement for Rudgeley Services Ltd for the year ended 31st July 2011 is recommended for approval by the Corporation.</i></p>	Clerk	08/12/11
11.	<p>Discuss and approve ILR Audit Report. Paper A11/11/11</p> <p>JG advised that the audit had shown that there had been considerable improvement on the previous year. JG advised that all the recommendations from the previous year had been implemented. JG advised that there were two recommendations, one of medium priority and one low priority and were not systematic problems but errors. PR noted that the sample taken was 20 learners and GL confirmed that this would have been against a total population of perhaps 400. In response to MW GL advised that the internal auditors would make checks to see if the success rates were being incorrectly enhanced.</p> <p><i>The ILR Audit Report is recommended for approval by the Corporation.</i></p>	Clerk	08/12/11
12.	<p>Discuss and approve Audit Committee Annual Report. Paper A12/11/11</p> <p>The Chairman advised that the Report outlines the work of the committee over the last financial period.</p> <p><i>The Audit Committee Annual Report is recommended for approval by the Corporation.</i></p>	Clerk	08/12/11
13.	<p>Discuss and approve Audit Terms of Reference. Paper A13/11/11</p> <p>The Clerk advised that there were no amendments to the Terms proposed but there had been some changes in membership.</p>		

		ACTION	ACTION DATE
	<i>The Audit Committee Terms of Reference is recommended for approval by the Corporation.</i>	Clerk	08/12/11
14.	<p>Risk Management</p> <p>(A) Review Top 10 Risks. Paper A14A/11/11</p> <p>GL advised that the top 10 risks are reviewed at each meeting of the Risk Management Group and periodically by the Principals Management Group. GL confirmed that there was more work to be done on consistency between this report and the Risk Register. In response to AH GL advised that the risk only goes in to the Action Plan when there is a change and most do not change.</p> <p>(B) Discuss and approve new risks.</p> <p>GL advised that he was not proposing any new risks. MW felt that as there was going to be a new Principal in the next year was there a risk that the governors may not have the skill set to monitor and mentor a new Chief Executive.</p> <p><i>It was agreed that this potential risk would be evaluated.</i></p> <p>(C) Note Risk Management Group Minutes. Paper A14C/11/11</p> <p>GL confirmed that the Group meets prior to each Audit Meeting.</p> <p><i>The minutes of the Risk Management Group Meeting of the 4th November 2011 were noted.</i></p> <p>(D) Discuss and approve amendments to the Risk Management Corporate Policy Statement. Paper A14D/11/11</p> <p>GL advised that no amendments were proposed.</p> <p><i>The Risk Management Corporate Policy Statement was approved.</i></p> <p>(E) Discuss and approve Risk Management Action Plan. Paper A14E/11/11</p> <p>GL advised that the Key Risk Indicators were being reviewed by the Risk Management Group at their next meeting in January 2012. In response to RBS GL advised that timescales appear in the Action Plan when there is a change to the risk and further action is required. In response to AH that the document was an amalgamation of two documents and did need some tidying up and could delete "no further action".</p>	GL/ Clerk	Immediate
15.	<p>Discuss and approve Financial and Control Evaluation. Paper A15/11/11</p> <p>GL advised that this document has to be completed on an annual basis and there was a long and short version. GL confirmed that we have dispensation from the SFA that if we are not changing our grade then we only need to</p>		

		ACTION	ACTION DATE
	complete the short version. We had been graded as "Outstanding" at the last inspection and self assessed ourselves as continuing at this level. <i>The Financial and Control Evaluation for 2011 was approved.</i>	GL	Immediate
16.	Review Purchase Order Compliance. Paper A16/11/11 GL confirmed that all orders for the period to the end of October were compliant with the Financial Regulations.		
17.	Any Other Business There was no other business.		
18.	Dates of future meetings all at 11.00pm on a Tuesday 15 th May 2012 14 th May 2013 25 th September 2012 24 th September 2013 20 th November 2012 19 th November 2013		

Mrs Rosamund Blomfield-Smith
Chairman Audit Committee

15th May 2012