

## AUDIT COMMITTEE

### Minutes of a Meeting 9.00am on Friday 23<sup>rd</sup> September 2011 Thomas Mawson Room

- Present:** Mrs Rosamund Blomfield-Smith (RBS) (Chairman)  
Mrs Barbara Buck (BB)  
Mr D Clegg (DC)  
Councillor Tony Hicks (AH)  
Mr Paul Reynaert (PR)
- In Attendance:** Mr Graham Ledden (GL)
- Mr John Golding – Grant Thornton (JG)  
Mr Jamie Paddon – Mazars (JP)
- Apologies:** Dr Lawrence Ware  
Mr Malcolm Wharton
- Minutes:** Mr Rob Lee

		ACTION	ACTION DATE
	The Chairman welcomed Mr D Clegg and Mr J Golding to their first meeting.		
<b>1.</b>	<b>Apologies</b>  Apologies were received prior to the meeting from Mr M Wharton.		
<b>2.</b>	<b>Declaration of Interest – Paper A02/10/09</b>  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.  Mr J Golding and Mr J Paddon left the meeting whilst a short closed session was held and this is minuted separately.  Mr Golding and Mr Paddon rejoined the meeting for the next item on the main agenda.		
<b>3.</b>	<b>Minutes of the Last Meeting – Paper A03/10/09</b>  Minutes of the meeting held on the 17 <sup>th</sup> May 2011 were agreed to be a true and accurate record and signed by the Chairman.		



	ACTION	ACTION DATE
<p><b>5.3. Follow up Review February 2011. Paper A05.3/09/11</b></p> <p>JP confirmed that this report had been completed in February 2011 in line with their audit calendar and followed up on progress of recommendations from the audits on Sundry Debtors in January 2010, Accommodation Fees January 2010, Payroll March 2010, Farm Management April 2010, Work Based Learning and Train to Gain April 2010 and Staff Development and Retention November 2009. JP advised that 15 recommendations from the above reports had been reviewed. JP confirmed that action reported by the college had been confirmed as correct during the audit. There were 3 recommendations, 2 high risks and 1 medium risk not completed. Two related to the College appraisal system and these were ongoing. The third which is designated high priority is to ensure that there is adequate procedural documentation in place in the event of the Financial Accountant being subject to long term absence or leaving. In response to AH GL advised that this matter was ongoing and there was no fixed deadline for completion.</p> <p><b><i>The Follow-up Review was approved.</i></b></p>	GL	Immediate
<p><b>6. Discuss progress on recommendations from Internal Audit Reports. Paper A06/09/11</b></p> <p>GL advised that the document contains all outstanding audit recommendations but not those in the current reports discussed earlier. In response to RBS relating to debt recovery GL confirmed that outstanding debts are not ignored because they have been written off. In response to AH GL advised that it was difficult to benchmark against other institutions due to our high level of residential and JG felt, therefore, that a better comparison would be against HE institutions. GL advised that trade debts were provided for over one year old and in response to DC GL confirmed that trade debt predominately related to student debt. Further discussions took place on procedural documentation for the Financial Accountant discussed in agenda item above and RBS felt that a deadline was important. GL advised that there had been some slippage on some of the IT issues due to pressure during the summer work required for new build at Home Farm and the HE Centre.</p> <p><b><i>It was agreed that a deadline for completion of Financial Accountants Procedural Documentation will be agreed at the next Meeting if the documentation has not already been completed.</i></b></p>	GL	22/11/11
<p><b>7. Discuss and Approve Annual Internal Audit Report 2010/2011 including Annual Internal Audit Plan for 2011/2012. Paper A07/09/11</b></p> <p>JP advised that the Report covers work which has been finalised in respect of the 2010/2011 internal audit plan and would be used to help complete the Audit Committees Annual Report. JP confirmed that they had presented nine reports during the year containing 26 detailed recommendations to College Management to address weaknesses in design and/or operation of controls. This was against 27 recommendations in 2009/2010, 30 in 2008/2009 and 39 in 2007/2008 therefore showing an encouraging trend. There had been no new high priority recommendations resulting from the reviews. JP advised that the College had fully cleared 80% of recommendations set out in their audits and 20% had been partially cleared. RBS noted that most of outstanding recommendations were in IT, previously discussed, and Value for Money and in response JP advised that there was an improving VFM culture helped by the</p>		

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<p>appointment of a Procurement Manager and more information on College commercial ventures in Monthly Accounts. In response to RBS GL confirmed that the audit reports were very useful but very often the most value is in the discussions over the draft report to agree action and feedback. RBS advised JP that excessive brevity in reports was not encouraged and reports should be expanded to cover any underlying situation. Members noted the performance against the 2010/2011 Audit Plan. JP advised that during the year there had been 26 recommendations, none of which were deemed high priority. This was against the previous year's total of 27 recommendations five of which had been classified as high priority. PR advised that he would like to see notification of sample size. JP advised that more and more audit software was being used which enabled audits to look at total data set.</p> <p>JP advised that the provisional Audit Plan for 2011/2012 had been agreed after meetings with GL and the Financial Accountant and showed a proposed 40 days work against 37 days for this year. JP advised that following their appointment in 2007 a strategic plan covering 2007/8 to 2011/2012 had been agreed and this formed the basis of each annual plan which was then adapted to cover any other appropriate issues. After discussion it was agreed that Main Accounting and Budgetary Control, Student Retention, Achievement and Conversion and Cash Handling would be audited. JG advised that the Student Retention audit fits with the ILR audit that Gant Thornton will conduct. JP advised that this was now an area of some strength but JG expressed that the systems involved were quite onerous and the risk therefore high it is appropriate to look at each year. JP confirmed that Cash Handling would be in two parts concerning how it is managed and how operating. . GL advised that the proposed plan left some areas still open for discussion and agreement. It is proposed that two out of Catering, Waste Management, Staff Development and Retention and Energy Management would be audited next year. Each of the four areas was discussed but it was felt that Staff Development and Catering would be the two areas audited.</p> <p><b><i>The Annual Audit Report is recommended for approval by the Corporation.</i></b></p> <p><b><i>It was agreed that future Audit Plans will be discussed at the May Meeting.</i></b></p> <p><b><i>The Annual Internal Audit Plan for 2011/2012 was approved with the above amendments.</i></b></p>	<p></p> <p>Clerk</p> <p>Clerk/ JP</p> <p>GL/JP</p>	<p></p> <p>08/12/11</p> <p>15/05/12</p> <p>Immediate</p>
<p><b>8. Discuss and Approve External Audit Approach Memorandum for 2010/2011. Paper A08/09/11</b></p> <p>JG advised that he would represent Grant Thornton in the meeting due to the illness of Mr P Bowater and he outlined the audit team and experience. JG presented his proposed audit approach to report the Colleges Financial Statements for 2010/2011. JG advised that he had held meetings with GL and the Financial Accountant as well as reviewing the internal audit reports prior to agreeing this approach. JG outlined the objectives of their engagement and confirmed that their audit approach is based on an assessment of the audit risk relevant to the individual elements of the financial statements. JG then outlined the key audit issues. The first issue discussed concerned the College's ability to have adequate resources to cover its liabilities which, due to the national funding situation, was seen as a critical area. JG would need to confirm that the</p>		

	<b>ACTION</b>	<b>ACTION DATE</b>
<p>College had appropriate cash flow forecasts for the 12 months after the accounts had been signed. In response to DC JG confirmed that the accounting requirement was 12 months and not 18 months. Secondly they would need to ensure that an appropriate value of income has been deferred during the year and that the basis on which it is recognised is in accordance with the terms on which it has been received. Thirdly only capitalised costs represent expenditure qualifying as capital and lastly the deferred tax issue relating to Limbury Ltd. GL advised that this matter had been discussed at the last meeting. Grant Thornton had previously raised the issue that as the taxable profits of Limbury Ltd were different to the accounting profits we were rapidly reaching a point where gift aid payments equivalent to the taxable profits could not be made as there would be insufficient distributable accounting reserves to pay these. This issue arises due to the difference between capital allowances and depreciation on the residential properties and could mean that corporation tax would become payable. The solution that had been put to the last meeting had not been agreed. Further meetings had therefore taken place with Grant Thornton. Limbury had been set up to build the College residencies as at the time Colleges could not borrow more than 40% of their turnover but this did not apply to subsidiary companies and this was cited by the National Audit Office at the time as good practice. No longer relevant as borrowings are now monitored by the SFA on a consolidated basis. It is therefore proposed that to overcome the matter of deferred tax Limbury Ltd should sell all its properties to the College who would take on the debts of Limbury. SFA approval would be required. In response to DC and AH GL believed that we can avoid stamp duty and capital gains. PR felt there may be a problem that the activity of Limbury is not as the other activities of the charity, which is education, and might therefore be taxable. GL felt that as the residencies were for students this would not be the case. JG advised that there is still some detail to go through before a firm proposal can be made. JG outlined other sector issues that needed to be reported. JG confirmed that the proposal contained no change from the previous year on fees.</p> <p><b><i>It was agreed that a recommendation will be put to the next meeting on the deferred tax issue with Limbury Ltd.</i></b></p> <p><b><i>The Audit Approach Memorandum for the year ending 31<sup>st</sup> July 2011 was approved.</i></b></p>		
	<b>GL/JG</b>	<b>22/11/11</b>
	<b>JG</b>	<b>Immediate</b>
<p><b>9. Discuss outcomes of the Bribery Act 2010 that came into effect from 1<sup>st</sup> July 2011.</b></p> <p><b>9.1. Discuss and recommend actions. Paper A09.1/09/11</b></p> <p>The Clerk referred Members to the Governance Briefing that had been issued by the AoC. The Briefing contained a number of suggested actions. The main consideration would be given to appointing a Compliance Officer with specific responsibility alongside the Audit Committee to carry out risk assessment in accordance with Government guidance. GL also confirmed that particular attention would be made on overseas agent's contracts.</p> <p><b><i>It was agreed that update will be given to the next meeting.</i></b></p> <p><b><i>It was agreed that the briefing will go to the next meeting of the Corporation for them to note.</i></b></p>		
	<b>Clerk</b>	<b>22/11/11</b>
	<b>Clerk</b>	<b>08/12/11</b>

	<b>ACTION</b>	<b>ACTION DATE</b>
<p><b>9.2 Discuss and approve College Anti-bribery Policy Statement. A09.2/09/11</b></p> <p>The Clerk referred Members to the College Anti Bribery Statement that had been taken from an AoC Model.</p> <p><b><i>It was agreed that the Anti-bribery Policy Statement would go to the next meeting of the Corporation for them to note.</i></b></p> <p><b><i>The Anti-bribery Policy Statement was approved.</i></b></p>	<p>Clerk</p> <p>Clerk</p>	<p>08/12/11</p> <p>Immediate</p>
<p><b>10. Review internal controls on cash handling. Paper A10/09/11</b></p> <p>GL outlined the circumstances surrounding the loss of £5,811.41 being the cash takings from the catering activities at the 4 day Dressage Event. GL believed that there were a number of possible reasons for the loss of the cash. Firstly theft by a member of staff. Secondly the cash had been mislaid by a member of staff and subsequently stolen and thirdly the bag containing the cash is mislaid. RBS confirmed that as Chairman of Audit Committee she had been informed of the disappearance of the money by the Principal. GL advised that he had had discussions with the police and they had advised that it could be reported as a loss or theft and GL confirmed it has been reported as a loss. GL advised that if reported as a theft police would need to interview staff and he saw no benefit to this at present time. In response to PR GL advised there is insurance cover but not if classified as a loss. GL referred Members to the recommendations to improve our systems and advised that the revised plan was already in place. JG believed that the safety of individuals carrying cash should also be looked at.</p>		
<p><b>11. Risk Management (GL)</b></p> <p><b>11.1. Review College Top 10 Risks. Paper A11.1/09/11</b></p> <p>GL advised that the top ten risks to the College had been reviewed by the Risk Management Group. RBS wondered whether there was a need to dilute the serious breach of health and safety with environmental issues. GL felt there had been a feeling within the Risk Management Group that the subject was much wider than just health and safety. GL would look at this again at the next meeting of the Risk Management Group. GL asked Members to note that the risk around providing appropriate programmes of study had been removed from the top ten.</p> <p><b><i>It was agreed that the Risk Management Group would review the area of breaches of health and safety legislation to see if environmental issues need to be included.</i></b></p> <p><b>11.2. Review Risk Management Register and Action Plan and note new risks. Paper A11.2/09/11</b></p> <p>GL advised that the Register and Action Plan was still work in progress and currently as discussed earlier looking at trigger points for the Key Risk Indicators.</p> <p><b><i>The Risk Management Register and Action Plan was noted.</i></b></p>	<p>GL</p>	<p>22/11/11</p>

	ACTION	ACTION DATE									
<p><b>11.3. Discuss and approve Risk Management Group Terms of Reference. Paper A11.3/09/11</b></p> <p>GL advised that the proposed changes were outlined in red type. AH believed that the quoracy at Chair plus four other members was too low and GL agreed to increase. In response to AH GL agreed that point 2 would need to be clarified as to the level of risks evaluated. RBS also felt that the Group should meet at least four times per year. DC believed that all the risks should be thoroughly re-assessed annually. In response to RBS GL advised that with over 140 risks in the register it would not be possible to go through them at each meeting of the Group. JP believed that members of the Risk Management Group should have their responsibilities to risk management in their job descriptions.</p> <p><b><i>It was agreed that the Risk Management Group Terms of Reference would be reviewed taking note of the above comments and be presented to the next meeting for approval.</i></b></p> <p><b>11.4. Note Minutes of Risk Management Group Meeting. Paper A11.4/09/11</b></p> <p><b><i>The minutes of the Risk Management Group held on the 12<sup>th</sup> September 2011 were noted.</i></b></p>	GL	22/11/11									
<p><b>12. Review Purchase Order Compliance. Paper A12/09/11</b></p> <p>GL advised that this was a Standing Agenda item and that one order was not compliant. GL advised that the order had been given to the incumbent supplier as there had been a pressure to complete before students returned. The budget holder responsible has now left the College.</p>											
<p><b>13. Any Other Business</b></p> <p>There was no other business.</p>											
<p><b>14. Dates of future meetings all at 11.00pm on a Tuesday</b></p> <table data-bbox="183 1433 1197 1545"> <tr> <td></td> <td>15<sup>th</sup> May 2012</td> <td>14<sup>th</sup> May 2013</td> </tr> <tr> <td></td> <td>25<sup>th</sup> September 2012</td> <td>24<sup>th</sup> September 2013</td> </tr> <tr> <td>22<sup>nd</sup> November 2011</td> <td>20<sup>th</sup> November 2012</td> <td>19<sup>th</sup> November 2013</td> </tr> </table>		15 <sup>th</sup> May 2012	14 <sup>th</sup> May 2013		25 <sup>th</sup> September 2012	24 <sup>th</sup> September 2013	22 <sup>nd</sup> November 2011	20 <sup>th</sup> November 2012	19 <sup>th</sup> November 2013		
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**Mrs Rosamund Blomfield-Smith  
Chairman Audit Committee**

**22<sup>nd</sup> November 2011**