

AUDIT COMMITTEE

Minutes of a Meeting 11.00am on Tuesday 25th September 2012 Thomas Mawson Room

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

In Attendance: Mr Bob Barnett (RB)
Mr Graham Ledden (GL)
Dr Lawrence Ware (LW)
Mr Russell Marchant (RM)

Mr John Golding – Grant Thornton (PW)
Mr Graeme Clarke– Mazars (GC)
Mr Tom Stanton-Mazars (TS)

Apologies: Mrs Barbara Buck
Mr David Seymour

Minutes: Mr Rob Lee

		ACTION	ACTION DATE
1.	<p>The Chairman welcomed the Principal and Mr Graeme Clarke to their first meeting.</p> <p>The Chairman welcomed Mr Bob Barnett who would be taking over as Chairman of this Committee after the November meeting.</p> <p>Apologies</p> <p>Apologies were received from Mrs B Buck and Mr D Seymour.</p>		
2.	<p>Declaration of Interest – Paper A02/09/12</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 J Golding, Mr G Clarke and Mr T Stanton left the meeting.</p>		

		ACTION	ACTION DATE
3.	<p>Closed Session</p> <p>3.1. Discuss process for appointment of internal auditors when Mazars complete 5 year term in January 2013. Paper A03.1/09/12</p> <p>3.2. Agree Minutes of the last Closed Session. Paper A03.2/09/12</p> <p>This item is minuted separately.</p> <p>Mr J Golding, Mr G Clarke and Mr T Stanton re-joined the meeting.</p>		
4.	<p>Minutes of the Last Meeting – Paper A04/09/12</p> <p>Minutes of the meeting held on the 15th May 2012 were agreed to be a true and accurate record and signed by the Chair.</p>		
5.	<p>Matters Arising</p> <p>5.1. (5.1) Update on deferred tax issue with Limbury Ltd. Paper A05.1/09/12</p> <p>GL advised that following the last meeting this matter was progressed to a conclusion prior to 31 July 2012. The report commissioned from Grant Thornton was used to chart a course to ensure that the various tax issues could be avoided. This took into account potential issues with corporation tax, capital gains tax, stamp duty land tax and VAT. GL advised that prior to proceeding with the transaction he obtained a professional valuation for the sale price of the buildings and the fixtures and fittings, which amounted to £15.9m and £600k respectively. As a result contracts for the transfer of the residential student accommodation in Limbury Ltd to the College were drawn up and executed on 26 July 2012 and hence the tax issue in Limbury is now resolved. Lloyds Bank had indicated that they had no objection to the transfer but unfortunately the novation is not acceptable and until agreed the loans continue in the name of Limbury Ltd. In response to PR GL advised that there is not a problem with continuing to loan money from a subsidiary but we would not be able to move Limbury Ltd to being a dormant company.</p> <p><i>An update will be given at the next meeting on whether the problem with novation has been resolved.</i></p> <p>5.2. (5.2) Update on appointment of Compliance Officer.</p> <p><i>This had not been resolved and would be an agenda item for the next meeting.</i></p> <p>5.3. (6.2) Discuss actions taken by Catering Department as a result of Internal Audit Report. Will be discussed at agenda item 7.</p> <p>5.4. (8.0) Confirm audit days allocated to Catering for 2012/2013.</p> <p>GL confirmed that this had now been agreed as 3 days with the internal auditors.</p>	<p>GL</p> <p>GL</p>	<p>15/11/12</p> <p>15/11/12</p>

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6.	<p>Discuss and Approve Internal Audit Reports 2011/2012.</p> <p>6.1. Follow up Review June 2012. Paper A06.1/09/12</p> <p>TS confirmed that this report had been completed in June 2012 in line with their audit calendar and followed up on progress of recommendations from the audits on Sundry Debtors in January 2010, Creditor Payments May 2011, Procurement March 2011, IT Data and Network Security November 2010, International Student Recruitment April 2011, Student Data Systems May 2011, Staff Development and Retention November 2009 and the Follow-up Review February 2011. TS advised that 19 recommendations from the above reports had been reviewed. TS confirmed that action reported by the college had been confirmed as correct during the audit with the exception of Procurement Audit where the recommendations had been omitted from the Progress Report prepared by the College. On inspection all recommendations bar one had been fully implemented with the outstanding on-going.</p> <p><i>The Follow-up Review was approved.</i></p> <p>6.2. Cash Handling July 2012. Paper A06.2/09/12</p> <p>TS confirmed that this report had been completed in July 2012. JP outlined the objectives that were reviewed as part of this audit and advised that substantial assurance had been given to the adequacy of the control environment confirming that the College whilst having a basically sound system of control there is some scope for improvement. Substantial assurance had also been given to the to the effectiveness of those controls relating to the risk areas examined confirming that whilst controls are generally working effectively, there is some scope for improvement. TS advised that this was the second part of the audit and they had looked at the recommendations that had come out of the first audit. TS explained that of the six recommendations from the first audit four were cleared and progress was being made on the two outstanding. GL advised that the first outstanding item was of the most concern and related to rectifying cash differences which were still being actioned by the Finance Department due to staff problems within Catering Department. In response to RBS RM confirmed that the spotlight will remain on catering. The original cause for this review was the loss of cash from an equine event. In response to AH GL advised that whilst it was still possible for this to happen the major concern had been that we had not discovered the loss for some weeks whereas the processes now in place would ensure that we were aware of such an incident much quicker. In response to RB GL advised that the amount of cash varied from day to day and obviously larger amounts were generated by some of the equine events but cash averaged about £10K per week.</p> <p><i>The responsibility of reconciling cash shortages in Catering needs to be transferred from the Finance Department to Catering Department.</i></p> <p><i>The Audit Report on Cash Handling was approved.</i></p> <p>6.3. Staff Retention and Development September 2012. Paper A06.3/09/12</p> <p>TS confirmed that this report had been completed in September 2012. TS outlined the objectives that were reviewed as part of this audit and advised</p>	GL	15/11/12

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	<p>that this area had been audited two years ago and there had been considerable improvement. Substantial assurance had been given to the adequacy of the control environment confirming that the College whilst having a basically sound system of control there is some scope for improvement. Substantial assurance had also been given to the to the effectiveness of those controls relating to the risk areas examined confirming that whilst controls are generally working effectively, there is some scope for improvement. TS outlined the key findings from the audit and advised that there were four recommendations for improvement, three at medium priority and one at low priority. It was noted that some appraisals whilst marked as completed had still been returned for further details. In response to RBS TS advised that whilst there had been an improvement in the number of appraisals completed he did not have the exact figure. The second recommendation was to review the exit interviews which had been moved from interview to questionnaire and TS felt there was a need for better monitoring. In response to AH TS advised that there was a 20% response rate in the sample checked but was not aware of the overall response rate. GL advised that these recommendations will appear on the next follow-up report.</p> <p><i>The exact percentage of appraisals completed will be reported.</i></p> <p><i>The overall percentage of exit questionnaires/interviews completed will be reported.</i></p> <p><i>The Audit Report on Staff Development and Retention was approved.</i></p> <p>6.4. Risk Management September 2012. Paper A06.4/09/12</p> <p>TS confirmed that this report had been completed in September 2012 and was happy with the Risk Management procedures in place and thought the processes were sound and well embedded. TS outlined the objectives that were reviewed as part of this audit and advised that substantial assurance had been given to the adequacy of the control environment confirming that the College whilst having a basically sound system of control there is some scope for improvement. Substantial assurance had also been given to the to the effectiveness of those controls relating to the risk areas examined confirming that whilst controls are generally working effectively, there is some scope for improvement. TS outlined the key findings from the audit and advised that there were three recommendations for improvement, one at medium priority and two at low priority. In response to AH the Clerk advised that we would be carrying out further training for governors, which would probably take place at the beginning of a Board Meeting, over the next 12 months.</p> <p><i>The Audit Report on Risk Management was approved.</i></p>		
		GL	15/11/12
		GL	15/11/12
7.	<p>Discuss progress on recommendations from Internal Audit Reports. Paper A07/09/12</p> <p>GL referred Members to the section of the Report relating to the progress that had been made on the recommendations from the Catering Value for Money Audit. GL advised that some of the actions were complete but most were still being progressed. RM confirmed that we are in the early stages of putting this area right but it had been found that some of the internal transactions undervalued their work. In response to AH and RB GL confirmed that the recommendations will stay on the Report until fully actioned and therefore can</p>		

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	be reviewed again at the next meeting. GL confirmed to RBS that this area will be audited again during the next year. <i>The progress on actions from the recommendations from the Catering Value for Money Audit will be reviewed at the next meeting.</i>	GL	15/11/12
8.	Discuss and Approve Annual Internal Audit Report 2011/2012. Paper A08/09/12 GC 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. GC thanked GL and members of his staff for their assistance over the year. GC confirmed that they had presented seven reports during the year containing 32 detailed recommendations to College Management to address weaknesses in design and/or operation of controls. This was against 26 recommendations in 2010/11, 27 in 2009/2010, 30 in 2008/2009 and 39 in 2007/2008. There had been four new high priority recommendations resulting from the reviews three of which related to Catering and these had been discussed earlier in the meeting. GC advised that the College had cleared all agreed actions from 2010/2011 that had been sampled. 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. GC advised that planned coverage had been 40 days but the work had been completed in 39 days. There had been 32 audit recommendations (26 previous year) of which 4 (0) were high priority, 20 (14) of medium priority and 8 (12) low priority. LW noted that the list of reports completed included one for student retention and achievement but this area had not been reviewed. TS agreed and it would be taken from the Report. GL advised that Mazars had also conducted some consultancy work looking at direct HE numbers. TS confirmed that the Report is not finalised and it would contain no recommendations. RBS felt that it should not come before this Committee but AH felt there may be a case for it to be looked at by the Quality and Standards Committee. In response to RBS GL advised that the manager of the area was responsible for the feedback scores. GC confirmed that we had been given a full unqualified assurance statement on the effectiveness of our risk management, control and governance processes. <i>The HE consultancy report will be circulated electronically to members when completed.</i> <i>The HE consultancy report will be reviewed to see if it should go to the Quality and Standards Committee.</i> <i>The Internal Annual Audit Report for 2011/2012, with the above amendment is recommended to the Board for approval.</i>	Clerk Clerk/ GL Clerk	When Completed When Completed 06/12/12
9.	Discuss and Approve Audit Approach Memorandum 2011/2012. Paper A09/09/12 JG presented his proposed audit approach to report the Colleges Financial Statements for 2011/2012. 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		

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	<p>outlined the potential high risk areas. Firstly to ensure that income goes into the correct period; secondly there are the correct disclosures on property transactions; thirdly the control of payroll costs, which were always a concern and lastly to ensure the College was a going concern which was more relevant than ever in the public sector. JG outlined the direction that he would expect to go relating to these high risk areas. JG then outlined the reporting issues connected to the sector. The Clerk advised that the College had adopted the new Foundation Code and this should be amended within the memorandum. JG advised that they will need to spend some time together with the Finance Department on ensuring that the College is a going concern as this is a fundamental concept for the preparation of the financial statements. JG outlined the proposed timetable and fees. PR noted that the fees were not as outlined in Grant Thornton tender document and JG advised that he would investigate why this had happened. In response to PR GL advised that there would no longer be a concern over the Dingle Lease as we had purchased the units and he would find out the situation on the Asset Register.</p> <p><i>The Audit Approach Memorandum was approved with the above amendments.</i></p> <p><i>The fees for the year need to be confirmed.</i></p>	<p>JG</p> <p>JG</p>	<p>Immediate</p> <p>Immediate</p>
10.	<p>Risk Management</p> <p>10.1. Review actions taken to embed risk management in the structure of the College. Paper A10.1/09/12</p> <p>GL outlined the actions that had been taken to embed risk management: -</p> <ul style="list-style-type: none"> ❖ The Risk Register and the College Top 10 Risks are reviewed formally by the Risk Management Group four times a year as well as by Audit Committee. ❖ The Risk Management Group comprises all the risk owners with the exception of the Principal. Eight members of the College Executive are on the Committee together with a number of senior managers. The Clerk to the Corporation is also a member. In total there are 15 members all of whom own the risks in their areas. ❖ The College culture at all levels is largely risk averse, with risk assessments being carried out as appropriate at all levels. ❖ The Top10 risks will be taken to the Exec Committee monthly and this has started from September. ❖ Each risk owner presents their risks to Exec on a monthly basis so that over the year all areas will be covered. ❖ Consideration is being given to publishing the Risk Register on the College intranet. <p>RM advised that he wishes to have the Risk Register on the Intranet but we would first need to look at the way it is presented.</p> <p>10.2. Review College Top 10 Risks. Paper A10.2/09/12</p> <p>GL advised the Top 10 risks have been amended to include the next five risks so those are also monitored more closely. In response to RB GL advised that we had not compared our risks with other similar colleges. In response to DC GL explained the back-up procedures set out in the IT Disaster Recovery Plan.</p>		

