

## AUDIT COMMITTEE

### Minutes of a Meeting 9.00am on Tuesday 15<sup>th</sup> May 2012 Gordon Canning 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)  
Dr Lawrence Ware (LW)  
Mr Jamie Paddon – Mazars (JP)  
Mr Tom Stanton– Mazars (TS)

**Apologies:** Mr John Golding-Grant Thornton  
Mr Malcolm Wharton

**Minutes:** Mr Rob Lee

		ACTION	ACTION DATE
1.	<b>Apologies</b>  Apologies were received from Mr J Golding and Mr M Wharton.		
2.	<b>Declaration of Interest – Paper A02/05/12</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 Paddon and Mr Stanton left the meeting.		
3.	<b>The meeting started with a closed session, without auditors, to discuss process for the appointment of internal auditors when Mazars complete 5 year term in January 2013. This item is minuted separately.</b>		
4.	Mr Paddon and Mr Stanton rejoined the meeting.  <b>Minutes of the Last Meeting – Paper A04/05/12</b>  Minutes of the meeting held on the 22 <sup>nd</sup> November 2011 were agreed to be a true and accurate record and signed by the Chair.		

		ACTION	ACTION DATE
5.	<p><b>Matters Arising</b></p> <p><b>5.1. Update on deferred tax issue with Limbury Ltd.</b></p> <p>GL confirmed that he had recently received a detailed report from Grant Thornton and that no major issues were foreseen. We would need to transfer the properties from Limbury Ltd to Hartpury and we would therefore need a valuation to show that the transfer was an arms length transaction. A valuation was needed to avoid future problems with the Inland Revenue to show that the transfer had been made at market valuation. In response to PR GL advised that any capital gains and stamp duty would be overcome through the gift aid process. GL explained that he still had to get confirmation from the Bank but did not foresee a problem and in response to RBS GL advised that there was no indication that they would use this as an opportunity to improve their margin.</p> <p><b><i>A copy of the Report from Grant Thornton will be sent to Mr P Reynaert.</i></b></p> <p><b><i>An update will be given to the next meeting.</i></b></p> <p><b>5.2. Update on appointment of Compliance Officer.</b></p> <p>GL advised that an appointment still needs to be confirmed.</p> <p><b><i>It was agreed that the proposal for Compliance Officer will be sent to Members for approval.</i></b></p> <p><b>5.3. Update on review of Joining Instructions relating to students keeping cash on campus.</b></p> <p>GL confirmed that the Joining Instructions included advice to students on keeping cash on campus.</p>	<p>GL</p> <p>GL</p> <p>GL/ Clerk</p>	<p>Immediate</p> <p>25/09/12</p> <p>Immediate</p>
6.	<p><b>Discuss and Approve Internal Audit Reports</b></p> <p><b>6.1. Main Accounting System and Budgetary Control. Paper A06.1/05/12</b></p> <p>JP confirmed that this Report had been completed in April 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. Full assurance has been given to the effectiveness of those controls relating to the risk areas examined confirming that all key controls are operating effectively. JP outlined the key findings of the Report and had only one low priority recommendation which had now been completed.</p> <p><b><i>The Report on Main Accounting Systems and Budgetary Control was approved.</i></b></p> <p><b>6.2. Catering Value for Money. Paper A06.2/05/12</b></p> <p>GL advised that the auditors had been asked to undertake a detailed review</p>		

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	<p>of this area as there had been some recent control issues and JP confirmed that the Report had been completed in April 2012. JP outlined the objectives that were reviewed as part of the audit and advised that limited assurance had been given to the adequacy of the control environment confirming that there were weaknesses in the system of controls putting the majority of the system objectives at risk. JP advised that only limited assurance could also be given to the effectiveness of those controls relating to the achievement and demonstration of Value for Money being achieved in the Catering Service putting a majority of the system objectives at risk. JP advised that a total of 18 recommendations had been made of which three were high priority, fourteen medium priorities and one low priority. All had been accepted and it had been confirmed by the College that all recommendations would be implemented by the end of July 2012. GL advised that most are of an operational nature and have already been dealt with. JP outlined the positive findings and in response to DC GL explained the process and Colleges involvement with the Pelican procurement consortium which is now resulting in 4-7% savings per month. JP then referred Members to the recommendations and each one was discussed with the action being taken. RBS enquired as to the senior management response to this report and GL advised that the Principal was very concerned AH believed that we needed to see a dramatic improvement in this area. In response to PR GL advised that Finance was still involved in cash handling which should be operated by the Catering Department and confirmed that Finance was adequately staffed. In response to RBS JP advised that a follow up audit of Catering Department was planned for next year. AH believed that this was too long and that the Committee should have an interim report at the next meeting.</p> <p><b><i>It was agreed that an interim report giving management judgements on improvements in the Catering Department will be presented to the next meeting.</i></b></p> <p><b><i>The Report on Catering Value for Money was approved.</i></b></p>	GL	25/09/12
7.	<p><b>Discuss progress on recommendations from Internal Audit Reports. Paper A07/05/12</b></p> <p>GL presented his report on progress on actions that have been recommended by audit reports, other than the reports discussed above. Only three recommendations were outstanding and discussions took place on these. Only one action may not be complete by the end of the academic year and this related to identifying cash differences which was still being operated by the Finance Department instead of Catering Department due to staff shortages. JP confirmed that there will be a follow up audit on the cash handling process that had led to a £5,811 loss to ensure that the new procedures that have been put in place are working. In response to PR GL confirmed that processes were in place for individuals not to be walking around campus with cash and we are working towards cash-less system where possible although this was difficult with some of the large events that we run.</p>		
8.	<p><b>Discuss and Approve Internal Audit Plan 2012/2013. Paper A08/05/12</b></p> <p>JP advised that he had met with GL and the Financial Controller to agree a draft audit plan. The proposal contained the strategic plan for the period 2012/2013 to 2014/2015 and the proposed plan for 2012/2013. JP outlined</p>		

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	<p>the detailed scopes of the work proposed for 2012/2013. In order to give an annual opinion on corporate governance and risk management, as required by the Audit Code, both areas are covered each year. JP explained that although both areas were well managed he proposed to take a much more detailed look at Risk Management. The plan proposes to continue to review all financial systems over a three year period and in 2012/2013 to concentrate on Payroll, Student Accommodation and Sundry Debtors. IT disaster recovery arrangements will be reviewed for the first time in three years. JP acknowledged the improvements in control arrangements on FE student number accuracy and proposed therefore to look at the accuracy of HE student number returns. GL believed this to be the correct approach as we have received 352 student numbers direct as from 2012/2013 and this could be over 1000 in the next three years. This is therefore the first time we have had a direct relationship with HEFCE. JP advised that it is proposed to use the days in the current year allocated to Student Retention, Achievement and Conversion to conduct a piece of consultancy work that will help the College to identify the risks, and potential solutions, to this large increase in direct HE student numbers. In response to AH GL advised that UWE will continue to do much the same administration for us during the next financial year and top slice as per agreement. They will, however, report our direct numbers separately. The risk is too great for us to take on this function during the next academic year but we may choose to do these ourselves for 2013/2014. RBS advised that if these areas were not controlled it could lead to financial and reputational problems. JP advised that as discussed earlier Catering would be reviewed and confirmed to AH that they would be looking at controls as part of the Value for Money audit. RBS questioned whether three days was sufficient and it was agreed to see if an extra day could be allocated taken from another area. AH noted that the proposal was to allocate six days to look at the management of the Farm and not to follow up in the next two years and felt that as there had been a long history of extremely poor financial returns this should be looked at on a ongoing basis by reducing the days allocated for next year and allocating to following years. JP believed that they would need six days to look at the controls, long term strategies and commercial aspects of the Farm to enable them to give assurances on how the Farm is managed. GL explained that there was a sub-committee of governors that look at the farm and the Dairy Unit is managed by Velcourt. RBS stated that it was just not about profitability as we need to consider if it is realistic to break even and if not we need to consider what is realistic. PR advised that he deals with a number of dairy farms and irrespective of size there was no simple answer relating to profitability at the moment. In response to RBS and change of Principal JP believed that the biggest risk may be management stretch due to strategic change and this will be considered for 2013/2014 if necessary. JP confirmed that there will be no increase in their daily rate.</p> <p><b><i>The Audit Plan for 2012/2013 was approved on the condition that a review of the number of days allocated to Catering would be made to see if three days were sufficient to carry out the audit.</i></b></p>	GL/JP	Immediate
9.	<p><b>Risk Management</b></p> <p><b>9.1. Discuss and approve Risk Management Register. Paper A9.1/05/12</b></p> <p>GL advised that the Risk Register was looked at annually by this committee</p>		

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	<p>and then it goes to the Corporation. The Register is updated throughout the year and new risks added and these together with those that have been amended are identified in the Register. Members were referred to the amendments and additions that had been made. GL confirmed that the Register is looked at in depth by the Risk Management Committee who over the past twelve months has re-evaluated the weighting and scores of all the risks. In response to RBS on how the document was used GL advised that all the owners of risks were members of the Risk Management Committee and they meet four times per year. In response to RBS GL confirmed that there was no formal process other than the Risk Management Committee. In response to RBS GL confirmed that the top 10 risks do go to the Executive. RBS believed that there should be a bigger focus by the Executive and should be looked at least once per month. RBS also felt that this Committee should view the full Risk Management Register at each meeting. RBS felt that we needed to agree a formal process and the Principal should be brought into the formal system. In response to JP GL confirmed that the Risk Management Committee looks at top 20 risks and as can be seen over the last 12 months and on the current top 10 these risks are regularly evaluated and movement and direction of travel is shown. In response to LW GL advised that the action plan associated with this document contained three further columns and RBS felt that we should find a way of showing action. AH felt that the document was already difficult to read and could be more "user friendly". RBS felt that the document may be better split by department in risk order. There was some confusion over the letters used for the categorisation of risk particularly the H and this may be better altered or the index moved to the start of the document.</p>		
	<p><b><i>Risk Management is already a standing agenda item for Executive Meetings and it is suggested that the College top risks should be an agenda item once per month.</i></b></p>	GL	Immediate
	<p><b><i>The Risk Management Register will be a standing agenda item for each meeting of the Committee.</i></b></p>	Clerk	25/09/12
	<p><b><i>It was agreed that a paper will be presented to the next meeting on how the Risk Management Register and College top risks are used to ensure maximum focus and embedding within the structure of the College.</i></b></p>	GL	25/09/12
	<p><b><i>It was agreed that the Risk Register will show actions in place to reduce risk.</i></b></p>	GL	25/09/12
	<p><b><i>It was agreed that ways of making the document more user friendly will be investigated.</i></b></p>	GL	25/09/12
	<p><b><i>The Risk Management Register was approved and recommended to the Corporation.</i></b></p>	Clerk	12/07/12
	<p><b>9.2. Review Top 10 College Risks. Paper A9.2/05/12</b></p> <p>GL advised that the Colleges top risks were reviewed at each meeting of the Risk Management Committee. GL explained the reasons for the new risks in the top 10 and the movement in the other risks. It had already been agreed that these risks will be looked at on a monthly basis by the College Executive.</p>		

