

## AUDIT COMMITTEE

### Minutes of a Meeting 11.00am on Thursday 15<sup>th</sup> November 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)  
Mr David Seymour (DS)

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

Mr John Golding – Grant Thornton (JG)  
Mr Tom Stanton-Mazars (TS)

**Apologies:** Mr Bob Barnett  
Mr Graeme Clarke

**Minutes:** Mr Rob Lee

		ACTION	ACTION DATE
1.	<p><b>Apologies</b></p> <p>Apologies were received from Mr R Barnett and Mr G Clarke.</p>		
2.	<p><b>Declaration of Interest – Paper A02/11/12</b></p> <p>The Clerk advised that member's interests would be taken as those disclosed in the Register of Members Interests. There were no declarations of members interests for agenda items.</p> <p>Mr Golding, Mr Clarke and Mr Stanton left the meeting</p> <p>This would be the Chairman's last meeting as she had completed 6 years as a Member of the Audit Committee. Mr G Ledden on behalf of the Committee and the College thanked her for her work on the Committee with the last two years as Chairman.</p>		

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3.	<p><b>Closed Session without Auditors being present</b></p> <p><b>3.1. Agree and approve Closed Minutes from last meeting and agree release date. It is proposed that as these minutes contain discussions on audit companies they should not be released.</b></p> <p><b>3.2. Review progress on appointment of internal auditors.</b></p> <p>This section is minuted separately.</p> <p>Mr Golding, Mr Clarke and Mr Stanton re-joined the meeting.</p>		
4.	<p><b>Agree Minutes of Last Meeting. Paper A04/11/12</b></p> <p>The minutes of the 25<sup>th</sup> September 2012 were agreed to be a true and accurate record and signed by the Chair.</p>		
5.	<p><b>Matters Arising</b></p> <p><b>5.1. (5.1.) Update on novation for Limbury Ltd</b></p> <p>GL advised that there was no progress on this matter.</p> <p><b><i>Update on novation for Limbury Ltd.</i></b></p> <p><b>5.2. (5.2.) Update on appointment of Compliance Officer.</b></p> <p>This matter had not been resolved.</p> <p><b><i>It was agreed that a Compliance Officer would be appointed as soon as possible and members of the Committee notified.</i></b></p> <p><b>5.3. (6.3.) Report on percentage of appraisals completed.</b></p> <p>GL advised that the completion of support appraisals has risen from 60% in 2010 to 80% in 2012. Completion of academic appraisals has risen from 88% in 2009 to 97% in 2011. RBS believed that the support appraisal completion should be near to 100%.</p> <p><b>5.4. (6.3.) Report on percentage of exit questionnaires/interviews completed.</b></p> <p>GL reported that 26% of staff that left voluntarily completed an exit questionnaire.</p> <p><b>5.5. (7.0.) Review of progress on actions from Catering Value for Money Audit will be discussed at Agenda Item 7.</b></p>	<p>GL</p> <p>RM/GL</p>	<p>14/05/13</p> <p>Immediate</p>
6.	<p><b>Discuss and approve Internal Audit Report on Payroll Paper A06/11/12</b></p> <p>TS confirmed that this report had been completed in November 2012 in line with their audit calendar. TS outlined the objectives that were reviewed as part of this audit and advised that substantial assurance had been given to the</p>		

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	<p>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 positive findings from the audit and advised that there were four recommendations for improvement, one with medium priority and three with low priority. TS referred Members to Appendix A which outlined the recommendations. PR felt that it was worrying that incorrect timesheets had been signed off by Managers and GL responded that we were reinforcing the system with the individuals involved and that it could lead to staff not being paid if incorrect forms were still received. A discussion took place on the computer failure by the payroll bureau that whilst resolved did highlight the vulnerability for the College to the system failing. GL advised that this had also affected other customers of the bureau and he had had a meeting with them and the College will establish what contingency arrangements are in place and then seek appropriate assurances.</p> <p><b><i>The Internal Audit Report on Payroll was approved.</i></b></p>		
7.	<p><b>Discuss progress on recommendations from Internal Audit Reports. Paper A07/11/12</b></p> <p>GL advised that the majority of on-going actions related to Catering. RM advised that as a result of the audit he had looked at best practice in this area at another college and decided to contract a consultant who will start work within the next two weeks. The emphasis was to get catering on track by the end of the financial year. In response to DC RM advised that this would be an on-going process for the next 9-12 months. RBS felt that as the consultant was about to start we should not continue at this time to discuss the outstanding actions. AH believed that we should have a progress report.</p> <p><b><i>An interim report on Catering will be presented to the next meeting.</i></b></p>	RM	14/05/13
8.	<p><b>Discuss and approve:-</b></p> <p><b>8.1. Draft Key Issues Memorandum. Paper A08.1/11/12</b></p> <p>JG advised that the last meeting had agreed the areas that he was going to focus on and this paper gives the result of the audit. JG wished to thank the staff who had been very supportive and confirmed that there were very few areas that needed looking at. JG advised that the first part of his report gave the financial performance, which after FRS17 adjustment gave a retained surplus of £448K which is a £86K(16.1%) down on the previous year. JG referred Members to the Consolidated Balance Sheet and in particular to the doubling of the pension deficit to £3022K which was common in the sector and was not of a concern and would be discussed in more detail later. JG then referred Members to the matters that had been identified at the planning stage-existence and recognition of income, property transactions, payroll costs and going concern-and outlined their findings and response. JG explained that the investigations on property transactions centred on the College purchase of accommodation from Limbury Ltd. JG stated that it was important for the governors to be satisfied that the College was a going concern and there was a paper on this matter later. JG then moved on to matters identified during the course of the audit-bad debt provision and old VAT provision-and outlined the</p>		

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	<p>action proposed. JG confirmed that there had been no need for any adjustments. JG then referred Members to the FRS17 adjustment and advised that increasing the deficit from £1544K to £3022K is primarily the result of a 1.2% decrease in the discount rate used to value the schemes liabilities. JG also confirmed that the actuarial assumptions used for the valuation were within an acceptable range. JG re-issued page 17 of his report outlining the correct fee structure.</p> <p><b><i>The Key Issues Memorandum is recommended for approval by the Corporation.</i></b></p> <p><b>8.2. Letter of Representation and note changes from last year. Paper A08.2/11/12</b></p> <p>GL outlined the changes to the letter from the previous year.</p> <p><b><i>The Letter of Representation is recommended for approval by the Corporation.</i></b></p> <p><b>8.3. Draft Hartpury College Financial Statement. Paper A08.3/11/12</b></p> <p>GL advised that Financial Statement reflected the Management Accounts at the end of July with the exception of FRS17 adjustment. GL referred Members to the statement he had inserted regarding the retirement of Mr M Wharton and it was felt that this should be agreed by Chair. In response to PR GL confirmed that the high Limbury Ltd surplus is due to sell of property to the College. In response to DC GL advised that under capital commitments the amount of £1048K contracted but not provided were for those projects in progress such as the re-cladding of the Dingle and the amount of £2000K authorised but not contracted is the capital expenditure in this year's budget.</p> <p><b><i>The Financial Statement for the College, with the approval of a statement on Mr M Wharton form the Chair, is recommended for approval by the Corporation.</i></b></p>	Clerk	06/12/12
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9.	<p><b>Discuss and approve draft Financial Statement Limbury Ltd. Paper A09/11/12</b></p> <p>GL advised that the accounts for Limbury Ltd were unusual due to the accommodation being sold to the College which has given a donation under gift aid to the College of £7722.3K against £840K last year. The figure included £6941.4K surplus disposal of assets. In Response to PR GL advised that the College will not have to find the money for a single transaction as the gift aid can be transferred over the next 9 months. GL advised that Limbury will charge Hartpury £10000 for the transfer of property to ensure that all the costs can be met. GL advised that on receipt of acceptable novation Limbury Ltd will become a dormant company.</p> <p><b><i>The Financial Statement for Limbury Ltd is recommended for approval by the Corporation.</i></b></p>	Clerk	06/12/12
10.	<p><b>Discuss and approve draft Financial Statement Rudgeley Services. Paper A10/11/12</b></p> <p>GL advised that the activities of Rudgeley limited had been increased from just</p>		

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	<p>transport to include property services. This had helped with our VAT arrangements for the cladding of the Dingle. In response to AH GL confirmed that this arrangement had been discussed and agreed by our VAT advisors. GL advised that there would be a donation under gift aid of £29.5K to the College.</p> <p><b><i>The Financial Statement for Rudgeley Ltd is recommended for approval by the Corporation.</i></b></p>	Clerk	06/12/12
11.	<p><b>Approve statement to confirm College as a "Going Concern". Paper A11/11/12</b></p> <p>GL advised that the auditors had requested this statement for the College as a "Going Concern". In response to PR GL advised that the projections and assumptions have already been seen by governors in the Three Year Financial Forecast, which show a surplus in all three years which will be increased if we receive the Enhanced Renewal Grant. GL confirmed that we have just been informed by the SFA that we have been successful with our application for this grant. In response to RBS GL confirmed that funding going forward is not expected to be significantly different. In response to DC GL confirmed that our accounting requirement is to look forward for at least the next 12 months. RBS noted that the statement did not include information on our bank facilities.</p> <p><b><i>It was agreed that the statement on the College as a Going Concern should be expanded to include commentary on our bank facilities and then recommended for approval by the Corporation.</i></b></p>	GL/ Clerk	06/12/12
12.	<p><b>Discuss and approve ILR Audit Report. Paper A12/11/12</b></p> <p>JG advised that this had been carried out as a separate audit and he outlined the scope of the audit. JG confirmed on the basis of the work carried out they have assessed the controls on ILR data to be good/satisfactory. All the recommendations from the previous year had been dealt with by the College and there are two recommendations, one medium priority and one low from this audit. The recommendations and actions by the College were discussed. RBS believed this to be an excellent report giving an indication of the high level of controls that the College has in place. GL requested that the student names in the document should be removed.</p> <p><b><i>The ILR Audit Report, after the removal of student names, is recommended for approval by the Corporation.</i></b></p>	JG/ Clerk	06/12/12
13.	<p><b>Discuss and approve Audit Committee Annual Report. Paper A13/11/12</b></p> <p>The Clerk advised that the report outlines the work of the Audit Committee over the last year and confirms their opinion on the Colleges systems of Control. In response to PR the Clerk advised that there had been seven internal audit reviews not nine as in the report.</p> <p><b><i>The Audit Committee Annual Report with the above amendment is recommended for approval by the Corporation.</i></b></p>	Clerk	06/12/12

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14.	<p><b>Discuss and approve Audit Terms of Reference and confirm compliance. Paper A14/11/12</b></p> <p>The Clerk confirmed that the only amendment has been to the membership.</p> <p><i>The Audit Committee confirmed their compliance to the Terms of Reference.</i></p> <p><i>The Terms of Reference are recommended for approval by the Corporation.</i></p>	Clerk	06/12/12
15.	<p><b>Risk Management (GL)</b></p> <p><b>15.1. Review College Top 10 Risks. Paper A15.1/11/12</b></p> <p>GL advised that he had held a further Risk Management Group Meeting where new risks concerning UK Border Agency, guns and UWE problems with student loan company had been discussed. GL referred Members to the two new risks appearing in the College Top 10 concerning insufficient funds for building maintenance and insufficient appropriately trained MIS and Academic Systems Staff. The list now included the next 5 highest risks.</p> <p><b>15.2. Review Risk Register and actions for further control of risk. Paper A15.2/11/12</b></p> <p>GL advised that the Risk Register was continuing to be developed and outlined the changes that had been made. The Register contained twelve new risks and a discussion took place on each.</p> <p><b>15.3. Discuss and approve amendments to the Risk Management Corporate Policy Statement. Paper A15.3/11/12</b></p> <p><i>The amendments to Risk Management Corporate Policy were approved.</i></p> <p><b>15.4. Progress on benchmarking against similar institutions risk registers.</b></p> <p>GL advised that for us to obtain information on other colleges risk management registers we would have to share ours with them and he was reluctant to do this. RBS agreed that we should not share our register. TS advised that he has seen many Risk Registers and ours reflects best practice. He added that there is a movement to align them more closely to the strategic plan. RM believed that our register was comprehensive but would look at separating out the strategic risks.</p> <p><b>15.5. Note Minutes of Risk Management Group 25<sup>th</sup> October 2012. Paper A15.5/11/12</b></p> <p><i>The minutes of the Risk Management Group Meeting held on the 25<sup>th</sup> October 2012 were noted.</i></p>		

