

## AUDIT COMMITTEE

### Minutes of a Meeting 11.00am on Tuesday 17<sup>th</sup> May 2011 Gordon Canning Room

**Present:** Mrs Rosamund Blomfield-Smith (RBS) (Chairman)  
Mrs Barbara Buck (BB)  
Mr Paul Reynaert (PR)

**In Attendance:** Mr Graham Ledden (GL)  
Dr Lawrence Ware (LW)  
Mr Jamie Paddon – Mazars (JP)

**Apologies:** Councillor Tony Hicks  
Mr Ken Nottage  
Mr Malcolm Wharton  
Mr Paul Bowater – Grant Thornton

**Minutes:** Mr Rob Lee

		ACTION	ACTION DATE
<b>1.</b>	<p><b>Apologies</b></p> <p>Apologies were received from Mr P Bowater, Councillor A Hicks, Mr K Nottage and Mr M Wharton.</p> <p>The Chair welcomed Mr P Reynaert to his first meeting.</p>		
<b>2.</b>	<p><b>Declaration of Interest – Paper A02/05/11</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 further declarations of members interests for agenda items.</p>		
<b>3.</b>	<p><b>Minutes of the Last Meeting – Paper A03/05/11</b></p> <p>Minutes of the meeting held on the 23<sup>rd</sup> November 2010 were agreed to be a true and accurate record and signed by the Chair.</p>		
<b>4.</b>	<p><b>Matters Arising</b></p> <p><b>4.1.(7.0) Discuss options available to overcome potential problem with gift aid payments to Limbury Ltd. Paper A04A/05/11</b></p> <p>GL advised that at the last Audit Committee meeting Grant Thornton raised the</p>		

	ACTION	ACTION DATE
<p>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. GL had subsequently met with Grant Thornton and referred Members to his paper outlining the proposal to overcome this issue. RBS stated that whilst it is right and appropriate to reduce the tax liability where possible she felt it preferable to think about alternative solutions. In response to PR GL advised that the proposal would resolve the issue for 6 to 7 years but a further solution concerning recapitalisation of Limbury Ltd would have to be considered. PR advised that this was an acceptable method of accounting as long as the payment was deferred and that it was not a loophole and was in place for charities to use this process.</p> <p><b><i>It was agreed that Grant Thornton would be asked to confirm details of the proposal in writing and on receipt of satisfactory response the proposal as outlined would be adopted.</i></b></p>	GL	Immediate
<p><b>5. Discuss and Approve Internal Audit Reports</b></p> <p><b>5.1 Procurement Paper A05A/05/11</b></p> <p>JP confirmed that this report had been completed in March 2011. 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 effectiveness of those controls relating to the risk areas examined confirming that whilst controls are generally working effectively, there is some scope for improvement. CM outlined the key findings from the audit and advised that there were eight recommendations for improvement, six at medium priority and two at low priority. JP advised that during the review a number of opportunities to improve value for money were identified and these were outlined. Recommendations for improvement are set out in Appendix A and these were discussed. RBS believed that the management responses to the points covering improvements to procurement strategy did not cover all of the audit recommendations. GL agreed that the management responses could have been more specific but confirmed that the Procurement Manager had agreed that the specific recommendations in this point would be completed by the end of May 2011.</p> <p><b><i>The Internal Audit Report on Procurement was approved.</i></b></p> <p><b>5.2 Student Fees Paper A05B/05/11</b></p> <p>JP confirmed that this report had been completed in April 2011. JP outlined the objectives that were reviewed as part of this audit and advised that full assurance had been given to the adequacy of the control environment confirming that the College has sound systems of control in place designed to achieve system objectives. Full assurance has also 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 from the audit and advised that there were no recommendations for improvement.</p>	GL	Immediate

	<b>ACTION</b>	<b>ACTION DATE</b>
<p>JP further advised that during the review no specific issues relating to value for money were identified. RBS noted that there was some concern that the report had not been issued promptly and JP advised that this was due staff changes which were now resolved. RBS congratulated the College accounting team.</p>		
<p><b><i>The Internal Audit Report on Student Fees was approved.</i></b></p>	<b>GL</b>	<b>Immediate</b>
<p><b><i>The Audit Committees congratulations on an excellent report should be passed on to the Accounts Department.</i></b></p>	<b>GL</b>	<b>Immediate</b>
<p><b>5.3 International Student Recruitment Paper A05C/05/11</b></p> <p>JP confirmed that this report had been completed in April 2011. 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. JP outlined the key findings from the audit and advised that there were two recommendations for improvement, one at medium priority and one at low priority. JP further advised that during the review no specific issues relating to value for money were identified. Recommendations for improvement are set out in Appendix A and these were discussed. RBS noted that the recommendation from the auditors on lack of information available from our agents on their visits and presentations to potential customers showed looseness in our system. PR was concerned about the terms and conditions of our agents particularly concerning the Bribery Act which could now mean action being taken against the College if we had not taken reasonable steps to prevent specific situations happening. GL advised that we had just appointed an International Director and saw significant growth in this area from 2013/2014 academic year.</p>		
<p><b><i>The Internal Audit Report on International Recruitment was approved.</i></b></p>	<b>GL</b>	<b>Immediate</b>
<p><b><i>The Terms and Conditions of Engagement of our overseas agents will be reviewed with emphasis given to conditions set out in the Bribery Act.</i></b></p>	<b>GL</b>	<b>Immediate</b>
<p><b>5.4 Creditor Payments Paper 05D/05/11</b></p> <p>JP confirmed that this report had been completed in May 2011. 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. JP outlined the key findings from the audit and advised that there were five recommendations for improvement, one at medium priority and four at low priority. JP advised that during the review a number of opportunities to improve value for money were identified and these were outlined. GL advised that he believed there was a case for the use of more credit cards and a paper will be put to the next meeting of GMC. GL also confirmed that updates to the QL system will enable us to go to electronic</p>		

	ACTION	ACTION DATE
<p>purchasing. Recommendations for improvement are set out in Appendix A and these were discussed. In response to RBS concerning the recommendation on staff access to systems GL advised that the Accounts Department was currently going through a re-structure but it was necessary to balance segregation against people available particularly in a small team and operational efficiency against segregation of duties. In response to PR GL advised that we typically pay on invoice and not on statement.</p>		
<p><b><i>The Internal Audit Report on Creditor Payments was approved.</i></b></p>	GL	Immediate
<p><b><i>It was agreed that a paper would be put to the next meeting of GMC to propose an increase in the use of credit cards.</i></b></p>	GL	28/06/11
<p><b>5.5 Student Data Systems Paper A05E/05/11</b></p>		
<p>JP confirmed that this report had been completed in May 2011. JP outlined the objectives that were reviewed as part of this audit and advised that full assurance had been given to the adequacy of the control environment confirming that the College has sound systems of control in place designed to achieve system objectives. Substantial assurance had been given 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. GL advised that this area had received considerable audit attention over the last three years and had improved considerably. JP outlined the key findings from the audit and advised that there was one recommendation for improvement of low priority. JP further advised that during the review no specific issues relating to value for money were identified. In response to the comment in the report on electronic registers LW advised that it was difficult to get staff to complete registers in timely fashion. LW explained the process and the importance of completion to the payment of EMA's. BB advised that the process had much improved.</p>		
<p><b><i>The Internal Audit Report on Student Data Systems was approved.</i></b></p>	GL	Immediate
<p><b><i>It was agreed that the Principal, in his next briefing, would be asked to outline the importance of timely completion of electronic registers.</i></b></p>	GL	16/06/11
<p><b>6 Discuss progress on recommendations from Internal Audit Reports. Paper A06/05/11</b></p>		
<p>GL advised that the document contains all outstanding audit recommendations but not those in the current reports discussed earlier. The ILR audit points will be included in this document for the next meeting. In response to RBS GL advised that items completed stay on report for one meeting after completion. JP confirmed that completed items will be audited as part of the follow-up procedures. GL advised that there had been some time slippage and these areas were discussed. In response to RBS relating to password age GL advised there was a technical issue overcoming the issue with students constantly forgetting their password and a paper was being prepared for executive approval on this issue.</p>		
<p><b><i>The recommendations from the ILR Audit will be included in the next report.</i></b></p>	GL	20/09/11

	ACTION	ACTION DATE
<b>7 Risk Management</b>		
<b>7.1 Review "Top 10" Risks and financial impact. Paper A07A/05/11</b>		
<p>GL advised that the Members of Risk Management Group had recently reviewed and re-scored the risks contained in the Risk Register and that the top 10 risks between the current list and new list to not correlate. This will be discussed at the next Risk Management Group Meeting and reported to the next meeting of Audit Committee. In response to JP GL advised that the scoring was post mitigation. JP thought there was a danger that controls could be in place but not working and this would need to be checked. RBS felt that this would be a big step to have scores both pre and post mitigation and did not really want to over complicate the process until it is more embedded in the College. JP also believed that it was important to re-visit the Key Risk Indicators to ensure that the College has the opportunity to see that there is a risk appearing.</p>		
<p><b><i>It was agreed that the Top 10 Risks would be reviewed by the Risk Management Group once the re-scoring of all risks had been completed and presented to the next meeting.</i></b></p>	GL	20/09/11
<b>7.2 Discuss and Approve new risks.</b>		
<p>GL confirmed that no new risks had been entered on the Risk Register although it should be noted that the last meeting of the Risk Management Group had discussed the potential risk involved in transferring the responsibility of the library function fro UWE to the College which will take place before the beginning of the next academic year.</p>		
<b>7.3 Discuss and Approve Risk Management Register. Paper A07C/05/11</b>		
<p>GL advised that updating the Risk Register was work in progress and explained the process of re-scoring that had recently taken place. This still needed to be completed. RBS felt that the risk description was good but that the Key Risk Indicators need more work looking at actual triggers. In response to PR JP advised that use the Risk Register to determine their audit plan over a three to five year period. RBS felt that this was very important but still need a mix of subjects of less significance. In response to RBS GL outlined the system that had been used for scoring.</p>		
<p><b><i>It was agreed that the Risk Management Register would be a Standing Agenda item for each meeting of the Audit Committee</i></b></p>	GL	20/09/11
<b>7.4 Risk Management Action Plan-report on progress</b>		
<p>GL advised that work will start on the Action Plan once the Risk Management Register has been updated. When the Action Plan has been updated individuals with risk register responsibilities will be invited to the meetings of the Audit Committee</p>		
<b>7.5 Discuss and Note Minutes from Risk Management Group-26<sup>th</sup> January 2011. Paper A07E/05/11</b>		
<p>Minute 4.1 should concern risk 4.24 not 4.42.</p>		

		<b>ACTION</b>	<b>ACTION DATE</b>
	<p><b>Minutes of the Risk Management Group Meeting of 26<sup>th</sup> January 2011 were noted.</b></p> <p><b>7.6 Discuss and Note Minutes from Risk Management Group-3<sup>rd</sup> May 2011. Paper A07F/05/11</b></p> <p>GL confirmed to RBS that e-mail had been sent to all non attendees stating the importance of their attendance at the meetings. In response to RBS GL confirmed that meetings of the Risk Management Group were scheduled to be held 2 weeks prior to Audit Meetings. In response to PR GL confirmed that individual subject areas are costed. It was noted that the transfer of the library from UWE to College responsibility was highlighted as a short term risk.</p> <p><b>Minutes of the Risk Management Group Meeting of 5<sup>th</sup> May 2011 were noted.</b></p>		
<b>8</b>	<p><b>Review Purchase Order Compliance. Paper A08/05/11</b></p> <p>It was noted that all purchase orders in excess of £15K were compliant with Financial Regulations.</p>		
<b>9</b>	<p><b>Discuss process for the appointment of external auditors when Grant Thornton complete 5 year term in February 2012.</b></p> <p>Mr J Paddon left the meeting.</p> <p>The Clerk advised that Grant Thornton would reach the end of their five year term in February 2012 and it was necessary to search for a replacement external auditor. If after search we believed that Grant Thornton remained our best option then we would need to outline the reasons to the compliance authority and receive their approval. RBS believed that we should receive pre-qualification written proposals prior to interviewing a short list.</p> <p><b>It was agreed that written proposals should be received from five potential external auditors and the final list for interview will be agreed with the Chairman.</b></p>	<b>GL</b>	<b>Immediate</b>
<b>10</b>	<p><b>Any Other Business</b></p> <p>A Members Meeting was held after the closed of the main meeting.</p>		
<b>11</b>	<p><b>Dates of future meetings</b></p> <p>9.00am Tuesday 20<sup>th</sup> September 2011  11.00am Tuesday 22<sup>nd</sup> November 2011  11.00am Tuesday 15<sup>th</sup> May 2012  11.00am Tuesday 25<sup>th</sup> September 2012  11.00am Tuesday 20<sup>th</sup> November 2012  11.00am Tuesday 14<sup>th</sup> May 2013  11.00am Tuesday 24<sup>th</sup> September 2013  11.00am Tuesday 19<sup>th</sup> November 2013</p>		

**Mrs Rosamund Blomfield-Smith**  
**Chairman Audit Committee**

**23<sup>rd</sup> September 2011**