

AUDIT COMMITTEE

Minutes of a Meeting 10.00am Tuesday 22nd November 2016 Thomas Mawson Room

Mr David Seymour (Chair) (DS)
Mr Graham Papenfus (GP)
Mr Paul Reynaert (PR)
Mr Graham van der Lely (GvdL)

In Attendance: Mr Graham Ledden (GL)
Mr Russell Marchant (RM) (Part)
Dr Lawrence Ware (LW)
Mr Paul Putnam– Grant Thornton (PP)

Apologies: Mr Sean Lynn
Ms Nikki Wheatley
Ms Lynne Baber-PWC
Mr Jon Sawyer-PWC

Minutes: Mr Rob Lee

		ACTION	ACTION DATE
1.	<p>The Chair welcomed Mr van der Lely to his last meeting and thanked him for his input over the years.</p> <p>Apologies</p> <p>Apologies were received from Mr S Lynn, Ms N Wheatley, Ms L Baber and Mr J Sawyer.</p>		
2.	<p>Declaration of Interest. Paper A02/11/16.</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>		

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3.	<p>Minutes of the Last Meeting. Paper A03/09/16.</p> <p>Minutes of the meeting held on the 21st September 2016 were agreed to be a true and accurate record and signed by the Chair.</p>		
4.	<p>Matters Arising</p> <p>There were no matters outstanding.</p>		
5.	<p>Discuss progress on recommendations from Internal Audit Reports. Paper A05/11/16.</p> <p>GL advised that the Report detailed progress on outstanding audit recommendations and those marked completed have been completed since the last meeting and will drop off from the next Report. GL advised that there has been some progress on the older issues but not as much as he would have hoped and he was looking at the resource issues within the Finance Department. GL advised that he was looking to take on another Management Accountant and with the assistance of Agresso move to more automated systems. GL outlined some of the areas that were still being progressed. The Risk Management audit had been discussed at length at the last meeting and by the Risk Management Group (RMG). Some of the areas such as re-writing the Risk Management Register have not been agreed by RMG and further debate is needed with our Internal Auditors. DS stated that managing risk was essential but over bureaucratic systems do not do anything to mitigate risk. GvdL agreed and stated he had seen this at other institutions and we must always ensure that we can see the benefits. GL advised that he was not questioning the work of our Internal Auditor in this area as their Report had certainly made us think and review some our processes but some of the changes they had suggested need further consideration and some may not be implemented. PP believed it was important that we measure the value of the exercise not use it simply as box ticking. GL then moved on to the progress on the Student Recruitment Audit. GL explained that this had been in two parts, the first being at the start of last year after a poor FE recruitment cycle. They had then returned to progress their recommendations and GL was pleased to confirm that our FE recruitment for this year has been outstanding beating all targets and looking to end up over 10% on last year. GL advised that the Destination of Leavers from Higher Education had been audited by HEFCE not our Internal Auditors and presented at the last meeting by HE team. DS believed that the way the data is analysed leads to a lot of questions which he feels HEFCE will have to resolve in the future.</p>		
6.	<p>Discuss and recommend for approval</p> <p>6.1. The Audit Findings for the year ended 31st July 2016. Paper A06.1/11/16.</p> <p>PP advised that this Report was a follow-up to the audit plan presented at the</p>		

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<p>last meeting. PP confirmed that their work is now substantially complete and there are currently no matters of which they are aware that would require modification of their audit opinion and he outlined the outstanding matters. PP explained that they are still requiring direct confirmation from the SFA of funding income during the year and whilst this was not expected to be a problem if not received by the December Corporation Meeting we will not be able to sign off the accounts. In the unlikely event this should happen then the Corporation can approve subject to this confirmation and delegate responsibility for authorisation. PP outlined some other outstanding matters but did not believe this would result in material adjustments or disclosure changes and anticipated their audit report opinion will be unmodified. PP advised that they have looked at the key areas of concern and confirmed there were no significant findings. The Report contains detailed audit findings of each significant risk and their conclusions. PP advised that one issue identified was a general accrual for electricity did not meet the recognition criteria and this has been noted as an unadjusted difference. GL advised that we did not have some of the bills which had led to a prudent accrual. PP also advised that there was a small problem with an asset disposal of £750 that had not been authorised by the Principal. In response to DS GL advised that by our Financial Regulations only the Principal can dispose of assets and the manager involved in this case was now aware. PP advised that he was comfortable with the level of disclosure in our Going Concern Commentary. PP advised that there was a disclosure change of £680,969.00 due to changes to the presentation note under FRS 102 but there will be no impact on the income and expenditure position. PP confirmed that the unadjusted misstatements included a sum of £100,000.00 for the de-recognition of electricity costs discussed earlier. PP outlined the pension scheme assumptions and advised that there had been a significant worsening in the sector for overall deficit although not as bad in Gloucestershire. In response to GvdL GL confirmed that this is the local authority pension scheme available for support staff and not the Teachers' Pension Scheme. PP advised that they had been concerned that there was a far lower increase than seen in the previous year and had gone back to the actuary. It seems as Gloucestershire has been more prudent than other areas which accounts for the lower than expected increase. PP outlined the impact of moving to FRS102 on the FE sector.</p>		
<p><i>The Report, after confirmation that the work has been completed and from the SFA on funding, is recommended to the Corporation for approval.</i></p>	GL/Clerk	08/12/16
<p>6.2. Letter of Representation and note changes from last year. Paper A06.2/11/16.</p>		
<p>PP advised that the Letter of Representation was largely the same as last year and outlined the changes that had been made.</p>		
<p><i>The changes to the Letter of Representation were approved and it is</i></p>	Clerk	08/12/16

	ACTION	ACTION DATE
<p><i>recommended to the Corporation for approval.</i></p> <p>6.3. Hartpury College Financial Statement 2015/2016. Paper A06.3/11/16.</p> <p>GL advised that the Financial Statements are in accordance with FRS102, the FE/HE SORP and the SFA template. GL confirmed that they are also entirely consistent with the Management Accounts which had been discussed and approved by the Finance and General Purposes Committee. GL advised that the Statement included far more information than previous year such as performance to our Key Performance Indicators. GL asked Members to review the Consolidated Statements on page 17. Overall income had increased from £28.3m to £31.1m and in response to GvdL agreed that we had received backdated HEFCE funding but the underlying trend was good with increased tuition fees, UWE costs down and increased student numbers. UWE top slice could eventually disappear if we achieve TDAP and the majority of these costs could go to the bottom line. GvdL noted that there was a significant shift in salaries and was this of some concern. GL advised that we had taken the cleaning operation back in house and taken on functions that had originally been operated by UWE. PP referred Members to the following page which restates our opening balance sheet and tracks from 1st August 2014 for the change to FRS102. PR questioned the stock valuations and GL confirmed that we had an external stock valuation and was now more confident that we would not get the shocks in this area as in recent years. The valuation was now much more in tune with the sector. PP agreed that we now have a much more robust process.</p>		
<p><i>The Hartpury College Financial Statement 2015/2016 is recommended to the Corporation for approval.</i></p>	Clerk	08/12/16
<p>6.4. Statement on the College as a "Going Concern". Paper A06.4/11/16.</p> <p>GL advised that in the signed accounts the governors have to confirm the College is a "Going Concern" and the paper outlines the two year forecast and the assumptions that have been made. GL asked Members to note that we were currently having some difficulty with UKVI which could lead to us not being allowed to recruit international students for two years. GL explained the reasons for this situation and the Colleges response. GL confirmed that he had discussed the matter with PP but it is believed it is not significant enough to materially change our financial position.</p>		
<p><i>The Statement on the College as a "Going Concern" is recommended to the Corporation for approval.</i></p>	Clerk	08/12/16

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<p>6.5. Limbury Ltd Financial Statement 2015/2016. Paper A06.5/11/16.</p> <p>GL advised that Limbury was now dormant as the loans for student accommodation had been transferred to the College. It still, however, needed to remain open as it held the warranties for the construction of the student accommodation.</p> <p><i>The Limbury Ltd Financial Statement 2015/2016 is recommended to the Corporation for approval.</i></p>	Clerk	08/12/16
<p>6.6. Rudgeley Services Ltd Financial Statement 2015/2016. Paper A06.6/11/16.</p> <p>GL advised that Rudgeley was used for the College transport and separate for VAT purposes. The financial surplus was gift aided back to the College.</p> <p><i>The Rudgeley Services Financial Statement 2015/2016 is recommended to the Corporation for approval.</i></p> <p>RM joined the meeting.</p>	Clerk	08/12/16
<p>6.7. Audit Committee Annual Report. Paper A06.7/11/16.</p> <p>The Clerk advised that the Audit Committee Annual Report details the work of the Audit Committee and its auditors over the previous 12 months and gives assurance to the Corporation that the Colleges processes and systems are effective and is of the opinion that the governing body's responsibilities have been satisfactorily discharged.</p> <p><i>The Audit Committee Annual Report is recommended to the Corporation for approval.</i></p>	Clerk	08/12/16
<p>6.8. Audit Terms of Reference and confirm compliance. Paper A06.8/11/16.</p> <p>The Clerk advised that the Terms of Reference have to be reviewed at least annually and confirmed that no amendments were proposed. The Clerk advised that the Committee had complied with these Terms of Reference over the last 12 months.</p> <p><i>The Audit Committee Terms of Reference are recommended to the Corporation for approval.</i></p>	Clerk	08/12/16

		ACTION	ACTION DATE
7.	<p>Risk Management</p> <p>7.1. Discuss and approve Risk Management Register. Paper A07.1/11/16.</p> <p>GL advised that the Risk Management Register was updated at the recent Risk Management Group Meeting and the amendments are marked in red. GL confirmed that at each meeting a risk manager owner is presenting to the group and this enables each area to be reviewed regularly.</p> <p><i>The amendments to the Risk Management Register were approved.</i></p> <p>7.2. Review Top 10 College Risks. Paper A07.2/11/16.</p> <p>GL advised that the top risks are an extract from the wider Risk Management Register and he outlined the notable changes. GvdL questioned whether the risk of having too few bed spaces would now be reduced because of the construction of Dingle2. RM believed that this is a continuing issue and should remain as one of our top risks. GL advised that the risk on the management of under 18's had been increased as there had been an increase in alcohol abuse. RM outlined the incidents and the action that had been taken. GL advised that we have increased the risk on the implementation of the new Student Management System and RM advised that whilst there had been improvements since the beginning of the academic year we were still miles away from where we need to be and we were having regular meeting with the supplier. In response to DS RM believed the new HE Bill contains nothing that should concern us as we are used to accountability and therefore he did not see this as a critical risk.</p> <p>7.3. 7.3. Note minutes of Risk Management Group. Paper A06.1/11/16.</p> <p>The Minutes of the Risk Management Group Meeting held on the 3rd November 2016 were noted.</p>		
8.	<p>Review Purchase Order Compliance. Paper A08/11/16.</p> <p>GL advised that there were three orders that were not compliant and the reasons were outlined and GL confirmed that he was comfortable that the correct processes had been followed.</p>		
9.	<p>Any Other Business</p> <p>There was no other business.</p>		

		ACTION	ACTION DATE
10.	<p>Dates of future meetings all at 10.00am unless stated. New dates in red.</p> <p>Thursday 26th January 2017 at 2.00pm to interview prospective external auditors.</p> <p>Thursday 4th May 2017 Wednesday 27th September 2017 Monday 13th November 2017 (from Thursday 16th November 2017 which clashes with AoC Conference)</p> <p>Wednesday 9th May 2018 Thursday 27th September 2018 Wednesday 14th November 2018</p>		

Mr David Seymour
Chair Audit Committee

4th May 2017