

AUDIT COMMITTEE

Minutes of a Meeting 10.00am Monday 13th November 2017 Thomas Mawson Room

Present: Mr David Seymour (DS) (Chair)
Mrs Barbara Buck (BB)
Ms Katrina Naphine (KN)
Mr Graham Papenfus (GP)

In Attendance: Ms Lynn Forrester-Walker (LFW)
Mr Russell Marchant (RM)
Mr Rees Batley-KPMG (RB)
Mr Duncan Laird (DL)
Mr Jon Sawyer-PWC (JS)

Apologies: Mr Sean Lynn

Minutes: Mr Rob Lee

		ACTION	ACTION DATE
1.	<p>The chair welcomed Mrs Barbara Buck to her first meeting.</p> <p>Apologies</p> <p>Apologies were received from Mr S Lynn.</p>		
2.	<p>Declaration of Interest. Paper A02/11/17.</p> <p>The Clerk advised that members' 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>		
3.	<p>Minutes of the Last Meeting. Paper A03/11/17.</p> <p>Minutes of the meeting held on the 27th September 2017 were agreed to be a true and accurate record and signed by the Chair.</p>		

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4.	<p>Matters Arising</p> <p>4.1. Approve Terms of Reference for Farm Value for Money Audit. Paper A04.1/11/17.</p> <p>JS advised that it had been agreed at the last meeting that the Terms of Reference for the Farm Audit be approved by this Committee rather than the sponsors. The problems at the Farm had been discussed on a number of occasions and this was, therefore, thought to be the most transparent course to take. JS outlined the main objectives of the audit particularly focussing on financial management, the budgetary process and how this is monitored. JS stressed that the audit will pick up the points concerning valuation and income control that had been raised in the past. LFW confirmed that she had met with PwC with RM and IW and they supported the scope of the audit and felt it will give governors the level of assurance needed. In response to DS LFW advised that the audit was classified as value for money to make sure that the processes we have adopted are the most efficient and most economic. RM confirmed that he supported the scope of the audit and stressed that we want the Farm to operate with the best practices for our students and we should understand that these students bring in £2m in weighted funding. DS felt that there has been a disconnect between the Farm and Executive and RM agreed and stressed that the budget and its monitoring are critical and these practices have been improved. In response to DS RM advised that the Farm is monitored monthly by the Farm Committee and two governors are in attendance at these meetings quarterly.</p> <p><i>The Terms of Reference for the Farm Audit were approved.</i></p>		
5.	<p>Discuss progress on recommendations from Internal Audit Reports. Paper A05/11/17.</p> <p>LFW advised that the Report details the progress on outstanding audit recommendations.</p> <p>LFW advised that little progress has been made on the purchase order recommendations but will give a fuller update at the next meeting. In response to DS LFW advised that this should not be a concern as good practices are in place. In response to GP IW confirmed that the use of cheques had decreased significantly.</p> <p>LFW advised that there had been considerable improvements in our student recruitment process but further improvements are required as the FE enrolment was less than we were forecasting. RM agreed and advised that we now need to add a level of sophistication to the process to deal with such areas as examination results, transport and accommodation. In response to DS RM advised that the goal is to develop this electronically but currently this is not the case. LFW advised that we are being helped in looking at these processes by an external contractor.</p>		

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	LFW advised that we are reviewing the budgetary process for next year and revisiting the need for an additional post of Management Accountant.		
6.	Discuss and recommend for approval		
	6.1. The Audit Highlights and Memorandum for the year ended 31st July 2017. Paper A06.1/11/17.		
	RB advised that the audit strategy had been agreed at the last meeting and this report gives the results of this audit. RB advised that all work has now been completed and was able to confirm a clean audit. RB outlined the key issues and the recommendation relating to Rudgeley Ltd. RB advised that requirements had changed 18 months ago and that the Board of Rudgeley Services should receive a report on financial performance which includes confirmation that the company has enough post tax distributable reserves to facilitate the desired gift aid payment. LFW advised that this was a procedural issue which will be covered at our December Board Meeting. DL outlined the significant risks and confirmed there were no issues found. DL referred Members to the assessment of proposed assumptions relating to the Local Pension Scheme. DL advised that many of the employer assumptions were at the edge of their assumptions but within reasonable tolerance. The salary growth is outside of their tolerance range but as their assumption is in line with the Colleges Business Plan they are comfortable with the outcome.		
	<i>The Audit Highlights and Memorandum for the year ended 31st July 2017 is recommended for approval by the Corporation.</i>	Clerk	07/12/17
	6.2. Letter of Representation. Paper A06.2/11/17.		
	RB advised that this is their standard letter of representation and there would need to be one for each company-the College, Limbury and Rudgeley.		
	<i>The Letters of Representation for Hartpury College, Limbury Ltd and Rudgeley Services Ltd are recommended for approval by the Corporation.</i>	Clerk	07/12/17
	6.3. Hartpury College Financial Statement 2016/2017. Paper A06.3/11/17.		
	IW advised that the Financial Statement differed by £40K from the July Management Accounts as a Farm late invoice had been included and also a slight change to valuation. IW confirmed that other than this small adjustment the July Accounts are entirely consistent with the Management Accounts which had been discussed and approved by the Finance and General Purposes Committee.		
	<i>The Financial Statement is recommended for approval by the</i>	Clerk	07/12/17

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<p>Corporation.</p> <p>6.4. Statement on the College as a "Going Concern". Paper A06.4/11/17.</p> <p>LFW advised that governors must be able to confirm that the College can meet its financial commitments going forward which is twelve months after the accounts are signed. LFW outlined the financial forecasts for the next two years and the cash generated and the assumptions that were used. In response to DS LFW advised that if there were changes to the student loan system then you would expect any changes to be introduced in a managed way.</p> <p><i>The Statement on the College as a "Going Concern" is recommended for approval by the Corporation.</i></p>		
<p>6.5. Limbury Ltd Financial Statement 2016/2017. Paper A06.5/11/17.</p> <p>IW advised that Limbury was now dormant as the loans for student accommodation had been transferred to the College.</p> <p><i>The Limbury Ltd Financial Statement is recommended for approval by the Corporation.</i></p>	Clerk	07/12/17
<p>6.6. Rudgeley Services Ltd Financial Statement 2016/2017. Paper A06.6/11/17.</p> <p>IW 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 for approval by the Corporation.</i></p>	Clerk	07/12/17
<p>6.7. Audit Committee Annual Report. Paper A06.7/11/17.</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 for approval by the Corporation.</i></p>	Clerk	07/12/17

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<p>6.8. Audit Terms of Reference and confirm compliance. Paper A06.8/11/17.</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	07/12/17
<p>7. Risk Management.</p> <p>7.1. Update on progress in updating risk process. Paper A07.1/11/17.</p> <p>LFW advised that she was part way through a thorough review of our risk process. The new structure splits strategic risks from the more operational risks and within the operational risks they are grouped into line management structure. LFW explained that this enables line managers to own and regularly review their risks. LFW referred Members to the sample enclosed and explained each of the columns. The new structure contains risk score post mitigation and all risks have been RAG rated. LFW advised that this is still work in progress but expected the final version to go to the next Audit Meeting in April 2018. DS believed this showed some excellent improvements particularly the post mitigation score. In response to KN LFW advised that the risks are regularly reviewed by the Executive, the Risk Management Group and the Audit Committee. The Clerk added that the Corporation sees the complete Risk Register annually and the significant risks at each Board Meeting.</p> <p>7.2. Review College Top Risks. Paper A07.2/11/17.</p> <p>LFW advised that she proposes to replace the current Colleges Top Ten Risks with a report showing the significant risks in the same format as explained above. LFW advised that the Report identifies all risks across the Risk Register which are RAG rated as red and are therefore the Colleges most significant risks. LFW advised four new risks have been entered and these were outlined but two are just a change of wording.</p>		
<p>8. Update on preparation for the General Data Protection Regulation. Paper A08/11/17.</p> <p>LFW advised that the current data protection regulations were being enhanced and the General Data Protection Regulation (GDPR) will take effect from 25th May 2018. LFW outlined the key issues that will arise from these new regulations, the risks and challenges and the steps we are taking to meet these regulations. In response to GP LFW advised that we would be looking for applied consent rather than legitimate interest and agreed that it will be a</p>		

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	bigger issue in the short term. In response to KN RM advised that we get very few freedom of information requests.		
9.	Review Purchase Order Compliance. Paper A09/11/17. All purchase orders were compliant.		
10.	Discuss and approve HEFCE Report on HE Data. Paper A10/11/17. LFW advised that the HEFCE Report on our HE Data had been triggered by our move to university title. The Report had concluded that we have not gained assurance over the systems and protocols in deriving the HEIFES16 in terms of accuracy of the data. However in their Report they conceded that since the completion of the return we had recognised the errors and made changes. HEFCE believed that these changes should ensue improvements in accuracy of our data returns. LFW advised that the Report has a number of recommendations and our responses to these will come to the next meeting. RM believed that we have come a long way in our data collection since 2012 when we enrolled our first student. We are aware of our weaknesses and latest reports are far more positive. <i>The College responses to the HEFCE recommendations will be reviewed at the next meeting.</i>	LFW	11/04/18
11.	Any Other Business The main meeting was followed by a short Members Meeting comprising of the Chair, Governors, Auditors and Co-opted Member.		
12.	Dates of future meetings all at 10.00am unless stated. New dates in red Wednesday 11th April 2018 (from Wednesday 9 th May 2018) Tuesday 19th June 2018 (from Thursday 27 th September 2018) Wednesday 14 th November 2018 Thursday 11th April 2019 Wednesday 19th June 2019 Thursday 14th November 2019		

Mr David Seymour
Chair Audit Committee

11th April 2018