



MINUTES OF THE HADLOW GROUP AUDIT COMMITTEE 23 NOVEMBER 2017

Present: Mr B McNicoll (Chair & Governor)
Ms S Hart (Governor)
Mr H Guntrip (Governor)
Ms L Currie (Governor)
Mr P Greenwood (Non-Governor Co-Opted Member)

In attendance: Mr M Lumsdon-Taylor-Deputy Group CEO & Deputy
Principal
Mr J Allen - Clerk
Ms P Powditch - Director of Finance
Mr D Ebdon - Finance Manager
Mr R Shaunak - Macintyre Hudson
Mr M Law - RSM
Ms B Cleves - Vice Principal
Dr J Mawby - Vice Principal
Dr L Pamphilon - Vice Principal
Mr D Payne - Vice Principal

The meeting commenced at 09.30 am

WELCOME, APOLOGIES & DECLARATIONS OF INTEREST

1. The Chair welcomed everyone to the meeting and introductions were made. Apologies were received from Nick Coffin. Lorrie Currie was welcomed back as a member of the Committee. The Clerk advised that the membership of the Hadlow Corporation, West Kent & Ashford Board, and the Hadlow Group Board would be a standing declared interest at each meeting for Mr H Guntrip, Mr B McNicoll, Ms L Currie, and Ms S Hart. Mr H Guntrip declared an additional interest in being a member of the Board of the Hadlow Rural Community Free School.

MINUTES

2 **RESOLVED** - that the minutes of the meeting of the Hadlow Group Audit Committee, held 04 July 2017, be approved as a correct record and signed by the Chair.

SUMMARY ACTION LIST & MATTERS ARISING

3. The '*Summary Action List*', that provided a detailed progress update against each action point, was received. The following progress updates were noted:

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	ACTION UPDATE TO BE PROVIDED AT MEETING ON 23/11/2017
52	It was AGREED to task the Deputy CEO/Deputy Principal to have a further conversation with the College's solicitors to consider the 'path of least resistance', likely costs and possible returns for pursuing a settlement, and to circulate the outcomes of the task to Committee members for Chairs Action.	It was agreed to defer this matter to the Hadlow Group Board for final review/decision. The key decision to be made is time required to oversee this as against potential award.
88	The Committee AGREED that marketing was one area where the Committee may want to seek some form of external assurance; a later agenda item under the agenda item 'Board Assurance Framework'.	Covered under the agenda item 'Board Assurance Framework'
92	It was noted the audit report on Data Management, Study Programmes and Assurance Compliance was due to be received shortly. It was AGREED to make this report available to Committee members once received, and with the reports to be an agenda item at the November meeting of the Audit Committee.	Agenda item
100	<ul style="list-style-type: none"> (i) To engage the Internal Audit Service to provide an audit opinion on Data Management, Study Programmes and External Assurances; (ii) For the Committee to seek additional assurances through the Board Assurance Framework, and from the Internal Controls Framework incorporating External Assurances; (iii) For the Audit Committee to have the opportunity to use any external party to conduct a review of any area identified by the Audit Committee where assurances were required over and above that provided through the BAF and Internal Control Framework; (iv) To have a fixed agenda item at each meeting of the Audit Committee to review Assurances & Risks; (v) For each Committee of the Board to review, at each meeting, those risks from the Risk Register that fall within the scope of the Committee's terms of reference and to report the outcomes of this review to the Audit Committee; 	<p>Agreed scope for internal audit for 2017-18 and agenda item</p> <p>To be decided by the Committee as and when required</p> <p>Committee to decide as and when necessary</p> <p>Agenda item</p> <p>In the schedule for all Committees and an agenda item at this meeting.</p> <p>In the schedule for all</p>

	<p>(vi) For each Committee of the Board to be asked if any new risks had been identified during their meeting that required reporting to the Audit Committee; and</p> <p>(vii) To review the proposed assurance framework at the summer term meeting of the Committee in 2018.</p>	<p>Committees and an agenda item at this meeting.</p> <p>Summer term agenda item</p>
104	A failure to achieve student numbers would require immediate corrective action and the Group Finance Committee has been tasked to review, in the autumn term, student recruitment and any resulting impact on the 2017-18 Budget.	This was not required as student recruitment targets were met
Hadlow Group Board meeting 19/10/17	<p>It was agreed, at the Group Board meeting held 19/10/17, to refer the following action points to the Group Audit Committee:</p> <div style="border: 1px solid black; padding: 5px;"> <p>MLT reported he will be producing a Consultant Register – this will not be presented to Governors, but will be presented at Executive and SMT meetings.</p> <p>MLT confirmed he would also be producing a Related Party Transaction Report quarterly.</p> <p>MLT to review the Group’s regulations for procurement and tendering</p> </div>	<p>Clerk to receive copies of the Consultants Register, Third Party Transaction Report.</p> <p>Procurement and tendering is a later agenda item.</p>

4. It was **RESOLVED** to note the ‘*Summary Action List*’.

GROUP AUDIT ROLL FORWARD ACTION PLAN

5. The Audit Committee received the ‘*Group Audit Roll-Forward Action Plan*’ listing progress against all outstanding audit recommendations.

6. Of the twenty two audit recommendations as at November 2017 for the Hadlow Group (Hadlow College, West Kent & Ashford College, Hadlow Rural Community School, Betteshanger, Hadlow Pre-School, and Produced in Kent), management confirmed that thirteen had been completed with nine outstanding.

7. Following review, it was **RESOLVED**:

- (i) To ensure the front cover summary content aligns with the detailed audit recommendations table;
- (ii) For dates to be inserted, indicating the date when the recommendation is to be completed, and to avoid, in this column, the use of “on-going” or ‘in-progress’, and

(iii) To note the 'Audit Roll Forward Action Plan'.

INTERNAL AUDIT REPORTS

8. The following Internal Audit Reports were received:

- Data Management Audit Report
- Hadlow Group Internal Audit Annual Report 2016-17
- Internal Audit Plan 2017-18

9. The representative from MacIntyre Hudson provided a brief overview on each of the reports presented to the Audit Committee. The following overviews were noted:

Audit Report	Audit Opinion	Recommendations
Data Management	Substantial Assurance	1 High 3 Med

10. The 'Internal Annual Report 2015-16' confirmed the following annual opinion from the Internal Audit Service that apply to both Hadlow College and West Kent & Ashford College

It is the opinion of the Internal Audit Service that Hadlow Group has adequate and effective management, control and governance processes to manage its achievement of the Group's objectives.

11. The Committee received the proposed 'Hadlow Group Internal Audit Strategy & Audit Plan for 2017/18'.

12. In keeping with the strategy, to be creative and flexible in the delivery of the internal audit plan, and keeping the learner at the centre of all activity, the proposal is to deliver fewer but more focused audits reflecting the enhanced integrated nature of the Hadlow Group. The scope of the audit will cover the following themes:

- Governance and Board Assurance
- Risk Management
- Key Financial Controls
- Key Financial Controls - income and credit control
- Data Quality and Curriculum - GDPR Preparedness
- Staff & Student Activity - Harmonisation Strategy
- Management of Estates and Property - Betteshanger Country Park - Events Planning

13. The number of days allocated for the above audits was 38, with a further 10 days for reporting, attendance at meetings and planning. A discussion took place as to whether 38 days was sufficient, given the complexities of the Group, with the key question to be asked, 'Can the Committee get sufficient assurance from the time allocated for internal audit?' In response, it was noted that internal audit is just one part of a complex assurance framework made available to the Audit Committee, and the Committee should base its final opinions after taking into account all components of the assurance framework.

14. Following review of the Audit Plan 2017/18, it was **RESOLVED** to approve the Hadlow Group Internal Audit Plan 2017-18, with the final draft to be circulated to Committee members.

FINANCIAL STATEMENT AND AUDIT FINDINGS REPORTS

15. A copy of the draft Financial Statements, for both Colleges for the year ended 31 July 2017, was received as the Joint Audit Code of Practice requires the Audit Committee to have a copy of the financial statements before reviewing the Audit Findings Report.

16. Financial Statement Auditors (FSAs) are required to issue two audit opinions:

- An opinion on the financial statements
- An opinion on the regularity of financial transactions

17. The financial statements opinion is addressed to the College. The regularity opinion is addressed to the College and the Education Skills Funding Agency (ESFA).

WEST KENT & ASHFORD COLLEGE FINANCIAL STATEMENT AND AUDIT FINDINGS REPORT

18. The Committee received a copy of the '*Audit Findings Report*' from the representative from RSM.

19. The financial statement auditor issued an unqualified report (satisfactory) on the 2016/17 accounts.

20. The financial statement auditor issued an unqualified report (satisfactory) on regularity audit.

21. Both audit opinions are confirmed in the Financial Statements and Annual report for the year-ended 31 July 2017.

22. Following review, it was **RESOLVED** for the '*Audit Findings Report*' to be included within the Annual Report on West Kent & Ashford College from the Hadlow Group Audit Committee and be recommended for the approval by the West Kent & Ashford College Board at its meeting of 06 December 2017.

HADLOW COLLEGE FINANCIAL STATEMENT AND AUDIT MANAGEMENT REPORT

23. The Committee received a copy of the '*Audit Findings Report*' from the representative from RSM.

24. The financial statement auditor issued an unqualified report (satisfactory) on the 2016/17 accounts.

25. The Audit Findings Report raised one internal control issue relating to regularity audit. An unqualified regularity audit opinion was confirmed for 2016/17.

26. Both audit opinions are confirmed in the Financial Statements and Annual report for the year-ended 31 July 2017.

27. Following review, it was **RESOLVED** for the '*Audit Management Report*' to be included within the Annual Report on Hadlow College from the Hadlow Group Audit

Committee and be recommended for the approval by the Hadlow Corporation at its meeting of 07 December 2017.

28. The auditor and Group Deputy CEO/Deputy Principal confirmed the audits went well at both Colleges, and particular thanks was given to Paula Powditch and the Finance Teams, at both colleges, given the preparation work prior to the audit and of their support given to RSM during and after the audit.

CONFIDENTIAL SESSION

29. It was agreed by all in attendance that there was no need to go into a confidential meeting with auditors without college management being present.

ANNUAL REPORTS FROM THE HADLOW GROUP AUDIT COMMITTEE

30. There is a requirement in the Joint Audit Code of Practice where it is stated that the annual report of the Audit Committee is to be written for both the governing body, and the Principal as the accounting officer of the College. The Hadlow Group Audit Committee has made available annual reports for both West Kent & Ashford College and Hadlow College.

31. To help manage the business of the governing body, it is suggested that the annual report becomes the summary document explaining the work of the Committee during the course of the year. The annual report should be prepared as early as possible after the year end and after the internal audit annual report has been received, in order that it is available to the governing body for consideration at the time the annual financial statements are signed. The report should be signed and dated by the Chair of the Audit Committee.

32. The Joint Audit Code of Practice sets out a model text and format of the annual report that has been used for the Annual Reports.

West Kent & Ashford College:

33. The Annual Report for West Kent & Ashford College confirmed the following opinion from the Hadlow Group Audit Committee for 2016/17:

There are no matters the Committee wish to be brought specifically to the attention of the Board. Overall, based on the information provided to them by the College; the work, reports and audit opinions of the College's Internal and Financial Statement & Regularity Auditors; and the opinions and assurances received from the reviews conducted under the Board Assurance Framework, the Hadlow Group Audit Committee's opinion is that West Kent & Ashford College's risk management, control and governance systems, and its internal processes, for securing economy, efficiency and effectiveness at the College, are adequate and effective, and that the Governing Body should have confidence in relying upon them. The Committee is satisfied that, where weaknesses are identified, they have been responded to in an appropriate and timely manner.

The Committee is satisfied with the financial reporting of West Kent & Ashford College and the performance of the internal and financial statement and regularity auditors.

The Hadlow Group Audit Committee considers that the Board's responsibilities have been satisfactorily discharged and recommends this report to the Board of West Kent & Ashford College.

34. It was **RESOLVED** to recommend to the Board of West Kent & Ashford College, at its meeting on 06 December 2017, to approve the 'Annual Report from the Hadlow Group Audit Committee 2016/17'.

Hadlow College:

35. The Annual Report for Hadlow College confirmed the following opinion from the Hadlow Group Audit Committee for 2016/17:

There are no matters that the Committee wishes to bring specifically to the attention of the Corporation. Overall, based on the information provided to them by the College; the work, reports and audit opinions of the College's Internal and Financial Statement & Regularity Auditors; and the opinions and assurances received from the reviews conducted under the Board Assurance Framework the Hadlow Group Audit Committee's opinion is that that Hadlow College's risk management, control and governance systems and its internal processes for securing economy, efficiency and effectiveness at the College are adequate and effective and that the Governing Body should have confidence in relying upon them. The Committee is satisfied that where weaknesses are identified they have been responded to in an appropriate and timely manner.

The Committee is satisfied with the financial reporting of Hadlow College and the performance of the internal and financial statement & regularity auditors.

The Hadlow Group Audit Committee considers that the Corporation's responsibilities have been satisfactorily discharged and recommends this report to the Corporation of Hadlow College.

36. It was **RESOLVED** to recommend to the Corporation of Hadlow College, at its meeting on 07 December 2017, to approve the 'Annual Report from the Hadlow Group Audit Committee 2016/17'.

FINANCIAL REGULATIONS

37. The Clerk explained the background to the audit on Financial Regulations, undertaken by the internal audit service, following a request from the Hadlow Group Board for the audit to be undertaken. The audit was requested to ensure key areas are adequately covered and that there are appropriate approval levels for key expenditure areas.

38. Following receipt of the audit report, it was confirmed the Financial Regulations had been revised and updated to incorporate the recommendations arising from the audit, with a separate appendix section added on Financial Approvals.

39. As the Hadlow Group is a complex and diverse organisation, there is a greater risk to financial risk. Their recommendation was for consideration to be given to the degree to which the Board, and its committees, are involved in authorisation

and approval and proposed that approvals should be along the lines of College B that had been outlined in the report.

40. It was confirmed the Group Finance Committee, that met on 17 November 2017, reviewed the same documents and recommended their approval to both College Boards.

41. It was **RESOLVED** to recommend that the Boards, at their December meetings, be asked to approve the revised Financial Regulations and Financial Approvals, with financial approvals being in line with College B, as outlined in the audit report.

ASSURANCE & RISK

42. It was agreed, at the July 2017 Audit Committee meeting, to have a fixed agenda item at each meeting of the Audit Committee to review Assurances & Risks, combining Board Assurance Reports and Risk Register Reports into a single agenda item.

43. It was further agreed:

- (i) For each Committee of the Board to review, at each meeting, those risks from the Risk Register that fall within the scope of the Committee's terms of reference and to report the outcomes of this review to the Audit Committee;
- (ii) For each Committee of the Board to be asked if any new risks had been identified during their meeting that needed to be reported to the Audit Committee.

44. The Clerk gave feedback on the risk work undertaken by the Quality & Curriculum Committees at Hadlow and WKAC, and the Hadlow Group Finance Committee. The opinions from the committees were that the risks and mitigations from the Risk Register, that fall within the scope of their terms of reference, were appropriate and robust.

45. In terms of any new risks, all three committees agreed that the funding for High Needs was a new risk to be added to the Risk Register. The issue is on the funding allocated by Kent County Council for High Needs with the budget being cut in Kent by circa £1m. The funding cut will have a negative impact on both colleges, the pre-school and the Hadlow Rural Community School. The funding cut will also impact on the curriculum delivery for High Needs learners.

46. The following reports were received for review:

- Capital Projects Board Assurance Report
- Global trend summary report
- Hadlow College Risk Register
- WKAC Risk Register

47. Following review of the reports, it was resolved to note the assurance and risk agenda items.

(Auditors left the meeting at this point)

ANNUAL REAPPOINTMENT OF THE FINANCIAL STATEMENT AUDITOR

48. The College report '*Annual re-appointment of the Financial Statement Auditor*' was received. A broad discussion took place using the following headings to guide discussions:

- Independence and objectivity
- Audit Strategy
- Audit Approach
- Conclusion and Reporting of the Audit

49. It was **RESOLVED** to re-appoint RSM to be the Colleges Financial Statement Auditor for 2017-18.

ANY OTHER BUSINESS

50. There was no other business.

DATE OF NEXT MEETING

51. Thursday 01 March 2017 @ 09.30 @ **TONBRIDGE**

The meeting closed at 12.30.

Signed: _____ Date: _____

CURRENT AUDIT COMMITTEE SUMMARY ACTION LIST

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	Review
3	<p>Betteshanger Foundations & Extra Costs Incurred of £1.2m:</p> <p>At the March 2017 Audit Committee meeting, it was agreed to task the Deputy CEO/Deputy Principal to have a further conversation with the College's solicitors to consider the 'path of least resistance', likely costs and possible returns for pursuing a settlement, and to circulate the outcomes of the task to Committee members for Chairs Action.</p> <p>At the November 2017 Audit Committee, it was agreed to defer this matter to the Hadlow Group Board for final review/decision. The key decision to be made is time required to oversee this as against potential award.</p>	1/3/18
7	<p>Roll Forward Action Plan:</p> <p>(i) To ensure the front cover summary content aligns with the detailed audit recommendations table;</p> <p>(ii) For dates to be inserted indicating the date when the recommendation is to be completed, and to avoid in this column the use of "on-going" or 'in-progress',</p>	1/3/18