



**UNCONFIRMED MINUTES OF THE HADLOW GROUP AUDIT COMMITTEE
HELD 21 JUNE 2018 AT THE TONBRIDGE CAMPUS**

Present: Mr B McNicoll (Chair)
Ms S Hart
Mr H Guntrip
Mr N Coffin (Independent Member)

In attendance: Mr M Lumsdon-Taylor
Mr J Allen
Dr J Mawby
Mr D Blythe (RSM)
Mr R Shaunak (MacIntyre Hudson)

The meeting commenced at 09.30.

WELCOMES, APOLOGIES & DECLARATIONS OF INTEREST

1. The Chair welcomed everyone to the meeting of the Hadlow Group Audit Committee. Apologies were received from Ms L Currie and Mr P Greenwood. The Clerk confirmed the meeting was quorate.
2. The Clerk advised that the membership of the Hadlow Corporation and the Hadlow Group Board would be a standing declared interest at each meeting for Mr H Guntrip, Mr B McNicoll, 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

3. It was **RESOLVED** to approve the minutes of the meeting held 14 March 2018.

SUMMARY ACTION LIST & MATTERS ARISING

4. The '*Summary Action List*' was received. Updates were made available against each outstanding action point. The following updates were made available:

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	ACTION UPDATE MADE AVAILABLE AT MEETING ON 21/06/2018
3	Betteshanger Foundations & Extra Costs Incurred of £1.2m: It was AGREED to defer this to later in the year as it will require a significant	The Committee received a 'Route of Action' that outlined key milestones and target dates.

	amount of work from Brachers and the Deputy CEO/Deputy Principal, when the priority for both has to be concluding the property disposals, as long as the deferment does not put at risk, or is disadvantaged, seeking a resolution. It was AGREED to make available a 'route of action' for discussion and approval at the next meeting.	It was AGREED to receive a further update at the autumn meeting.
7	Roll Forward Action Plan: 4. To ensure the front cover summary content aligns with the detailed audit recommendations table; 5. 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',	Agenda item
10	There will be a follow-up audit visit after the end of May to report on whether the College has become fully compliant with GDPR requirements and the outcome of this audit to be reported at the June meeting.	Agenda item
18	Curriculum & Quality Committee for both Colleges requested that Risk 17 be extended in scope to include attendance, as attendance for English & maths remains an area of risk and concern.	Agenda item

5. It was **RESOLVED** to note the '*Summary Action List*'.

GROUP AUDIT ROLL FORWARD ACTION PLAN

6. The Audit Committee received the '*Group Audit Roll-Forward Action Plan*' listing progress against all outstanding audit recommendations. Overall, of the 15 audit recommendations for the whole Hadlow Group, 6 have been completed with 9 outstanding.

7. The Committee welcomed the good progress made on the implementation of the recommendations relating to suppliers and tendering. To strengthen further the

implementation schedule, it was **AGREED** to add measurable targets to ensure all budget holders are fully compliant with procurement procedures.

8. An update was given on the outcomes of the Ofsted monitoring visit that took place this week for West Kent & Ashford College. The inspector expressed full confidence in the College's ability to continue to move the College forward at the next inspection and an email summarising the positive outcomes of the visit has been sent to governors. The inspector added the caveat that he did not observe any teaching and learning. The key risks for the next inspection, that is expected to take place either next term or by March 2019, are the quality of teaching, learning and assessment seen during the inspection and the end-year results for 2017-18.

9. Following review, the Committee was assured with the progress being made in the implementation of the outstanding audit recommendations with no issues of concern.

10. For future roll forward reports, it was **AGREED**, in terms of good practice, to focus more in the report, and in discussions at the meeting, on any outstanding 'Red' recommendations to ensure they are being addressed within agreed timescales.

11. It was **RESOLVED** to note the '*Audit Roll Forward Action Plan*'.

INTERNAL AUDIT REPORTS

12. The Internal Audit Report '*Board Assurance Framework and Risk Management*' was received. The report confirmed a 'Full Assurance' audit opinion for the Board Assurance Framework with no recommendations. For Risk Management, the report confirmed a 'Substantial Assurance' with one 'Medium' recommendation, two 'Low' recommendations and one 'Advisory' recommendation.

13. The one 'Medium' recommendation was to create a sub register related to compliance with the PREVENT agenda and GDPR within the main registers for WKAC, Hadlow and HRCS.

14. The Clerk asked the auditor for his views on any governor liability arising from non-compliance against GDPR. The auditor confirmed ultimate corporate responsibility rests with the Board. The Board has to demonstrate it has sought assurances that GDPR has been fully implemented and that any control issues, identified and brought to the attention of the Board, are dealt with and not ignored. The Chair made the observation that the Board Assurance Framework introduced provides a robust framework for the Committee to monitor internal control mechanisms. In addition, two GDPR audits have been conducted and reported to the Committee. In addition, by ensuring the Board takes appropriate action on any GDPR control issues, the auditor was of the view that the Hadlow Group's insurance arrangements (Governors' personal liability) affords additional protection to governors. The key is for the Board to be able to demonstrate that it is doing everything in its power to ensure full compliance and is seen to be addressing any issues that are brought to the attention of the Board.

15. The Committee received and reviewed the report '*Follow-Up of GDPR Recommendations*' following the initial audit review that was undertaken in February 2018.

16. Of the 37 recommendations, 19 had been implemented, 5 are in progress, with 7 not yet implemented and some 6 recommendations are no longer applicable.

17. It was agreed to focus discussions on the 7 recommendations not yet implemented. There were no issues arising on the progress being made to implement the 7 recommendations yet to be fully implemented.

18. The Deputy CEO/Deputy Principal confirmed the aim is to implement fully the recommendations by the end of the summer term. The Clerk advised that College policies relating to GDPR should be approved by the Board as ultimately the Board has corporate responsibility. In terms as to when this should be done, it was **AGREED** for these to be made available in the autumn term after full implementation.

19. It was **AGREED** to receive a follow-up report at the next meeting on the GDPR recommendations which are still in progress, and for the Data Protection Officer (DPO) to be in attendance to present a GDPR update.

20. To ensure even more independence of the DPO, it was **AGREED** that any data breach is to be reported directly to the Chair of the Audit Committee and the Clerk, and for this to be written into the appropriate College policy.

21. It was **RESOLVED** to note the reports.

INTERNAL AUDIT PLAN 2016-17

22. It was noted, from the internal audit plan schedule for 2016-17, that fieldwork for three audit areas are in hand with the audits scheduled to be completed by the end of June. It was **AGREED** to circulate the audit reports to Committee members and, if there are any issues arising from any of the audits, the internal auditor offered to facilitate a telephone conference call with Committee members. The reports will also be made available for formal discussion at the November meeting of the Committee.

FINANCIAL STATEMENT & REGULARITY AUDIT PLAN FOR YEAR-END ACCOUNTS 31 JULY 2018

23. The '*Financial Statement & Regularity Audit Plan for Year-end Accounts 31 July 2017*' for Hadlow College, Hadlow Rural Community School, and West Kent & Ashford College were received for review. The College's external auditors issued the Plan and it was confirmed the Plan follows the guidelines issued by the funding bodies. All risk areas highlighted in the Plan were subject to a thorough review by the Committee.

24. In discussions on capital disposals, it was **AGREED** to circulate to Audit Committee members the '*Business Acquisition Framework*'. It was confirmed that the framework is subject to further amendments and adjustments in light of new Group strategies.

25. It was noted that the audit principal has acted for a period of ten years and that this could potentially lead to a threat to his objectivity and independence. In accordance with RSM's policy, he has been allowed to continue to act as audit principal subject to annual review conducted by an independent principal. This arrangement should enable him to act as audit principal for a further five years but not beyond this point. This was welcomed by the Committee.

26. It was **RESOLVED** to recommend the Hadlow Corporation to approve the '*Financial Statement & Regularity Audit Plan for Year-end Accounts 31 July 2018*' for Hadlow College and the Hadlow Rural Community School. All risk areas highlighted in the Plan were subject to a thorough review by the Committee.

27. It was **RESOLVED** to recommend the WKAC Corporation to approve the '*Financial Statement & Regularity Audit Plan for Year-end Accounts 31 July 2018*' for West Kent & Ashford College. All risk areas highlighted in the Plan were subject to a thorough review by the Committee.

RISK MANAGEMENT & RISK REGISTER

28. The Committee received the following for review:

- (i) Risk Management - Group Summary Positions
- (ii) Global Risk Register Hadlow College
- (iii) Global Risk Register West Kent & Ashford College

29. On the solvency risk, the Committee sought assurances that the selling of assets is not a 'smokescreen' for any underlying financial/cash flow issues. The Deputy CEO/Deputy Principal welcomed the question and welcomed the opportunity to provide a full response. It was confirmed assets have been sold to invest further in the estate. The disposals are ring-fenced for investment purposes, especially as capital grants are no longer being made available by the funding agency. Yes, there has been an underlying operational deficit for both Hadlow and WKAC for 2017-18 and this has been reported, in detail, to the Group Finance Committee and Boards. However, realisation of assets cannot, and will not, be used to mask operational deficits. The Group, with effect from next year, has to generate cash surpluses in order to undertake any additional capital investment over and above the development of the current Estates Strategy.

30. It was **RESOLVED** to note the reports under this agenda item.

BOARD ASSURANCE FRAMEWORK, INTERNAL CONTROL FRAMEWORK, & EXTERNAL ASSURANCES

31. The Board Assurance Framework was received for information purposes. The College Group has implemented a Board Assurance Framework to give satisfactory statements of control and compliance to the Hadlow Group Audit Committee. The agreed reporting timetable is follows:

Term 3:

- Quality
- Teaching, Learning & Assessment
- Safeguarding
- Capital Projects

32. Following review of the assurances made available against each component of the Board Assurance Framework, scheduled to be reviewed at this meeting, the Committee **AGREED** the following RAG assessments:

Board Assurance Framework - Component	Assessment Agreed at last review – July 2017	Assessment Agreed at this review – July 2018
Quality	GREEN	GREEN
Teaching, Learning & Assessment	AMBER	AMBER
Safeguarding	GREEN	GREEN
Capital Projects	GREEN	DEFERRED TO NEXT MEETING

33. An 'Amber' assessment was agreed for teaching, learning & assessment as WKAC is currently graded 'Requires Improvement' for teaching, learning and assessment following the College's Ofsted inspection in February 2017. At the last Ofsted inspection for Hadlow, the College received a grade of 'Good' for teaching, learning & assessment but this was in 2014 under Cycle 3 inspections. Changes in the Ofsted inspection framework increases the risk and the College was not inspected during Cycle 4. Both HRCS and the Hadlow Pre-School received an Ofsted grade of 'Good' for the quality of teaching in the inspections that took place in 2015 and 2017 respectively. However, as there are still risks for both Hadlow College and WKAC, an 'Amber' assessment was agreed.

34. On capital projects, the report provided a summary on partnerships, contracts and supply. Before the Committee can make any assessment, it was **AGREED** more information is required on the validation/approval process followed for each listed project and associated risks. It was **AGREED** to defer the assessment on capital projects until receipt of an updated report as requested by the Committee.

35. It was **RESOLVED** to note the reports under this agenda item.

ANNUAL REVIEW OF THE INTERNAL AUDIT SERVICE & RE-APPOINTMENT RECOMMENDATION

36. It was **AGREED** to defer the review of the internal audit service to the autumn term when all the planned audits for 2016-17 have been completed.

ANY OTHER BUSINESS

37. Under any other business, a confidential discussion took place on latest developments arising from a meeting with the Transition Unit (TU). The Clerk informed the Committee of the support from the Finance Committee on the proposed direction of travel arising from discussions with the TU, and the Audit Committee also endorsed the proposed direction of travel.

DATE OF NEXT MEETING

38. Thursday 29 November 2018 at 09.30 at Ashford

The meeting closed at 12.45.

Signed: _____ Date: _____

CURRENT AUDIT COMMITTEE SUMMARY ACTION LIST

MIN REF	ACTION	REVIEW
3	<p>Betteshanger Foundations & Extra Costs Incurred of £1.2m: The Committee received a 'Route of Action' that outlined key milestones and target dates.</p> <p>It was agreed to receive a further update at the autumn meeting.</p>	29/11/18
7	The Committee welcomed the good progress made on the implementation of the recommendations relating to suppliers and tendering. To strengthen further the implementation schedule, it was AGREED to add measureable targets to ensure all budget holders are fully compliant with procurement procedures.	29/11/18
9	For future action log reports, it was AGREED , in terms of good practice, to focus more in the report, and in discussions at the meeting, on any outstanding 'Red' recommendations to ensure they are being addressed within agreed timescales.	29/11/18
18	The Deputy CEO/Deputy Principal confirmed the aim is to implement fully the recommendations by the end of the summer term. The Clerk advised that College policies relating to GDPR should be approved by the Board as ultimately the Board has corporate responsibility. In terms as to when this should be done, it was AGREED for these to be made available in the autumn term after full implementation.	29/11/18
19	It was AGREED to receive a follow-up report on the outstanding GDPR recommendations at the next meeting and for the Data Protection Officer (DPO) to be in attendance to present a GDPR update.	29/11/18
20	To ensure even more independence of the DPO, it was AGREED that any data breach is to be reported directly to the Chair of the Audit Committee and the Clerk, and for this to be written into the appropriate College policy.	29/11/18
22	It was noted, from the internal audit plan schedule for 2016-17, that fieldwork for three audit areas are in hand with the audits scheduled to be completed by the end of June. It was AGREED to circulate the audit reports to Committee members and, if there are any issues arising from any of the audits, the internal auditor offered to facilitate a telephone conference call with Committee members. The reports will also be made available for formal discussion at the November meeting of the Committee.	29/11/18
24	In discussions on capital disposals, it was AGREED to circulate to Audit Committee members the ' <i>Business Acquisition Framework</i> '. It was confirmed that the framework is subject to further amendments and adjustments in light of new Group strategies.	29/11/18

34	On capital projects, the report provided a summary on partnerships, contracts and supply. Before the Committee can make any assessment, it was AGREED more information is required on the validation/approval process followed for each listed project and associated risks. It was AGREED to defer the assessment on capital projects until receipt of an updated report as requested by the Committee.	29/11/18
34	On capital projects, the report provided a summary on partnerships, contracts and supply. It was AGREED there needs to be more information on validation and risk on each capital project listed to enable the Audit Committee to give assurances.	29/11/18
36	It was agreed to defer the review of the internal audit service to the autumn term when all the planned audits for 2016-17 have been completed.	29/11/18