



HADLOW  
COLLEGE

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## MINUTES OF THE AUDIT COMMITTEE HELD ON 19 JUNE 2014

Present: Mr B McNicoll (Chair)  
Mr H Guntrip

In attendance: Mr J Allen -Clerk to the Governors  
Mr M Lumsdon-Taylor-Director of Finance & Resources  
Ms L Brown - Vice Principal  
Ms A Ogunbowale - MacIntyre Hudson

The meeting commenced at 09.30

### **APOLOGIES, QUORACY, WELCOMES & DECLARATIONS OF INTEREST**

77. Apologies were received from Mr J Standen and Ms L Currie. The Clerk confirmed the meeting was quorate. There were no declared interests against any of the agenda items.

### **MINUTES**

78. **RESOLVED** - that the minutes of the meeting of the Audit Committee held 06 March 2014 be approved as a correct record and signed by the Chair.

### **SUMMARY ACTION LIST & MATTERS ARISING**

79. The College report '*Summary Action List*' was received (copy attached to the signed minutes).

80. A progress update was made available on the fraud incident that had been reported to the Committee with confirmation given that the National Farmers Union have agreed to fund a claim in court and that a repayment plan has been agreed with the supplier.

81. There were no matters arising from the minutes and it was **RESOLVED** to note the '*Summary Action List*'.

82. The letter from the Chair of the Audit Committee at 'K' College was received and noted with no further action required.

### **AUDIT ROLL-FORWARD ACTION PLAN**

82. The College report '*Audit Roll-Forward Action Plan*' was received (copy attached to the signed minutes). The report confirmed that as of May 2014 there were a total of 2 audit recommendations yet to be fully implemented. The first arose from the departmental review of Fisheries and attached to the roll-forward report was the Floristry Business Report and the Fisheries Business report. The second action was on curriculum health checks and it was agreed to no longer carry this forward as the monitoring of curriculum SARs and quality assurance arrangements rests with the Curriculum & Quality Committee.

83. There took place a detailed discussion on how best to integrate commercial activities with the student experience and to maximise apprenticeship opportunities in the various commercial areas in the College. It was agreed the Director of Finance and Vice Principal need to continue to work together to embed a commercial integration into the curriculum. A commercial strategy has been developed, what is now required is the full implementation of the commercial strategy with managers being held to account to implement their part of the strategy. The Board is committed to the principle of providing a commercial experience for all learners and the College must use its commercial arms to further broaden the learning experience for learners.

84. It was **RESOLVED** to note the report.

#### **INTERNAL AUDIT ANNUAL 2nd REPORT 2013/14**

85. The 2nd internal audit report for 2013/14 from Macintyre Hudson was received (copy attached to the signed minutes). The visit summary confirmed the following outcomes:

Area Reviewed	Audit Opinion	High recommendations	Medium	Low	Total
Financial Management and Reporting and Strategic Planning	Satisfactory Assurance	-	-	-	-
Partnerships	Substantial Assurance	-	-	-	-
Monitoring of the learner environment and supporting MIS	Satisfactory Assurance	-	-	-	-
Effectiveness of Commercial in Supporting Student Learning	Satisfactory Assurance	-	1	-	1
Business Continuity – role of the Executive PAs	Substantial Assurance	-	2	-	2
<b>Total</b>		0	3	0	3

86. The Committee reviewed management responses against each recommendation and agreed that they were appropriate with realistic target dates for completion.

87. There took place a lengthy discussion and debate on the overall assessments made against each area audited against the number of recommendations made. The Committee had difficulty in understanding the internal audit service's rationale for

awarding 'satisfactory assurance' for two of the areas when no recommendations were made.

88. The Committee requested for the internal audit service to re-consider their audit opinion for Financial Management and Reporting and Strategic Planning and Monitoring of the Learner Environment and Supporting MIS.

89. Subject to the request made of the internal audit service, it was **RESOLVED** to note the 2nd Internal Audit Report 2013/14.

#### **INTERNAL AUDIT PLAN 2014/15**

90. The Internal Audit Plan 2014/15 was received (copy attached to the signed minutes). The Internal Audit Plan consists of two main themes, assurance-focused audits and value-adding reviews, under which individual audits have been assigned to the significant risks facing the College in achieving its strategic objectives.

91. Following review, it was **RESOLVED** to approve the Internal Audit Plan 2014/15.

#### **FINANCIAL STATEMENT & REGULARITY AUDIT PLAN FOR 2013/14**

92. The '*Financial Statement & Regularity Audit Plan*' prepared by Baker Tilly was received (copy attached to the signed minutes). The report outlined the audit areas and proposed fee structure for the audit of year-end accounts 31 July 2014.

93. It was **RESOLVED** to approve the Financial Statement & Regularity Audit Plan for 2013/14.

#### **RISK AND ASSURANCE FRAMEWORK**

94. As previously reported, the Audit Committee has reviewed in detail the draft of the Board Assurance Framework and the final version, taking into account recommendations made at previous meetings, was received for final review. Presented along with the Assurance Framework was a 'Dashboard' document consisting of key KPIs for the monitoring of college performance. The proposal is to replace the current framework for the monitoring of College performance with the "Dashboard" model. The dashboard would be a fixed agenda item at every Board meeting.

95. It was **RESOLVED** to recommend that the Board at its meeting on 10 July 2014 approves the Board Assurance Framework and 'Dashboard' monitoring of College performance

#### **TERMLY REPORT ON RISK MANAGEMENT**

94. The termly report on risk management was received (copy attached to the signed minutes). The report consisted of Global Risk Register as at June 2014, and the minutes of the last meeting of the Risk Management Meeting held 03 June 2014.

95. The termly risk management report incorporated a summary outlining the movement of risk scores since the last meeting of the Audit Committee with a summary of all high risks and the actions being taken to mitigate these risks.

96. It was **RESOLVED** to note the termly report on Risk Management.

**FINANCE DIRECTORATE INTERNAL CONTROL SYSTEMS FRAMEWORK**

97. The report from the Finance Directorate on ‘*Internal Control Systems Framework*’ was received (copy attached to the signed minutes). To support the monitoring of College performance at an audit review level, an internal control and systems framework is used as a monitoring tool to keep the Committee informed in underlying control adherence in line with the Financial Regulations and audit best practice. The report is presented quarterly and reports on headline fiscal data covering the College’s financial position and cashflow, with operational monitoring in the three areas of income, expenditure and global.

98. No issues of concern were being reported to the Committee and it was **RESOLVED** to note the report.

**MONITORING OF COLLEGE PERFORMANCE & ASSESSMENT OF RISK**

99. The College report ‘*Monitoring of College Performance & Assessment of Risk*’ was received (copy attached to the signed minutes). The Board has agreed a framework for the monitoring of College performance and assessment of risk. The Audit Committee is responsible for making assessments in the area of audit. Assessments are to be carried out at each meeting of the Committee through a standing agenda item ‘*Monitoring of College Performance & Assessment of Risk*’ with an overall assessment for audit being made available to the Board.

100. The Committee noted and welcomed the assessment of ‘no concern/no risk’ made against each of the 9 audit performance indicators.

101. It was **RESOLVED** to inform the Board of the following overall assessments:

Audit	No Risk/No Concerns
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**CONFIDENTIAL SESSION**

102. The Committee and auditor agreed that there was no need to go into a confidential session without College officers being present.

*(The representative from MacIntyre Hudson left the meeting at this point)*

**ANNUAL REVIEW OF THE INTERNAL AUDIT SERVICE**

103. The College report ‘*Annual Review of the Internal Audit Service*’ was received (copy attached to the signed minutes). The Audit Committee reviewed performance against agreed criteria and agreed to the following assessment:

		<b>Satisfaction Rating</b>	
		<b>High</b>	<b>Low</b>
Q1	<b>Independence and objectivity</b>		
	Has the auditor provided information about its policies and processes for maintaining independence and has this covered:		
	a) the rotation of audit partners (or equivalent)	X	
		X	

	b) the nature of any other services provided to the college	X	
	<b>Audit strategy</b>		
Q2	Was the audit work planned with college management in a timely and appropriate way?	X	
Q3	Did the auditors communicate to the audit Committee and college management at the start of the audit where relevant:	X	
	a) the audit plan?	X	
	b) terms of reference	X	
	c) the audit approach	X	
	d) the level of audit materiality adopted for the audit, justification for this amount where applicable?	X	
	e) the timetable of the audit and for oral and written reports to the audit committee?	X	
	f) the extent of any reliance to be placed by the auditors on the work of other auditors?	X	
	g) the approach to tracking and reporting on the implementation of recommendations from previous visits?	X	
	<b>The audit approach</b>		
Q4	Was there appropriate liaison with the college's other auditors where necessary?	X	
Q5	Was the audit work carried out on the agreed dates and to the agreed plan?	X	
Q6	Did the audit team comprise staff of sufficient seniority, experience and expertise?	X	
Q7	Was there appropriate staff continuity from previous visits?	X	
Q8	Did the auditors appear to be conversant with the requirements of the LSC and any other laws, regulations and standards?	X	
Q9	Was the college informed of any material events during the course of the audit?		N/A
	<b>Conclusion and reporting of the audit</b>		
Q10	Were written reports clear, concise and delivered on time?	X	
Q11	Were the recommendations in draft reports accepted?	X	
Q12	Were the recommendations considered constructive in improving the college's control environment and were they also considered practical and effective?	X	
Q13	Did the auditors adequately consider the appropriateness and effectiveness of the college's risk management processes, and were any recommendations for improvement considered to be practical and effective?	X	
Q14	Did the auditors attend audit committee meetings and deal with queries raised at the committee adequately?	X	
Q15	Did the auditors discuss with the audit committee any areas for improvement in their audit approach?	X	
Q16	If any audit report resulted in a qualified opinion, were the issues of concern and the impact on the report discussed with college management and the audit committee at a sufficiently early stage?	X	
Q17	Has there been a good working relationship between the auditors, college management and audit committee?	X	
Q18	Has the auditor been sufficiently thorough in approach and robust in dealing with college management and staff?	X	
Q19	Have college staff provided positive feedback on the quality of the audit work	X	
Q20	Were ad hoc queries during the year adequately dealt with?	X	
Q21	Is it recommended that the incumbent audit provider be re-appointed for the forthcoming year?	<b>YES</b>	

104. It was **RESOLVED** to note the assessment of performance of the internal audit service.

**ANY OTHER BUSINESS**

105. As this was the last meeting of the Hadlow College Audit Committee, the Chair thanked members for their contributions. As agreed at the Board meeting held 30 April, the Audit Committee is to be replaced by the Hadlow Group Audit Committee that will have overall audit responsibility for Hadlow College, West Kent & Ashford College, and other elements that compromise the Hadlow Group. Membership of the Hadlow Group Audit Committee will be confirmed at the July Board meeting and the Chair suggested that at least one if not two external non-governor co-opted members be sought to add greater independence to the work of the Group Audit Committee.

106. The Chair also advised that during 2014/15 a tendering exercise would need to be undertaken to appoint audit firms to provide an internal audit service and a financial audit and regularity audit service to the Hadlow Group Audit Committee.

**DATE OF NEXT MEETING**

107. To be confirmed.

The meeting closed at 11.50

Signed: \_\_\_\_\_ Date: \_\_\_\_\_