

**MINUTES OF THE HADLOW GROUP AUDIT COMMITTEE  
26 NOVEMBER 2015**

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

In attendance: Mr M Lumsdon-Taylor-Director of Finance  
Mr J Allen - Clerk  
Ms P Powditch - Assistant Director of Finance,  
MIS & ICT  
Ms S Knight - Macintyre Hudson  
Mr D Blythe - RSM

The meeting commenced at 09.30.

**WELCOMES, APOLOGIES & DECLARATIONS OF INTEREST**

1. The Chair welcomed everyone to the meeting. Apologies were received from Ms L Currie. 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, 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 11 June 2015 be approved as a correct record and signed by the Chair.

**SUMMARY ACTION LIST & MATTERS ARISING**

3. The '*Summary Action List*' was received. There were a significant number of action points that arose from the last meeting of the Committee and the '*Summary Action List*' provided a detailed progress update against each action point. In summary, the following was noted:

Minute 7: The reported fraud incident in terms of a settlement outcome is still on-going.

Minute 83: All actions on Risk Management & Board Assurance have been actioned and this is to be confirmed in agenda 9.

Minute 88: The matter on giving assurances to the EFA was dealt with at the Hadlow Group Board meeting held 22 October 2015.

Minute 89: The EFA/SFA have still to conduct any audit on transitional funds received for the acquisition of K College.

- Minute 99: It was noted the four internal audit reports arising from visit 2 in 2014/15 and the '*Internal Audit Annual Report 2014/15*' have still to be issued to the Audit Committee. It was **AGREED** to email these reports to members and for these to be an agenda item at the next meeting.
- Minutes 101, 104, & 106: Attached to the Summary Action List was an HR update report summarising the action taken.
- Minute 107: The Quality Assurance Compliant report was made available to the Curriculum & Quality Committee.
- Minute 110: Capacity and succession planning around the Executive was discussed in detail at the Hadlow Group meeting held 22 October 2015 and discussions will continue to be on-going on this matter.
- Minute 111: It was confirmed the College complies with published advice issued by the Competition & Markets Authority on HE student rights under consumer protection legislation.
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 twelve audit recommendations as at November 2015, management confirmed that five have been completed with seven outstanding. There were no high priority recommendations outstanding and all the seven outstanding recommendations were confirmed as low priority recommendations.
7. It was **RESOLVED** to note the '*Audit Roll Forward Action Plan*'.

#### **HADLOW GROUP INTERNAL AUDIT STRATEGY & AUDIT PLAN 2014/15**

8. The Committee received the proposed '*Hadlow Group Internal Audit Strategy & Audit Plan for 2015/16*'. It was confirmed a detailed planning meeting took place involving representatives from Macintyre Hudson, the Chair of the Audit Committee, and Group Director of Finance. The outcome of the planning meeting was the proposed audit plan for 2015/16. It was noted the proposed plan identified a need for 70 days fieldwork, with 20 days for planning and preparation. This compared with last years agreed audit plan of 41 fieldwork days and 6 days for planning and preparation. The increase in the number of days was due to two main factors – the desire to give assurances against all identified high risks from the various Risk Registers from the components that make up the Hadlow Group; and secondly, the expansion of the Hadlow Group requiring new areas to be audited – Betteshanger, Produced in Kent, Hadlow Rural Community School, and the Hadlow Pre-School. It was also noted the proposed

number of field days was in excess of the 60 days proposed in the tender submitted by Macintyre Hudson.

9. The Audit Committee felt there was some scope to reduce the proposed number of days. Some areas where there was an identified high risk might not be too material if the mitigation actions are strong and supported with other assurances that could be sought to reduce the overall risk, and therefore the number of days allocated for audit review could be reduced. The focus should be on those high risks that are material. There was also scope in reducing the days allocated for report writing if reports were combined instead of individual reports issued for each area subject to audit. The Committee set a framework of 70 days and asked the auditors and Group Director of Finance to work within this framework.

10. Following review, the following was **AGREED**:

- (i) After the first visit, The Group Director to work further with the auditors to see if additional days over the agreed framework of 70 days are required;
- (ii) If additional days are required, to bring this back to the March Audit Committee meeting for further discussion;
- (iii) To draft reports as group reports rather than reports for each area subject to audit; and
- (iv) Reports to focus on why recommendations are important, what is the expected impact of the recommendation on the organisation, and what added value will arise if the recommendation is implemented.

11. It was **RESOLVED** to approve the Internal Audit Plan 2015/16.

## **FINANCIAL STATEMENT AND AUDIT FINDINGS REPORTS**

12. A copy of the draft Financial Statements for both Colleges for the year ended 31 July 2015 were 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.

13. 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

14. The financial statements opinion is addressed to the College. The regularity opinion is addressed to the College and the Skills Funding Agency (SFA).

## **WEST KENT & ASHFORD COLLEGE FINANCIAL STATEMENT AND AUDIT FINDINGS REPORT**

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

16. The financial statement auditor issued an unqualified report (satisfactory) on the 2014/15 accounts.

17. The Audit Findings Report raised no internal control issue relating to regularity audit. An unqualified regularity audit opinion was confirmed for 2014/15.

18. Both audit opinions are confirmed in the Financial Statements and Annual report for the year-ended 31 July 2015.

19. It was **RESOLVED** for the '*Audit Findings Report*' 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 09 December 2015.

20. The auditor and Group Director of Finance confirmed the audit went well and particular thanks was given to Paula Powditch and her team in their preparation work prior to the audit and of their support given to RSM during and after the audit. The Committee asked for the minutes to also record the Committee's appreciation of the work of the finance team.

## **HADLOW COLLEGE FINANCIAL STATEMENT AND AUDIT MANAGEMENT REPORT**

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

22. The financial statement auditor issued an unqualified report (satisfactory) on the 2014/15 accounts.

23. The Audit Findings Report raised no internal control issue relating to regularity audit. An unqualified regularity audit opinion was confirmed for 2014/15.

24. Both audit opinions are confirmed in the Financial Statements and Annual report for the year-ended 31 July 2015.

25. It was **RESOLVED** for the '*Audit Management Report*' 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 10 December 2015.

26. The Group Director of Finance commented that the audit went well. However there were some internal issues on the processes required to support the preparation of the accounts. With the announced retirement of the Head of Finance at West Kent & Ashford College, this gave the opportunity to conduct a full review of the finance function within the Hadlow Group. The outcomes of the review to be made available to the Committee.

## **CONFIDENTIAL SESSION**

27. 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**

28. There is a requirement in the Joint Audit Code of Practice that states 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.

29. 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, after the internal audit annual report has been received, so 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.

30. 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 2014/15.

### **West Kent & Ashford College:**

31. The Annual Report for West Kent & Ashford College confirmed the following opinion from the Hadlow Group Audit Committee for 2014/15:

There are no matters that the Committee wishes to bring 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 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 & 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.

32. It was **RESOLVED** to recommend to the Board of West Kent & Ashford College at its meeting on 09 December 2015 to approve the '*Annual Report from the Hadlow Group Audit Committee 2014/15*'.

## Hadlow College:

33. The Annual Report for Hadlow College confirmed the following opinion from the Hadlow Group Audit Committee for 2014/15:

*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.*

34. It was **RESOLVED** to recommend to the Corporation of Hadlow College at its meeting on 10 December 2015 to approve the 'Annual Report from the Hadlow Group Audit Committee 2014/15'.

## RISK MANAGEMENT AND RISK REGISTER

35. The following reports were received:

- Global Trend Summary Report
- Hadlow College Risk Register
- WKAC Risk Register
- Minutes of the last Hadlow & WKAC Risk Management Meeting
- Minutes of the last Hadlow & WKAC Critical Incident Meeting

36. As the key risks identified in the College's Risk Registers had already been subject to review and discussion under the agenda item on the proposed internal audit strategy and plan for 2015/16, it was **RESOLVED** to note the risk management reports and Risk Registers.

## BOARD ASSURANCE FRAMEWORK

37. The agreed Board Assurance Framework was received. The College Group has implemented a Board Assurance Framework to give

satisfactory statements of control and compliance to the Hadlow Group Audit Committee. The Board Assurance Framework is structured as follows

- Quality
- Teaching, Learning & Assessment
- Financial & Governance
- Risk
- External Funding & value
- Structure & Legal
- Safeguarding

38. Each component to be subject to annual review through a system report, and it was noted that Finance & Governance are scheduled for annual review at the autumn meeting of the Committee.

39. Following review, an assessment of 'Green' with full assurance was agreed for Finance & Governance. It was **RESOLVED** to note the report.

**VALUE FOR MONEY STRATEGY & SUSTAINABILITY REPORT 2014/15**

40. Following the review, it was **RESOLVED** to approve the Value for Money Strategy.

41. The Committee welcomed the detail and objectives outlined in the 'Sustainability Report 2014/15' and supported the College's approach of making this a strategic priority.

*(Auditors left the meeting at this point)*

**ANNUAL REAPPOINTMENT OF THE FINANCIAL STATEMENT AUDITOR**

42. The College report 'Annual re-appointment of the Financial Statement Auditor' was received (copy attached to the signed minutes). The Audit Committee reviewed performance against agreed criteria and it was **RESOLVED** to confirm the following assessment for 2014/15

*Satisfaction Rating*  
**High**                      **Low**  
*1      2      3      4*

		<i>Satisfaction Rating</i>			
		<b>High</b>		<b>Low</b>	
		<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
Q1	<b>Independence and objectivity</b>				
	Has the auditor provided information about its policies and processes for maintaining independence and has this covered:	X			
	a) the rotation of audit partners (or equivalent)	X			
	b) the nature of any other services provided to the college	X			
Q2	<b>Audit strategy</b>				
	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:				
	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			

**The audit approach**

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 Funding Bodies 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			

**Conclusion and reporting of the audit**

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			

**Re-appointment Recommendation:**

Yes

43. It was **RESOLVED** to seek Hadlow College Corporation approval and West Kent & Ashford College Board approval for the annual appointment of RSM to be the College's Financial Statement & Regularity Auditor for the period 1 August 2015 to 31 July 2016.



## ANY OTHER BUSINESS

44. There was no other business.

## DATE OF NEXT MEETING

45. Thursday 03 March 2016 @ 09.30 @ **TONBRIDGE**

The meeting closed at 12.00.

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

## CURRENT AUDIT COMMITTEE SUMMARY ACTION LIST

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	Review
7	Reported Fraud Incident: Updates to be reported to the Audit Committee until the matter has been concluded	3/3/16
99	It was noted the four internal audit reports arising from visit 2 in 2014/15 and the ' <i>Internal Audit Annual Report 2014/15</i> ' have still to be issued to the Audit Committee. It was <b>AGREED</b> to email these reports to members and for these to be an agenda item at the next meeting.	3/3/16
10	(i) After the first internal audit visit, The Group Director to work further with the auditors to see if additional days over the agreed framework of 70 days are required; (ii) If additional days are required, to bring this back to the March Audit Committee meeting for further discussion; (iii) To draft reports as group reports rather than reports for each area subject to audit; and (iv) Reports to focus on why recommendations are important, what is the expected impact of the recommendation on the organisation, and what added value will arise if the recommendation is implemented.	3/3/16