

**MINUTES OF THE HADLOW GROUP AUDIT COMMITTEE
27 NOVEMBER 2014**

Present: Mr B McNicoll (Chair & Governor)
Mr J Standen (Governor)
Ms L Currie (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
Ms L Brown -Vice Principal
Mr J Allen - Clerk
Ms P Powditch - Assistant Director of Finance,
MIS & ICT
Ms E Olive - Grant Thornton
Mr R Shaunak - Macintyre Hudson
Mr M Law - Baker Tilly

The meeting commenced at 09.30.

WELCOMES, APOLOGIES & DECLARATIONS OF INTEREST

1. The Chair welcomed everyone to the inaugural meeting of the Hadlow Group Audit Committee and introductions were made. Mr Paul Greenwood was welcomed to his first meeting in the capacity of a non-governor co-opted member of the Committee.
2. There were no apologies.
3. 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, Mr J Standen, 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.

HADLOW GROUP AUDIT COMMITTEE TERMS OF REFERENCE

4. The approved Terms of Reference for the Hadlow Group Audit Committee were received for information purposes.

MINUTES

5. **RESOLVED** - that the minutes of the meeting of the Hadlow Audit Committee held 19 June 2014 be approved as a correct record and signed by the Chair.

MATTERS ARISING

6. Under minute 80, it was confirmed that legal action is being pursued through NFU mutual to reclaim the loss of monies from the fraud previously reported to the Committee.
7. There were no other matters arising from the minutes.

GROUP AUDIT ROLL FORWARD ACTION PLAN

8. The Audit Committee received the 'Group *Audit Roll-Forward Action Plan*' listing progress against all outstanding audit recommendations.
9. Of the 9 audit recommendations as at November 2014, College management confirmed that 5 have been completed with 4 outstanding. Detailed reports were attached covering the high risks related to Commercial Floristry and Fisheries & Hatchery. The audit recommendation on fisheries and floristry was of the need to make available business plans to support the commercial development of both areas. As business plans had been produced and are being implemented, it was **AGREED** to remove this recommendation from the roll forward action plan.
10. Similarly, the action point on curriculum health checks was no longer applicable as new health checks are being put in place for both curriculum and support areas following the acquisition of K College. The Vice Principal pointed out the 'Amber' assessment no longer applies as the recommendation had been acted on. The Committee agreed with this assessment and for the recommendation to be removed from the roll-forward plan, but the Committee could not change the assessment of 'Amber' as this was the assessment made by the auditors at the time the recommendation was made.
11. The action points from the Rural Community School were a direct result of the 'Financial Notice to Improve' issued by the Department of Education. Of the 17 recommendations, 15 have been completed and the remaining two are on progress against the agreed target date for implementation.
12. All historical recommendations for West Kent & Ashford College (previously K College) have been cleared and no recommendations were made in 2013/14 due to internal audit being suspended at K College.
13. It was **RESOLVED** to note the '*Audit Roll Forward Action Plan*'.

INTERNAL AUDIT ANNUAL REPORT

14. The '*Internal Audit Annual Report 2013/14*' was received.
15. The opinion of the Internal Audit Service is that Hadlow College has adequate and effective management, control and governance processes in the areas examined which should enable the College to manage the achievement of its objectives.
16. It was **RESOLVED** that the report be included as an appendix in the Annual Report on Hadlow College from the Hadlow Group Audit Committee

that will be recommended for approval by the Hadlow Corporation at its meeting on 11 December 2014.

HADLOW GROUP INTERNAL AUDIT STRATEGY & AUDIT PLAN 2013/14

17. The Committee received the proposed '*Hadlow Group Internal Audit Strategy & Audit Plan for 2014/15*'.

18. It was confirmed that in response to the new freedoms and flexibilities, the internal audit plan is based on a more thematic approach combining different stand alone audits into clusters.

19. Following a review of the plan, it was **AGREED**:

- (i) If any of the audit actions are specific to just a single college then this to be stated in the audit plan. If not so stated, the audit actions will apply to both Colleges; and
- (ii) To add three contingency days to the audit plan and the use of these days to be determined by the Hadlow Group Audit Committee, or the Chair of the Hadlow Group Audit Committee through delegated authority.

20. It was **RESOLVED** to approve the Internal Audit Plan 2014/15.

FINANCIAL STATEMENT AND AUDIT MANAGEMENT REPORTS

21. A copy of the draft Financial Statements for both Colleges for the year ended 31 July 2014 were received as the Joint Audit Code of Practice requires the Audit Committee to have a copy of the financial statements before reviewing the Post Audit Management Report.

23. 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

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

K COLLEGE FINANCIAL STATEMENT AND AUDIT MANAGEMENT REPORT

25. The Committee received a copy of the '*Post Audit Management Report*' from the representative from Grant Thornton. The report confirmed no new deficiencies were identified in the year and reported on the good progress made from 01 August 2014 to address issues raised in prior years.

26. The financial statement auditor issued an unqualified report (satisfactory) on the 2013/14 accounts.

27. The Audit Findings Report raised no internal control issue relating to regularity audit. An unqualified regularity audit opinion was confirmed for 2013/14

28. Both audit opinions are confirmed in the Financial Statements and Annual report for the year-ended 31 July 2014.

29. It was noted, and welcomed, that this was the first unqualified opinion on the accounts of K College for five years. The auditor confirmed that this was due to a lot of hard work of the Finance Team post 01 August 2014 when Hadlow College acquired K College.

30. It was **RESOLVED** for the '*Audit Management 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 10 December 2014.

(The representative from Grant Thornton left the meeting at this point)

HADLOW COLLEGE FINANCIAL STATEMENT AND AUDIT MANAGEMENT REPORT

31. The Committee received a copy of the '*Post Audit Management Report*' from the representative from Baker Tilly.

32. The report made two recommendations to address deficiencies in internal control and management responses were deemed to be both timely and appropriate.

33. The financial statement auditor issued an unqualified report (satisfactory) on the 2013/14 accounts.

34. The Audit Findings Report raised no internal control issue relating to regularity audit. An unqualified regularity audit opinion was confirmed for 2013/14

35. Both audit opinions are confirmed in the Financial Statements and Annual report for the year-ended 31 July 2014.

36. 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 11 December 2014.

(The representative from Baker Tilly left the meeting at this point)

CONFIDENTIAL SESSION

37. 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

38. 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.

39. 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.

40. 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 2013/14.

West Kent & Ashford College:

41. The Annual Report for West Kent & Ashford College confirmed the following opinion from the Hadlow Group Audit Committee for 2013/14:

*Based upon the work and the opinions made available to the Hadlow Group Audit Committee from the financial statement & regularity auditor, and noting that the internal audit service was unable to provide an annual report on their work during 2013/14, the Committee **cannot be entirely satisfied** that prior to the acquisition by Hadlow College, 'K' College's whole system of internal control met required standards. The Committee is of the opinion that prior to the acquisition on 01 August 2014, identified weaknesses were not responded to in an appropriate and timely manner.*

On this basis, the Audit Committee can only give a partial qualified opinion for 2013/14. However, the Audit Committee is assured that from 01 August 2014, robust internal control systems have been implemented and the remarkable progress and transformation made in such a short timescale is acknowledged through the unqualified opinions made available from the Financial Statement and Regularity auditor.

The Hadlow Group Audit Committee placed on record appreciation of the work of the Director of Finance & Resources and the Finance Directorate in the work undertaken since 01 August 2014 to address serious and significant internal control weaknesses that were in place prior to 01 August 2014.

42. It was **RESOLVED** to recommend to the Board of West Kent & Ashford College at its meeting on 10 December 2014 to approve the 'Annual Report from the Hadlow Group Audit Committee 2013/14'.

Hadlow College:

43. The Annual Report for Hadlow College confirmed the following opinion from the Hadlow Group Audit Committee for 2013/14:

Based upon the work and the opinions made available to the Audit Committee from the internal audit service and the financial statement & regularity auditor, and in particular after considering the Internal Audit Annual Report and the reports from the Financial Statement Auditor, the Committee is satisfied that the College's whole system of internal control meets and exceeds required standards. The Committee is satisfied that where weaknesses have been identified they have been responded to in an appropriate and timely manner.

The Hadlow Group Audit Committee welcomed the continuing good performance of the College and placed on record appreciation of the work of the Director of Finance & Resources and the Finance Directorate.

44. It was **RESOLVED** to recommend to the Corporation of Hadlow College at its meeting on 11 December 2014 to approve the 'Annual Report from the Hadlow Group Audit Committee 2013/14'.

FINANCIAL APPROVAL AND SIGNATORY LEVELS

45. It was **RESOLVED** to approve the proposed financial approval and signatory levels as outlined in the College report for both West Kent & Ashford College and Hadlow College, subject to clarification of the wording relating to the £5,000-£49,999 and £50,000-£99,999 categories.

RISK MANAGEMENT AND RISK REGISTER

46. The following reports were received:

- Risk Management Group Summary Report
- Hadlow College Risk Register
- West Kent & Ashford College Risk Register
- Minutes of the last Hadlow Risk Management meeting
- Minutes of the last Hadlow Critical Incident meeting

47. The key document was the Risk Management Group Summary Report that reported on the key risks for the Hadlow Group. The report summarised the thematic Group risks and a summary of the high risks for each College.

48. Following review of the various risk management reports, it was **RESOLVED** to receive at future meetings the Risk Management Group Summary Report along with the minutes from the risk management meetings at both Colleges to enable the Committee to receive assurances that risk management is being embedded.

BOARD ASSURANCE FRAMEWORK

49. The agreed 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 Board Assurance Framework is structured as follows

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

50. It is proposed that each system will be subject to annual review through a system report, an example of which was included for the Committee. It was also noted that adjustments may be made from time to time by the Committee to the structure of the framework to ensure that the scope remains appropriate to providing assurance for the Board.

51. The following reporting timetable was agreed for the spring and summer term meetings:

Spring Term:

Financial & Governance
Risk
External Funding & value
Structure & Legal

Summer Term:

Safeguarding
Quality
Teaching, Learning & Assessment

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

VALUE FOR MONEY STRATEGY

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

ANNUAL REAPPOINTMENT OF THE FINANCIAL STATEMENT AUDITOR

54. 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 2012/13:

Satisfaction Rating

High **Low**
1 **2** **3** **4**

		1	2	3	4
Independence and objectivity					
Q1	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			
Audit strategy					
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:				
	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?

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		
X			

Re-appointment Recommendation:

Yes

55. It was **RESOLVED** to seek Hadlow College Corporation approval on 11 December 2014 for the annual appointment of Baker Tilly to be the College's Financial Statement & Regularity Auditor for the period 1 August 2014 to 31 July 2015.

ANY OTHER BUSINESS

56. There was no other business.

DATE OF NEXT MEETING

57. Thursday 12 March 2014 @ 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	12/3/15
19(ii)	To add three contingency days to the audit plan and the use of these days to be determined by the Hadlow Group Audit Committee, or the Chair of the Hadlow Group Audit Committee through delegated authority	12/3/15
48	To receive at future meetings the Risk Management Group Summary Report along with the minutes from the risk management meetings at both Colleges	12/3/15
51	Board Assurance Reporting Timetable: Spring Term: Financial & Governance Risk External Funding & value Structure & Legal Summer Term: Safeguarding Quality Teaching, Learning & Assessment	12/3/15