



HADLOW
COLLEGE

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MINUTES OF THE AUDIT COMMITTEE HELD ON 06 MARCH 2014

Present: Mr B McNicoll
Mr J Standen
Mr H Guntrip

In attendance: Mr M Lumsdon-Taylor Director of Finance
Mr R Shaunak MacIntyre Hudson
Mr J Allen Clerk

The meeting commenced at 09.00.

WELCOMES, APOLOGIES & DECLARATIONS OF INTEREST

50. Apologies were received from Ms L Currie. There were no declared interest against any of the agenda items. The Clerk confirmed that the meeting was quorate.

MINUTES

51. **RESOLVED** - that the minutes of the meeting of the Audit Committee held 14 November 2013 be approved as a correct record and signed by the Chair.
52. During a broad discussion, the Chair of the Audit Committee briefed the auditor in attendance on the massive year ahead for the College with the taking on of new acquisitions. Special provision would need to be made to extend the scope of audit work to cover risks around 'K' College and Betteshanger.

SUMMARY ACTION LIST & MATTERS ARISING

53. The College report '*Summary Action List*' was received (copy attached to the signed minutes). The following updates were made available:

MIN REF & DATE	DETAILS OF RESOLUTION/ACTION POINT	ACTION UPDATE PROVIDED AT MEETING ON 06/03/14
7	Reported Fraud Incident – to receive an update	Attached to the SAL was a progress update. Following a review of the report, it was AGREED : 1) To support the Agreement Payment Plan 2) To take legal opinion on possible action to take against Royal Bank of Scotland who allowed a fraudulent account to be set up 3) To tender insurance

		arrangements for 2015
18	Board Assurance Framework	Agenda item
38	Clerk to circulate Audit Committee's annual report to all Committee members	Completed
38	Revised Risk Register to be an agenda item at the December Board meeting	Completed

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

AUDIT ROLL FORWARD ACTION PLAN

55. The Audit Committee received the '*Audit Roll-Forward Action Plan*' listing progress against all outstanding audit recommendations (copy attached to the signed minutes).

56. Of the five audit recommendations as at February 2014, College management confirm that three have been completed with two outstanding. The recommendation on curriculum health checks is on schedule for completion. The recommendation on Fisheries & Hatchery is on schedule for completion during 2013/14 and a progress update was attached to the roll forward plan.

57. In general discussions, it was **AGREED** that in future audit reports on curriculum areas, there needs to be a section on 'Impact on Learners' as any improvements should have a direct link to improving the student experience.

58. It was **RESOLVED** to note the '*Audit Roll Forward Action Plan*' and the '*Supplementary Report on Fisheries*'.

INTERNAL AUDIT REPORT

59. The '*Internal Audit 1st Visit Report*' was received (copy attached to the signed minutes). The report was presented by Mr R Shaunak (MacIntyre Hudson). The visit summary confirmed the following outcomes:

Area Reviewed	Audit Opinion	High	Medium	Low	Total
Corporate Governance	Substantial Assurance	0	0	0	0
Insurance	Substantial Assurance	0	1	0	1
Stock Control Processes	Substantial Assurance	0	1	0	1
Central Nominal Ledger	Satisfactory Assurance	0	2	0	2
Other Income & Bursary	Substantial Assurance	0	0	2	2

Funds					
Total		0	4	2	6

60. The Committee noted that of the six recommendations made, two related to staffing continuity during the period November 2013-January 2014 within the finance department. It was confirmed that these operational matters have since been rectified. The Committee agreed that with the planned acquisitions there needs to be strong management of financial operations in the finance department. The Director of Finance outlined the planned structure for the finance department and the arrangements to ensure sound management of the finance function.

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

FINANCE DIRECTORATE INTERNAL CONTROL SYSTEMS FRAMEWORK

62. 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 for monitoring purposes. It also allows for the Committee to be kept informed with regard 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.

63. Amber assessments were brought to the attention of the Committee and it was **RESOLVED** to note the report and the actions being taken to address amber assessments.

RISK MANAGEMENT

64. The Committee received the College's '*Global Risk Register*' which incorporates the risk management scoring system, use of a traffic light system for each identified risk and an executive summary with a headline summary provided of all high risks identified. Any risk with a score over 10 is confirmed as a high risk and the risk, along with the actions proposed to mitigate the risk, are summarised in the headline summary table identifying all high risks. Also made available were the minutes of the Risk Meeting that took place on 19 February 2014 (copies attached to the signed minutes).

65. The revised Global Risk Register, that was approved at the December 2013 Board meeting, has been extended to cover the scope of the Hadlow Group. The Group Risk Register takes assurance from specific risk registers linked to each segment of the Group to ensure that all operational risks are managed at the appropriate level. The Global Risk Register is broken into two distinct elements of 'inherent' risk and 'developmental risk'.

66. For gross risks graded 9 to 12, there is a requirement to state a mitigation and action for how this risk is to be managed and controlled to ensure achievement of the College objectives. All risks

have a specific reference to the strategic objective from the College's Strategic Plan. A summary of these high risks, with details of mitigation and actions to reduce the risk, were outlined in the Global Risk Register.

67. The Committee reviewed in detail each of the identified high risks and the actions being taken to mitigate the risks. The Committee agreed that the mitigation and actions being taken were timely and appropriate. There were no issues of concern being reported to the Committee.
68. During the review the Committee noted that a total of 9 risks saw a movement upwards in their risk score, with 7 risks seeing a decrease. For ease of reference, it was **AGREED** to include in future reports a summary table on risk movements.
69. It was **RESOLVED** to note the termly report on Risk Management.

ROLE OF THE AUDIT COMMITTEE & BOARD ASSURANCE FRAMEWORK

70. The College report '*The role of the Audit Committee for Compliance, Risk & Oversight*' was received (copy attached to the signed minutes). The report outlined a new framework for compliance. The proposed system to provide assurance to the Audit Committee comprises of the following elements:
 - The publication of an annual '**Corporate & Social Responsibility Report**'
 - The implementation of a new set of '**Performance Indicator Dials**'; and
 - The adoption of a '**Board Assurance Framework**'.
71. It was **RESOLVED** to approve the proposed systems and framework for assurance at the next meeting and to seek Board approval in July.

MONITORING OF COLLEGE PERFORMANCE & ASSESSMENT OF RISK

72. The College report '*Monitoring of College Performance & Assessment of Risk*' was received (copy attached to the signed minutes). 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.
73. The Committee noted and welcomed the assessment of 'No concern/No risk' made against each of the nine audit performance indicators.
74. It was **RESOLVED** to inform the Board of the following overall assessments:

Audit	No Risk/No Concerns
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ANY OTHER BUSINESS

75. Following the announcement of Hadlow College being the identified preferred partner provider for K College at Tonbridge, Ashford, and Tunbridge Wells, due diligence is required to be undertaken as a matter of urgency. The Committee **AGREED** to relax the requirements of the Financial Regulations and for two firms to be approached to provide a tender price for this work. The final appointment decision to be delegated to the Chair of the Audit Committee, Chair of the Finance, Resources & Commercial Committee, and the Director of Finance & Resources. Outcomes of the tender process to be reported to the March Board meeting.

DATE OF NEXT MEETING

76. Thursday 19 June 2014 at 09.30

The meeting closed at 11.20.

Signed: _____ Date: _____
(Chair)

CURRENT AUDIT COMMITTEE SUMMARY ACTION LIST

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	Who
57	In future audit reports on curriculum areas, there needs to be a section on 'Impact on Learners' as any improvements should have a direct link to improving the student experience.	DoF
68	To include in future reports on risk management a summary table on risk movements.	DoF
71	To inform the Board of the Assurance Framework adopted for 2013/14	Audit Chair
75	Due Diligence tender outcome to be reported to the March Board meeting	DoF