



HADLOW
COLLEGE

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MINUTES OF THE AUDIT COMMITTEE HELD ON 20 JUNE 2013

Present: Mr N Coffin (Chair)
Ms L Currie
Mr B McNicoll
Ms S Hart

In attendance: Mr J Allen -Clerk to the Governors
Mr M Lumsdon-Taylor-Director of Finance & Resources
Ms C Johannes - Head of Finance & Projects
Ms L Browne - Vice Principal
Mr R Shaunak - MacIntyre Hudson

The meeting commenced at 09.30

APOLOGIES, WELCOMES & DECLARATIONS OF INTEREST

77. There were no apologies. Ms C Johannes was welcomed to the meeting. 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 28 February 2013 be approved as a correct record and signed by the Chair.

SUMMARY ACTION LIST & MATTERS ARISING

73. The College report '*Summary Action List*' was received (copy attached to the signed minutes).
74. Attached for information purposes was the letter from Kent County Council confirming the positive outcomes of the recent Critical Incident Exercise held at the College.
75. It was confirmed that the wider remit of the Audit Committee is an agenda item. It was also confirmed that the work of the Personal Assistants has been incorporated within the Audit Plan for 2013/14.
76. There were no matters arising from the minutes and it was **RESOLVED** to note the Summary Action List.

AUDIT ROLL-FORWARD ACTION PLAN

77. The College report '*Audit Roll-Forward Action Plan*' was received (copy attached to the signed minutes). The report confirmed that as of June 2013 there were a total of 5 audit recommendations yet to be fully implemented, two of which were high, with two medium. The College report provided the Audit Committee with a summary of actions being taken to complete the outstanding recommendations. All recommendations were on schedule for completion by the agreed target date. A detailed progress update was made

available on both commercial floristry and fisheries. It was agreed that if both curriculum areas achieve the targets set for this year, then both will be removed from the Roll Forward Action Plan.

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

FUTURE STRATEGIC DIRECTION OF THE WORK OF THE AUDIT COMMITTEE

79. To support this agenda item, the following reports were received (copies attached to the signed minutes):

- Report from the Director of Finance
- Joint Audit Code of Practice
- College’s Corporate & Social Responsibility Report 2012
- Draft outline of a Broad Assurance Framework.

80. The Clerk made available to the Committee a copy of the Joint Audit Code of Practice (JACOP) that is currently subject to consultation with implementation from 1 August 2013. In essence, the revised JACOP states that there is no longer the requirement for Colleges to have an internal audit service. The removal of the mandatory requirement for internal audit places more responsibility on the Audit Committee to advise the Board on what the College *should* do, as opposed to what it *has* to do. The Committee agreed that one way in which the Board could gain assurance is through the implementation of a board assurance framework. To this end, a meeting had already taken place involving the Director of Finance, Clerk and Chair of Audit. The draft agreed at this meeting was made available to the Committee.

81. In terms of a way forward, the following was **AGREED**:

- (i) That there must be an internal audit service but with the Audit Committee having a bigger role in deciding on those areas that they would want to be subject to audit to enable the Committee to give an annual opinion to the Board on internal controls;
- (ii) Further work to be undertaken on the Broad Assurance Framework following comments put forward by the Audit Committee; and
- (iii) At the November meeting of the Committee, to receive and agree the final version of the Board Assurance Framework and the proposed Audit Plan for Internal Audit for 2013/14.

INTERNAL AUDIT ANNUAL 2nd REPORT 2012/13

82. The 2nd internal audit report for 2012/13 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
Student Services	Substantial Assurance	-	-	-	-
Fee Income	Substantial Assurance	-	1	-	1
Budget Setting	Substantial Assurance	-	-	3	3

Human Resources	Substantial Assurance	-	-	-	-
CRB Checks	Substantial Assurance	-	-	-	-
Floristry and Web ordering	Satisfactory Assurance	-	2	-	2
Total		0	3	3	6

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

84. It was **RESOLVED** to note the 2nd Internal Audit Report 2012/14.

FINANCIAL STATEMENT & REGULARITY AUDIT PLAN FOR 2012/13

85. 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 2013.

86. It was **RESOLVED** that the Audit Committee approves the Financial Statement & Regularity Audit Plan for 2012/13.

TERMLY REPORT ON RISK MANAGEMENT

87. The termly report on risk management was received (copy attached to the signed minutes). The report consisted of Global Risk Register as at June 2013, Minutes of the last meeting of the Risk Management Team, and recommendations for improving and enhancing the Risk Register following risk management training held 3 June (which the Chair of the Audit Committee attended).

88. The following High Risks were confirmed in the Risk Register:

- Retention & achievement
- Inadequate management information
- Failure of hardware/network/remotes
- Work based learning – failure to improve framework achievements

89. The Committee reviewed actions proposed to mitigate against each of the high risks and agreed that they were appropriate with realistic target dates for completion.

90. It was **RESOLVED** to note the termly report on Risk Management and to **AGREE** the changes proposed for the Risk Register.

FINANCE DIRECTORATE INTERNAL CONTROL SYSTEMS FRAMEWORK

91. 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.

92. 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

93. 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.
94. The Committee noted and welcomed the assessment of ‘no concern/no risk’ made against each of the 9 audit performance indicators.

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

Audit	No Risk/No Concerns
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CONFIDENTIAL SESSION

95. 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

96. 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:

		Satisfaction Rating	
		High	Low
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:	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	
	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 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
	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?		N/A
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?	YES	

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

SUBSIDIARY OPERATIONS

98. The Committee received, and noted, the Management Letter and Financial Statements for Produced in Kent.

ANY OTHER BUSINESS

99. There was no other business.

DATE OF NEXT MEETING

100. Thursday 14 November 2013 @ 09.30

The meeting closed at 11.50

Signed: _____ Date: _____

CURRENT AUDIT COMMITTEE SUMMARY ACTION LIST

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	Who
81(iii)	At the November meeting of the Committee, to receive and agree the final version of the Board Assurance Framework and the proposed Audit Plan for Internal Audit for 2013/14	DoF