



MINUTES OF THE AUDIT COMMITTEE HELD ON 29th JUNE 2012

Present: Mr N Coffin (Chair)
Mr J Boxall
Mr B McNicoll

In attendance: Mr J Allen Clerk to the Governors
Mr M Lumsdon-Taylor Director of Finance & Resources
Ms F Thomas MacIntyre Hudson

The meeting commenced at 09.30

APOLOGIES & DECLARATIONS OF INTEREST

71. There were no apologies. There were no declared interests against any of the agenda items.

MINUTES

72. **RESOLVED** - that the minutes of the meeting of the Audit Committee held 22 March 2012 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). The only action point was for the Committee to receive confirmation of the details of the training planned on the Bribery Act for senior managers. The Committee noted the planned training arrangements and it was agreed for the Chair of the Audit Committee to attend the training session.
74. There were no matters arising from the minutes.

AUDIT ROLL-FORWARD ACTION PLAN

75. The College report '*Audit Roll-Forward Action Plan*' was received (copy attached to the signed minutes). The report confirmed that as of June 2012 there were a total of 3 audit recommendations yet to be fully implemented, two of which were medium with one high risk (Commercial Floristry). The College report provided the Audit Committee with a summary of actions being taken to complete the outstanding recommendations. All three recommendations were on schedule for completion by the agreed target date. A detailed progress update was made available on commercial floristry and the Committee noted the good progress being made.
76. The Committee agreed with the recommendation to remove from the Audit Roll Forward Action Plan the action point around health & safety and the wearing of identification badges by staff, students and visitors. The Committee

congratulated management on the significant improvement made in ensuring that everyone on college grounds was wearing appropriate identification.

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

INTERNAL AUDIT ANNUAL 2nd REPORT 2011/12

78. The 2nd internal audit report for 2011/12 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
Fee Income	Substantial Assurance	-	1		1
Higher Education Contract	Substantial Assurance	-	1	-	1
Departmental Review – Curriculum Health Checks	Satisfactory Assurance	-	1		1
Total		0	3	0	3

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

80. The Committee noted the outcomes arising from the audit review of curriculum and support areas health checks and that the proposed overall assessment was 'Satisfactory Assurance'. The Committee sought an explanation on why satisfactory assurance was proposed when there was only 1 recommendation. It was explained that the one recommendation comprised of a total of 8 points for consideration by management. The issue was not around the effectiveness of health checks but more around the need to reduce the bureaucracy of the health checks and to consider introducing common themes. The Committee accepted the explanations given and were content with the overall assessment of satisfactory assurance given for curriculum health checks.

81. It was **RESOLVED** to note the 2nd Internal Audit Report 2011/12.

INTERNAL AUDIT STRATEGY AND ANNUAL PLAN 2012/13

82. A draft of the proposed '*Audit Strategy and Annual Plan 2012/13*' was received (copy attached to the signed minutes). The plan was submitted for initial review and it was agreed to receive the final plan for approval at the November meeting of the Committee.

FINANCIAL STATEMENT & REGULARITY AUDIT PLAN FOR 2011/12

83. 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 2012.
84. It was **RESOLVED** that the Audit Committee approves the Financial Statement & Regularity Audit Plan for 2011/12.

TERMLY REPORT ON RISK MANAGEMENT

85. The termly report on risk management was received (copy attached to the signed minutes). The report consisted of Global Risk Register as at June 2012 (copy attached to the signed minutes).
86. 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
87. 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.
88. It was **RESOLVED** to note the termly report on Risk Management.
89. The Clerk outlined to the Committee a particular issue at a London college which has resulted in the auditors criticising the College and the governors for not presenting the Risk Register to the Board. The representative from MacIntyre Hudson advised that the College's current arrangement of reporting on risk to the Board through the minutes of the Audit Committee was acceptable. The Committee noted this advice but also wanted to ensure that the Board was fully up to speed on the College's Risk Register.
90. The Committee **AGREED** to attach to the Audit Committee minutes pages 4-7 from the Risk Register that outlined the detail of the identified high risks and the actions being taken to mitigate against the risks. It was agreed that the extract was for information purposes and it was not intended to re-open the debate and discussion on the Risk Register at Board meetings. Instead, by making available the extract, the aim was to give additional assurances to the Board that the Audit Committee was robustly reviewing identified high risks.

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.

FURTHER DEVELOPING THE ROLE OF THE AUDIT COMMITTEE

- 93. The Committee received a report on developing the role of the Audit Committee in terms of compliance, risk and oversight (copy attached to the signed minutes). Following a discussion and debate on the issues raised in the report with particular reference to corporate social responsibility, it was **AGREED** for the Director of Finance and Clerk to further work on ideas to further develop the role of the Audit Committee and to provide a progress update at the spring meeting (once clarification has been received on the audit requirements under the new freedoms)

MONITORING OF COLLEGE PERFORMANCE & ASSESSMENT OF RISK

- 94. 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.
- 95. 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

- 96. 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

- 97. 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
Q1	Independence and objectivity Has the auditor provided information about its policies and	X	

	processes for maintaining independence and has this covered:		
	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	

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

ANY OTHER BUSINESS

99. As this was the last meeting to be attended by Mr J Boxall, the Chair, on behalf of the Committee and Board, thanked Jeremy for his contributions to the workings of the Audit Committee.
100. The Audit Committee placed on record sincere congratulations to the Director of Finance and the finance team for winning the Public Sector Award at the Finance for the Future Awards Ceremony. It is the first time that a College has won the award and Hadlow faced intense competition from the two other finalists – Companies House and HEFCE. The Committee agreed that this was indeed an amazing achievement and one that everyone associated with the College should be very proud of.

DATE OF NEXT MEETING

101. To be confirmed.

The meeting closed at 11.00

Signed: _____ Date: _____

CURRENT AUDIT COMMITTEE SUMMARY ACTION LIST

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	Who
81	Internal Audit Strategy 2012/13 – To make this available at the November meeting	IAS
90	To make available to the Board pages 4-7 from the Risk Register	Clerk
93	Director of Finance and Clerk to further work on ideas to further develop the role of the Audit Committee and to provide a progress update at the spring meeting.	DoF & Clerk