



HADLOW
COLLEGE

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MINUTES OF THE AUDIT COMMITTEE HELD ON 17 JUNE 2010

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

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

The meeting commenced at 09.30

APOLOGIES & DECLARATIONS OF INTEREST

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

MINUTES

71. **RESOLVED** - that the minutes of the meeting of the Audit Committee held 9 March 2010 be approved as a correct record and signed by the Chair.

SUMMARY ACTION LIST & MATTERS ARISING

72. The College report '*Summary Action List*' was received (copy attached to the signed minutes).

Minute 3: Critical Incident Exercise. The Committee received a short summary report issued by KCC following the table-top exercise to test the College's critical incident plan (copy attached to the signed minutes). The Committee welcomed confirmation of the positive outcomes arising from the exercise. It was noted that the table-top exercise was instead of a planned live event which could not be held due to KCC resourcing issues. It is planned to undertake a live event in the next academic year.

Minute 3: Tendering exercise for both audit services will be an agenda item at the November meeting of the Committee. The IAS agreed to confirm the name of the new partner as the current partner has been in place for 7 years.

Minute 52: Register maintenance is an agenda item.

Minute 60: The use of a pie chart in the Risk Register is an agenda item.

Minute from F&GP: The IAS to incorporate within the Audit Strategy 2010/11 a review of internal controls on the use of College credit cards.

73. It was **RESOLVED** to note the report and the Summary Action List.

AUDIT ROLL-FORWARD ACTION PLAN

74. The College report '*Audit Roll-Forward Action Plan*' was received (copy attached to the signed minutes). The report confirmed that as of June 2010 there

were a total of 4 audit recommendations yet to be fully implemented, two of which were medium and two of low risk. The College report provided the Audit Committee with a summary of actions and progress being taken to complete the outstanding recommendations. All four recommendations were on schedule for completion by the agreed target date.

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

INTERNAL AUDIT ANNUAL 2nd REPORT 2009/10

76. The 2nd internal audit report for 2009/10 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
Partnerships	Grade 1	0	0	0	0
Staff utilisation	Grade 1	0	0	0	0
ICT	Grade 1	0	0	0	0
Data Protection	Grade 2	0	1	1	2
Commercial Review Floristry	Grade 3	1	0	0	1
Commercial Review Equine	Grade 1	0	0	0	0
Total		1	1	1	3

76. On ICT the Committee sought an explanation on why the recommended frequencies of ICT activities were not being met. The IAS confirmed that the recommended frequency timescales were aspirations set by ICT department and although these were not always being met assurances were given that the controls that are in place are working. The Director of Finance confirmed that the installation of the new server over the summer will improve disk management arrangements and that additional staffing resources have been put in place to cover the other issues around web management and camera recording.

77. The Committee challenged the proposed management response on the recommendation from the IAS to review the back-up procedures for MIS data. The Committee were of the view that the temporary arrangement of providing back-up off site, whilst addressing the risk of ensuring adequate back-up, creates another risk of the College being exposed to the potential loss of data off-site, even though the temporary controls include encrypting and encoding the back-up data. The Director of Finance agreed to make arrangements for additional back-up of MIS data to be on site in a different building location rather than offsite. Assurances were given to the Committee that the temporary off-site back up arrangements were only to be used until the new server is in place (forecast to be in place by the summer) and that there were additional internal back-up arrangements over and above the off-site back-up arrangements. There was no risk to the College losing its MIS data in the event of a major incident.

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

79. As there was a grade 1 recommendation relating to Commercial Review Floristry, it was agreed that the Director of Finance would make available a supplementary report at the next meeting on the progress made in the implementation of the agreed management response.

80. As part of the audit it was confirmed that work was undertaken to follow-up on recommendations made from previous visits. Of the 5 recommendations brought forward from previous visits, two have been completed to the satisfaction of the auditors.

81. It was **RESOLVED** to note the 2nd internal audit report 2009/10

INTERNAL AUDIT STRATEGY AND ANNUAL PLAN 2010/11

82. The Committee received the initial draft of the proposed '*Internal Audit Strategy & Audit Plan for 2010/11*' (copy attached to the signed minutes). The initial areas proposed for audit were reviewed and it was agreed to make available at the next meeting the final confirmed audit plan for 2010/11.

83. The Committee agreed that agriculture should be the subject of one of the two department reviews proposed for 2010/11.

FINANCIAL STATEMENT & REGULARITY AUDIT PLAN FOR 2009/10

84. The FSA & 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 2010. The proposed fee for 2010/11 is £18,700 compared to £17,200 for the previous year. In addition there will be a one-off fee of £1,500 in respect of audit work in relation to the College's acquisitions in the year (Princess Christian Farm/Farm Shop).

85. The Committee sought confirmation that the proposed fee represented value for money. The Clerk informed the Committee that the scope of the College's commercial activities would invariably lead to a higher fee for the auditing of the accounts. A true test of whether the fee is value for money should be an outcome from the tendering process proposed for 2010/11.

86. It was **RESOLVED** that the Audit Committee approves the Financial Statement & Regularity Audit Plan for 2009/10.

TERMLY REPORT ON RISK MANAGEMENT

87. The termly report on risk management was received (copy attached to the signed minutes). The Risk Register (copy attached to the signed minutes) confirmed 2 high-risks with details given on the actions being taken to minimise these risks.

87. As requested at the last meeting, the report provided a summary pie chart of the risks movements since the last meeting and also reported on those risks just below the score of a high level risk.

88. It was **RESOLVED** to note the termly report on Risk Management.

FINANCE DIRECTORATE INTERNAL CONTROL SYSTEMS FRAMEWORK

89. 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.

90. The Committee **RESOLVED** to welcome and note the opinion offered in the report that the College systems control framework is in operation and working within agreed norms and that there were no issues to report to the Audit Committee.

MONITORING OF COLLEGE PERFORMANCE & ASSESSMENT OF RISK

91. 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.

92. The Committee noted and welcomed the assessment of 'no concern/no risk' made against each of the 9 audit performance indicators.

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

Audit	No Risk/No Concerns
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94. The Committee received an update on the provisional grades of Grade 1 (Outstanding) received from both Ofsted and PFA at the recent College inspection. The Committee asked for the minutes to record the Committee's congratulations to all staff in achieving such outstanding results.

CONFIDENTIAL SESSION

95. The Committee and auditor agreed that there was no need to go into a confidential session without College officers being present.

ANNUAL REAPPOINTMENT OF THE INTERNAL AUDIT SERVICE

96. The College report '*Annual Re-appointment 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:	<table border="1"><tr><td>X</td><td></td></tr></table>	X		<table border="1"><tr><td></td><td></td></tr></table>		
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 against agreed performance criteria and to recommend that the Board at its meeting on 8th July 2010 agrees to the annual re-appointment of MacIntyre Hudson to serve as the College's Internal Audit Services for the period 1 August 2010 – 31 July 2011.

DATE OF NEXT MEETING

98. Thursday 25 November 2010 @ 09.30

The meeting closed at 11.30

Signed: _____ Date: _____

CURRENT AUDIT COMMITTEE SUMMARY ACTION LIST

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	Who
3	Tendering exercise for both audit services will be an agenda item at the November meeting of the Committee. The IAS agreed to confirm the name of the new partner as the current partner has been in place for 7 years	Clerk & IAS
72	Internal Audit Strategy 2010/11: The IAS to incorporate within the Audit Strategy 2010/11 a review of internal controls on the use of College credit cards.	IAS
83	The Committee agreed that agriculture should be the subject of one of the two department reviews proposed for 2010/11	
82	It was agreed to make available at the next meeting the final confirmed audit plan for 2010/11	
77	The Director of Finance agreed to make arrangements for additional back-up of MIS data to be on site rather than offsite	DoF
79	As there was a grade 1 recommendation relating to Commercial Review Floristry, it was agreed that the Director of Finance would make available a supplementary report at the next meeting on the progress made in the implementation of the agreed management response	DoF