



**MINUTES OF THE HADLOW GROUP AUDIT COMMITTEE  
HELD 04 JULY 2017 AT THE TONBRIDGE CAMPUS**

Present: Mr B McNicoll (Chair)  
Ms S Hart  
Mr H Guntrip  
Mr P Greenwood  
Mr N Coffin  
Ms J-A Delaney

In attendance: Mr M Lumsdon-Taylor  
Mr J Allen  
Ms P Powditch  
Ms B Cleeve  
Mr J Mawby  
Dr L Pamphilon  
Mr M Law (RSM)

The meeting commenced at 09.30.

**WELCOMES, APOLOGIES & DECLARATIONS OF INTEREST**

81. The Chair welcomed everyone to the meeting of the Hadlow Group Audit Committee. Apologies were received from Mr D Payne. The Clerk confirmed the meeting was quorate.

82. 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, 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.

**MINUTES**

83. It was **RESOLVED** to approve the minutes of the meeting held 13 March 2017.

84. It was **RESOLVED** to approve the confidential minutes of the meeting held 13 March 2017.

**SUMMARY ACTION LIST & MATTERS ARISING**

85. The '*Summary Action List*' was received. Updates were made available against each outstanding action point. The following updates were made available:

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	ACTION UPDATE TO BE PROVIDED AT MEETING ON 04/07/2017
52	<p>Visitor Centre Betteshanger: An assessment was being conducted to see if there were any avenues open to seek financial compensation on the initial advice received, as this advice was not correct leading to both a significant time delay and additional project costs</p>	<p>In terms of a way forward it was <b>AGREED</b> to task the Deputy CEO/Deputy Principal to have a further conversation with the College's solicitors to consider the 'path of least resistance', likely costs and possible returns for pursuing a settlement, and to circulate the outcomes of the task to Committee members for Chairs Action.</p> <p>In terms of lessons learnt, it was reported that the way forward is to use local project managers and local QS firms rather than multi-million pound national companies.</p>
53	<p>The assurances required for Capital Projects in the Board Assurance Framework need to cover project mechanisms, such as are the necessary contracts in place and are appropriate staff employed/engaged to oversee the projects</p>	<p>Incorporated within the BAF - Agenda item</p>
58	<p>The Deputy CEO/Deputy Principal to hold discussions with MacIntyre Hudson to reduce the scope of the planned audit and number of audit days, with remaining audits for this year focusing on key financial controls and data management.</p>	<p>Agenda item</p>
62	<p>To amend the reporting timetable for the Board Assurance Framework as follows:</p> <p>Term 1:</p> <ul style="list-style-type: none"> <li>• Risk</li> <li>• Safeguarding</li> </ul> <p>Term 2:</p> <ul style="list-style-type: none"> <li>• Financial &amp; Governance</li> <li>• Structure &amp; Legal</li> </ul> <p>Term 3:</p> <ul style="list-style-type: none"> <li>• Quality</li> <li>• Teaching, Learning &amp; Assessment</li> <li>• External Funding &amp; Value</li> <li>• Capital Projects</li> </ul>	<p>Incorporated into the Committee's cycle of business</p>

67	<p>Internal Control &amp; Frameworks: To defer this agenda item to the next meeting as one of the independent members of the Committee has raised a question on the financial data presented in the report. It was <b>AGREED</b> for the Deputy CEO/Deputy Principal to respond to the points raised.</p>	Agenda item
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86. It was **RESOLVED** to note the '*Summary Action List*'.

### **GROUP AUDIT ROLL FORWARD ACTION PLAN**

87. The Audit Committee received the '*Group Audit Roll-Forward Action Plan*' listing progress against all outstanding audit recommendations. Overall, of the 33 audit recommendations for the whole Hadlow Group, 14 have been completed with 19 outstanding.

88. A discussion took place on the 'High' risk on 'Curriculum Quality Review - Recruitment and Effectiveness of Offer' and the range of actions, including marketing, that are still work in-progress. Questions were asked, with assurances sought, on the percentage of Group turnover that is allocated to marketing. In particular, the Committee sought guidance on how do the Executive know what is the best level of resource to make available for marketing? The Deputy CEO/Deputy Principal replied that there is now a much better and more effective working relationship between marketing and the faculties through attendance of all parties at key College meetings. With the return in post of the previous Head of Marketing, new marketing protocols are being developed. A new prospectus has been made available and the College websites have been revamped, especially for Ashford College. There is an increased use of localised digital marketing to analyse marketing returns and data returns are completed for each event. Overall, the Group spend on marketing is appropriate but any assessment on the effectiveness and impact of marketing will be determined by the numbers recruited. The Committee **AGREED** that marketing was one area where the Committee may want to seek some form of external assurance, a later agenda item under the agenda item 'Board Assurance Framework'.

89. Following review, the Committee were assured with the progress being made in the implementation of the outstanding audit recommendations with no issues of concern. It was **RESOLVED** to note the '*Audit Roll Forward Action Plan*'.

### **INTERNAL AUDIT ANNUAL REPORTS**

90. The Internal Audit Report '*Key Financial Controls Compliance*' was received. The report confirmed a 'Substantial Assurance' audit opinion was given with 5 medium recommendations made. Management responses were reviewed and were deemed to be timely and appropriate.

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

92. The report '*2016/17 Internal Audit Framework*' was received. The report provided a progress update on the audits conducted during 2016-17 against the agreed

planned audit schedule. It was noted the audit report on 'Data Management, Study Programmes and Assurance Compliance' was due to be received shortly. It was **AGREED** to make this report available to Committee members when received, and with the report to be an agenda item at the November meeting of the Audit Committee.

93. It was **RESOLVED** to note the reports.

#### **INTERNAL AUDIT PLAN 2017-18**

94. The report '*Internal Audit Plan 2017-18*' was received.

95. Now that the Group has implemented a Board Assurance Framework and an Internal Controls Framework incorporating External Assurances, the Committee was asked to give consideration to the required scope of internal audit for 2017-18.

96. In terms of internal audit requirements, there is no longer the statutory requirement to have an internal audit service. However, for the Audit Committee to be able to give an opinion to the Board on the robustness of internal controls and the management of risk that is required before the Board can approve the Financial Statements, the Committee needs to receive assurances from a range of sources to enable it to form an annual opinion. In the past this assurance has come specifically from the internal audit service. However, now it is possible to seek assurances from a range of sources. This is what the Board Assurance Framework (BAF) seeks to achieve by seeking assurances against each of the key operational strands of the College, and assurances can be sought from a range of sources - from management, from governing body review, and from external review.

97. The proposal for 2017-18 is to use the internal audit service to give an audit opinion on 'Data Management, Study Programmes and Assurance Compliance'. The Audit Committee would then receive assurances from the components defined in the Board Assurance Framework and from the Internal Controls Framework incorporating External Assurances. In addition, the Audit Committee could call upon the use of any external party to conduct a review of any area identified by the Audit Committee where assurances were required.

98. Committees of the Boards would also be asked to review the risks from the Risk Register that fall within the scope of the Committee's terms of reference and to report the outcomes of their review to the Audit Committee. Committees would also be asked to confirm to the Audit Committee any new risks that they may have identified through the work of the Committee.

99. The proposal outlined for seeking assurances to enable the Audit Committee to provide to the Board an annual opinion follows best practice within the sector. However, the Committee noted that this new approach places more reliance and responsibility upon the Audit Committee. Instead of being in receipt of an annual opinion provided by the Internal Audit Service, it is the Committee that now has to provide the annual opinion that can only be formed through a range of assurances that are made available to the Committee.

100. Following review, it was **RESOLVED**:

- (i) To engage the Internal Audit Service to provide an audit opinion on Data Management, Study Programmes and External Assurances;

- (ii) For the Committee to seek additional assurances through the Board Assurance Framework, and from the Internal Controls Framework incorporating External Assurances;
- (iii) For the Audit Committee to call upon the use of any external party to conduct a review of any area identified by the Audit Committee where assurances were required over and above that provided through the BAF and Internal Control Framework;
- (iv) To have a fixed agenda item at each meeting of the Audit Committee to review Assurances & Risks;
- (v) For each Committee of the Board to review at each meeting those risks from the Strategic Risk Register that fall within the scope of the Committee's terms of reference and to report the outcomes of this review to the Audit Committee;
- (vi) For each Committee of the Board to be asked if any new risks were identified during their meeting that needs to be reported to the Audit Committee; and
- (vii) To review the proposed assurance framework at the summer term meeting of the Committee in 2018.

#### **FINANCIAL STATEMENT & REGULARITY AUDIT PLAN FOR YEAR-END ACCOUNTS 31 JULY 2017**

101. The '*Financial Statement & Regularity Audit Plan for Year-end Accounts 31 July 2016*' for Hadlow College, Hadlow Rural Community School, and West Kent & Ashford College were received for review. The College's external auditors issued the plans and it was confirmed the Plan follows the guidelines issued by the funding bodies.

102. It was **RESOLVED** to recommend the Hadlow Corporation to approve the '*Financial Statement & Regularity Audit Plan for Year-end Accounts 31 July 2017*' for Hadlow College and the Hadlow Rural Community School.

101. It was **RESOLVED** to recommend the WKAC Corporation to approve the '*Financial Statement & Regularity Audit Plan for Year-end Accounts 31 July 2017*' for West Kent & Ashford College.

#### **RISK MANAGEMENT & RISK REGISTER**

103. The Committee received the following for review:

- (i) Risk Management - Group Summary Positions
- (ii) Global Risk Register including Hadlow College
- (iii) Risk Register WKAC  
Minutes of the Hadlow College Risk Management Team meeting held 07 June 2017;
- (iv) Minutes of the WKAC Risk Management Team meeting held 18 May 2017; and
- (v) Minutes of the Hadlow College Critical Incident Team meeting held on 25 May 2016
- (vi) Kent Mining Heritage Foundation - Current Risks Schedule

104. The one 'Red' risk for the Group is the 'Inability to ensure effective solvency of the Hadlow Group'. The Group financial position is adequate for 2016-17 but the risk

remains the failure to recruit against contract for 16-18 and 19+ at WKAC and Hadlow. The Deputy CEO/Deputy Principal stated categorically that student number targets must be met in the autumn term. A failure to achieve student numbers would require immediate corrective action and the Group Finance Committee has been tasked to review in the autumn term student recruitment and any resulting impact on the 2017-18 Budget.

105. It was **RESOLVED** to note the reports under this agenda item.

### **BOARD ASSURANCE FRAMEWORK, INTERNAL CONTROL FRAMEWORK, & EXTERNAL ASSURANCES**

106. 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 agreed reporting timetable is follows:

Term 1:

- Risk
- External Funding & Value

Term 2:

- Financial & Governance
- Structure & Legal

Term 3:

- Quality
- Teaching, Learning & Assessment
- Safeguarding
- Capital Projects

107. Following review of the assurances made available against each component of the Board Assurance Framework that were scheduled to be reviewed at this meeting, the Committee **AGREED** the following RAG assessments:

Board Assurance Framework - Component	Assessment Agreed at last review – July 2016	Assessment Agreed at this review – July 2017
Quality	GREEN	<b>GREEN</b>
Teaching, Learning & Assessment	AMBER	<b>AMBER</b>
Safeguarding	GREEN	<b>GREEN</b>
Capital Projects	GREEN	<b>GREEN</b>
Risk Framework	GREEN	<b>GREEN</b>

108. An 'Amber' assessment was agreed for teaching, learning & assessment as WKAC is currently graded 'Requires Improvement' for teaching, learning and

assessment following the College's Ofsted inspection in February 2017. At the last Ofsted inspection for Hadlow the College received a grade of 'Good' for teaching, learning & assessment but this was in 2014 under Cycle 3 inspections. Changes in the Ofsted inspection framework increases the risk and the College was not inspected during Cycle 4. Both HRCS and the Hadlow Pre-School received an Ofsted grade of 'Good' for the quality of teaching in the inspections that took place in 2015 and 2017 respectively. However, are there are still risks for both Hadlow College and WKAC, an 'Amber' assessment was agreed.

109. For confirmation of external assurances, the Committee received the QAA review of Higher Education provision at WKAC and the Ofsted inspection Report on WKAC. The QAA report is confidential until published in the public domain by the QAA. Once the report has been published the College will immediately commence to market and promote the positive outcomes and positive assessments confirmed in the report.

110. It was **RESOLVED** to note the reports under this agenda item.

#### **ANNUAL REVIEW OF THE INTERNAL AUDIT SERVICE & RE-APPOINTMENT RECOMMENDATION**

111. Overall, the assessment from the Committee was that a good level of service was provided during 2016/17, and it was **RESOLVED** to recommend that the Boards of West Kent & Ashford College and Hadlow College agree to re-appoint MacIntyre Hudson to provide an internal audit service to both Colleges for the period 01 August 2017 to 31 July 2018

#### **ANY OTHER BUSINESS**

112. The Deputy CEO/Deputy Principal reported that an evaluation of cladding used on buildings within the Hadlow Group had been subject to a full review and it was confirmed that there were no issues arising from the review.

#### **DATE OF NEXT MEETING**

113. Thursday 23 November 2017 @ 09.30 @ **Ashford**

The meeting closed at 12.45.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

#### **CURRENT AUDIT COMMITTEE SUMMARY ACTION LIST**

<b>MIN REF</b>	<b>DETAILS OF RESOLUTION/ACTION POINT</b>	<b>Review</b>
52	It was <b>AGREED</b> to task the Deputy CEO/Deputy Principal to have a further conversation with the College's solicitors to consider the 'path of least resistance', likely costs and possible returns for pursuing a settlement, and to circulate the outcomes of the task to Committee members for Chairs Action.	23/11/17

88	The Committee <b>AGREED</b> that marketing was one area where the Committee may want to seek some form of external assurance, a later agenda item under the agenda item 'Board Assurance Framework'.	23/11/17
92	It was noted the audit report on Data Management, Study Programmes and Assurance Compliance was due to be received shortly. It was <b>AGREED</b> to make this report available to Committee members when received, and with the report to be an agenda item at the November meeting of the Audit Committee.	23/11/17
100	<ul style="list-style-type: none"> <li>(i) To engage the Internal Audit Service to provide an audit opinion on Data Management, Study Programmes and External Assurances;</li> <li>(ii) For the Committee to seek additional assurances through the Board Assurance Framework, and from the Internal Controls Framework incorporating External Assurances;</li> <li>(iii) For the Audit Committee to call upon the use of any external party to conduct a review of any area identified by the Audit Committee where assurances were required over and above that provided through the BAF and Internal Control Framework;</li> <li>(iv) To have a fixed agenda item at each meeting of the Audit Committee to review Assurances &amp; Risks;</li> <li>(v) For each Committee of the Board to review at each meeting those risks from the Risk Register that fall within the scope of the Committee's terms of reference and to report the outcomes of this review to the Audit Committee;</li> <li>(vi) For each Committee of the Board to be asked if any new risks were identified during their meeting that needs to be reported to the Audit Committee; and</li> <li>(vii) To review the proposed assurance framework at the summer term meeting of the Committee in 2018.</li> </ul>	23/11/17
104	A failure to achieve student numbers would require immediate corrective action and the Group Finance Committee has been tasked to review in the autumn term student recruitment and any resulting impact on the 2017-18 Budget.	23/11/17