

**MINUTES OF THE HADLOW GROUP AUDIT COMMITTEE
11 JUNE 2015**

Present: Mr B McNicoll (Chair)
Ms L Currie
Ms S Hart
Mr H Guntrip

In attendance: Mr M Lumsdon-Taylor-Group Director of Finance
Ms L Brown - Group Vice Principal
Mr J Allen - Group Clerk
Ms P Powditch - Assistant Director of Finance, MIS & ICT
Ms S Knight - Macintyre Hudson

The meeting commenced at 09.30.

87. Prior to the start of the meeting, the Principal updated the Committee on the recent meeting held with the Chief Executive of the Education Funding Agency that was also attended by the Chair of the Corporation. The Principal provided an update on two issues that have already been reported to the Corporation and appropriate committees – these being discussions around merger and the clawback of £880k.

88. The EFA is seeking assurances on how the College would respond in the event of two possible doomsday scenarios – the first being a judgement of ‘Inadequate’ at the next Ofsted inspection and the second being a failure to recruit student numbers to enable West Kent & Ashford College to become a viable organisation. The Committee agreed what is required is a plan of action to demonstrate that actions will be put in place to address either doomsday scenarios, or both should both occur at the same time. It was **AGREED** to refer this for further discussion to the Hadlow Group Board meeting scheduled for 16 July 2015.

89. The Committee noted the EFA would be arranging an audit on the funds allocated to Hadlow College for acquiring West Kent & Ashford College, as this was a condition of the funding. The Clerk advised outcomes from the audit, as and when it is held, would be reported to the Committee.

(The Principal left the meeting at this point)

WELCOMES, APOLOGIES & DECLARATIONS OF INTEREST

90. The Chair welcomed everyone to the meeting of the Hadlow Group Audit Committee and introductions were made with Ms S Knight, the representative from MacIntyre Hudson. Apologies were received from Mr J Standen and Mr P Greenwood.

91. 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, Mr J Standen, Ms L Currie 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

92. **RESOLVED** - subject to minor amendments agreed at the meeting along with confirmation that the Group Director of Finance left the meeting after minute 77, the minutes of the meeting of the Hadlow Audit Committee held 12 March 2015 were approved as a correct record and signed by the Chair.

SUMMARY ACTION LIST & MATTERS ARISING

93. The '*Summary Action List*' was received. Updates were made available against each outstanding action point. It was agreed that all but 2 of the action points were addressed through agenda items. One of the outstanding action points was on going and would be carried forward – the reported fraud incident. The other action point on the Board Assurance Framework is due for review at the November meeting of the Committee.

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

GROUP AUDIT ROLL FORWARD ACTION PLAN

95. The Audit Committee received the '*Group Audit Roll-Forward Action Plan*' listing progress against all outstanding audit recommendations. Overall, of the 25 audit recommendations for the whole Hadlow Group, 13 have been completed with 12 outstanding. Of the 12 outstanding, 5 were classified as a 'Medium' recommendation and the remaining 7 were all 'Low' recommendations.

96. Following review, the Committee were assured with the progress being made in the implementation of the outstanding audit recommendations with no issues of concern.

97. It was **RESOLVED** to note the '*Audit Roll Forward Action Plan*'.

INTERNAL AUDIT ANNUAL REPORTS

98. A total of five internal audit reports were received and reviewed and each of the reports were presented by the representative from MacIntyre Hudson. The key focus of the visit was on human resources and it was confirmed that MacIntyre Hudson made available an HR expert to assist in the audit. The Executive welcomed this as it facilitated a robust audit approach on HR processes and procedures.

99. The second internal audit visit is scheduled to take place next week. It was agreed to circulate to Committee members the report arising from this visit and to make these available at the November meeting.

100. The following summary was noted following review of the five reports:

Audit	Recommendations	Good Practice areas	Audit Opinion
Funding & Financial Viability	2 'Low' recommendations	5 good practice areas	Full Assurance
Human Resources – Grievance & Disciplinary Policy & Procedures	3, of which 2 were 'Medium' and 1 'Low'	0	Satisfactory Assurance
Human Resources – Group Recruitment & Selection of Staff	3 – 1 'High', 1 'Medium; and 1 'Low'	4	Substantial Assurance
Human Resources - Payroll	2 – 1 'Medium', 1 'Low'	12	Substantial Assurance
Quality Assurance Systems & Compliance (West Kent & Ashford College)	1 – 'Medium'	0	Substantial Assurance
TOTAL	11	21	

101. It was noted in the report 'Grievance & Disciplinary Policy & Procedures' the IAS had yet to complete the section 'Overall Conclusion' as discussions were still on going with the HR expert who conducted the audit as it was important to get these assessments correct. Once finalised, the report will be re-issued for circulation to Committee members.

102. The Committee agreed that harmonised HR policies and procedures that are compliant with current legislation need to be put in place across the entire Group and supported with robust staff training to ensure policies are implemented properly. A failure not to have policies in place that are compliant with current legislation and good practice, or to have policies in place that are not correctly adhered to, is high risk in terms of both reputation for the Hadlow Group and potential litigation cost.

103. The Committee reviewed and endorsed all management responses outlined in the three HR audit reports and the proposed timescale for their full implementation. With the potential risks around grievance and disciplinary policies highlighted in the report, the Committee agreed that these do need to be addressed and fully resolved in line with the timeframe proposed in the management responses.

104. The need to harmonise HR policies between the two colleges was discussed. Bearing in mind the complexity of the task, the Committee did not suggest a deadline target date but advised that this has to be a priority task for the HR team. It was also suggested to access legal support with appropriate employment law expertise to assist

HR with this process. It was agreed to receive a progress update on this at the next meeting.

105. The Committee welcomed the detail of the HR reports and placed on record their appreciation of the good progress that has been made on HR matters by the new Group Head of HR and the HR team.

106. The Committee sought clarification if the audit on staff recruitment included an audit on the central records required of Colleges to record staff Disclosure Barring Scheme records, as the report made no reference to a central record. The auditor agreed to seek further clarification on this.

107. The Committee welcomed the report '*Quality Assurance Systems & Compliance (West Kent & Ashford College)*' and the recommendations proposed. It was **AGREED** to make this report available to the College's Curriculum & Quality Committee meeting that meets next week.

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

RISK MANAGEMENT

109. The Committee received the following for review:

- (i) Hadlow Group Risk Register – Thematic Group Risks; Summary of High Risks; and Risk Register from support business segments;
- (ii) Global Trend Summary Report confirming key movements of risk scores since the last meeting;
- (iii) Minutes of the Hadlow College Risk Management Team meeting held 19 May 2015;
- (iv) Minutes of the WKAC Risk Management Team meeting held 05 May 2015 and
- (v) Minutes of the Hadlow College Critical Incident Team meeting held on 12 May 2015.

110. There took place a lengthy discussion on the risk identified on succession planning. The capacity and stretching of the Executive has been subject to much discussion at various Committee and Corporation meetings and was a key challenge identified in each of the governor groups at the recent strategy meeting where governors were asked to identify 5 key challenges over the next 2-5 years. The largest risk being is what happens if one or two of the team of three are 'out of action'. The issue is not about a vertical step up from the next level of management to fill any 'gaps', but how to fill any such gap 'horizontally' from within the Executive. Lorri Currie cited her recent example of being away ill from work for 3 months. It was her fellow Directors at her level who covered her work duties, with some support from the next tier of managers. It could only be those Directors on her level who could cover for her absence. If one of the existing Executive were away for a period of some time, could the remaining two cover the required duties? There would appear to be a need for a strong and wider bandwidth Executive team. Solutions may not be easily found, but the risk has to be identified, acknowledged, and acted on. It was **AGREED** as this was a key challenge identified at the recent strategy meeting, for this risk to be taken forward to the next Hadlow Group Board meeting for further discussion and action.

111. It was noted that in March 2015 the Competition and Markets Authority (CMA) published new advice for HE providers, focussed on students' rights under consumer protection legislation. Whilst the legislation is not new, application to the HE sector is new, and in parts the CMA advice has been very challenging to existing practices and ways of working. The CMA guidance can potentially affect all aspects of the student experience, including academic regulations, module choice or the delivery of teaching. It was **AGREED** that as the college currently follows University of Greenwich policies and procedures, assurances need to be sought that these policies are fully compliant with the new requirements and that all staff are implementing the policies to the required standard.

112. Concern was raised in relation to marketing of the acquisition of K College to the newly named West Kent & Ashford College by the Hadlow Group and feedback from some members of the Corporation indicated that the college was still being referred to in the sector as K College. It was suggested that it may be advisable to widen the message previously given to local businesses, educational institutions and other community groups to ensure that the Hadlow brand with its high quality reputation was clearly identified against the new West Kent & Ashford College.

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

BOARD & AUDIT ASSURANCE FRAMEWORK

114. The Hadlow Group has implemented a Board Assurance Framework to give satisfactory statements of control and compliance to the Hadlow Group Audit Committee. The Board Assurance Framework is structured as follows

- Quality
- Teaching, Learning & Assessment
- Financial & Governance
- Risk
- External Funding & Value
- Structure & Legal
- Safeguarding

115. It is proposed that each system will be subject to annual review through a system report. Scheduled for review at this meeting were Quality, Teaching, Learning & Assessment, and Safeguarding.

116. Guidance was sought on what were the assessments and judgements being asked of the Committee to make, as each area has to be assessed as either 'Green', 'Amber', or 'Red'. The Clerk advised that the Committee is being asked to make an assessment on the level of assurances available – the question to ask is 'Are there sufficient controls and/or actions being taken to manage risks associated with the area?' Is the Committee assured that there are sufficient controls in place to manage the risks? If the answer is yes, then there is a high level of assurance 'Green'. If the answer is no, there are not sufficient controls in place, then there is a low level of assurance 'Red'. If the answer is there are elements of controls but also elements of concern on the robustness of these controls or on the way they are being implemented and managed, then this would be an 'Amber' assessment.

117. Following review, the following assessments were **AGREED**:

Safeguarding – There is a high level of assurance – **GREEN**

Quality of Teaching, Learning & Assessment – due to issues at West Ashford & Ashford College, the Committee is not totally assured that there are sufficient controls in place so there is only a fair amount of assurance – **AMBER**
Quality - There is a high level of assurance – **GREEN**

118. Also received were the two compliance reports, one on Hadlow College and the other on West Kent & Ashford College. The Committee was made aware of non-compliance on the completion of registers at Tunbridge Wells. The Committee fully endorsed the actions being taken by the Executive to investigate and to deal appropriately with this area of non-compliance for which there is zero tolerance. As there was a compliance issue, and as the target was not met of not more than 3% of registers not being completed, it was **AGREED** for the assessment to be amended to 'Amber'.

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

ANNUAL REVIEW OF THE WORK OF THE COMMITTEE

120. To be in-line with good governance practice, the Chair requested for the Committee to conduct an annual review of the conduct of meetings and committee membership. A key question to ask is: 'Has the Committee adequately discharged its duties during the first year of its operation?' Terms of Reference for the Committee were made available.

121. The Committee agreed that the duties listed in the Terms of Reference had been fully met. It was noted that there was soon to be a vacancy on the Committee and it was agreed for the Clerk to advise the Governance & Search Committee that a new member with a business and compliance background would be most appropriate for the Audit Committee. The Governance & Search Committee also needs to propose a Chair and Vice Chair for the Committee. The Clerk was asked to propose to the Governance & Search Committee for Mr B McNicoll to remain as the Chair and to appoint Mr H Guntrip as the Vice Chair of the Committee.

ANY OTHER BUSINESS

122. There was no other business.

DATE OF NEXT MEETING

123. Thursday 26 November 2015 @ 09.30 @ **Ashford**

The meeting closed at 12.00.

Signed: _____ Date: _____

CURRENT AUDIT COMMITTEE SUMMARY ACTION LIST

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	Review
7	Reported Fraud Incident: Updates to be reported to the Audit Committee until the matter has been concluded	26/11/15
83	<p>Risk Management & Board Assurance:</p> <ul style="list-style-type: none"> (i) New column to be added to the risk register to record which Committee has the monitoring responsibility for the risk; (ii) Fixed agenda item at the end of each Committee for the committee to review those high risks in the risk register that fall within the scope of their terms of reference and to make available the assurance map; (iii) The committee to be asked to make an assessment on whether it is satisfied that the risk levels are correct and that sufficient controls and or actions are being taken to manage the risks and that there are appropriate levels of assurance; (iv) These assessments to be made available to the Audit Committee before they make an overall assessment on assurances. (v) For the reporting format to be introduced from 01 September 2015. 	26/11/15
88	The EFA is seeking assurances on how the College would respond in the event of two possible doomsday scenarios – the first being a judgement of ‘Inadequate’ at the next Ofsted inspection and the second being a failure to recruit student numbers to enable West Kent & Ashford College to become a viable organisation. The Committee agreed that what is required is a plan of action to demonstrate that actions will be put in place to address either doomsday scenarios, or both should both occur at the same time. It was AGREED to refer this for further discussion at the Hadlow Group Board meeting scheduled for 16 July 2015.	26/11/15
89	The Committee noted the EFA would be arranging an audit on the funds allocated to the College for acquiring West Kent & Ashford College, as this was a condition of the funding. The Clerk advised outcomes from the audit, as and when it is held, would be reported to the Committee	26/11/15
99	Second internal audit visit: It was agreed to circulate to Committee members the report arising from this visit and to make these available at the November meeting	26/11/15
101	The report ‘Grievance & Disciplinary Policy & Procedures’: The IAS had yet to complete the section ‘Overall Conclusion’ as discussions were still on-going with the HR expert who conducted the audit as it was important to get these assessments correct. Once finalised, the report would be re-issued for circulation to Committee members.	26/11/15

104	The need to harmonise HR policies between the two colleges was discussed. Bearing in mind the complexity of the task, the Committee did not suggest a deadline target date but advised that this has to be a priority task for the HR team. It was also suggested to access legal support with appropriate employment law expertise to assist HR with this process. It was agreed to receive a progress update on this at the next meeting.	26/11/15
106	The Committee sought clarification if the audit on staff recruitment included an audit on the central records required of Colleges to record staff Disclosure Barring Scheme records, as the report made no reference to a central record. The auditor agreed to seek further clarification on this.	26/11/15
107	To make available the ' <i>Quality Assurance Systems & Compliance (West Kent & Ashford College) Report</i> ' to the College's Curriculum & Quality Committee.	26/11/15
110	The capacity and stretching of the Executive – to take this forward for further discussion and actioning at the Hadlow Group Board meeting in July	26/11/15
111	It was noted that in March 2015 the Competition and Markets Authority (CMA) published new advice for HE providers, focussed on students' rights under consumer protection legislation. It was AGREED that as the college currently follows University of Greenwich policies and procedures, assurances need to be sought that these policies are fully compliant with the new requirements and that all staff are implementing the policies to the required standard.	26/11/15
121	Clerk to advise the Governance & Search Committee that a new member with a business and compliance background would be most appropriate for the Audit Committee. The Clerk to propose to the Governance & Search Committee for Mr B McNicoll to remain as the Chair and to appoint Mr H Guntrip as the Vice Chair of the Committee	26/11/15