

Minutes of a Meeting of the Audit Committee

Venue: Conference Room 1, South Tyneside College

Date: Wednesday, 22 November 2017

Time: 4.00pm – 5.35pm

Present: Terry Cornick (in the Chair)
Bernard Garner
Alain Reynier

Apologies: Sheila Alexander
Mark Overton

In Attendance: Lindsey Whiterod (Chief Executive)
Helen Beaton (Chief Financial Officer)
Neil Longstaff (Director of Governance)
James Morgan (KPMG)
Mick Thompson (KPMG)
Philip Church (RSM)
Robert Barnett (RSM)
Emily Sharpe (PwC)
Richard Lingwood (PwC)

| ITEM NO. | ISSUES | ACTION |
|----------|--|--------|
| 1. | <p>Meeting with Auditors in Absence of Management</p> <p>The Chair welcomed everyone to the meeting and introductions were made.</p> <p>Auditors stated that they had full access to all areas and were pleased to announce that there were no issues to report to the Committee. However, governors were made aware of a problem encountered with a formula used in the statutory accounts which created an accounting error of £1m but this had been quickly identified and corrected.</p> <p>Helen Beaton (HB) joined the meeting.</p> | |
| 2. | <p>Apologies for Absence</p> <p>The Committee received and approved apologies for absence received from those identified above after having first considered the reasons for her absence.</p> | |
| 3. | <p>Declarations of Interest</p> <p>The Chair reminded members to declare any conflicts of interest as they arose on the agenda.</p> | |
| 4. | <p>Minutes of the Previous Meeting and Matters Arising</p> <p>The minutes of the Audit, Governance and Search Committee meeting held on 21 June 2017 were approved and signed by the Chair.</p> | |

| | | |
|------------------|---|--|
| | <p>Matters arising</p> <p>There were no matters arising that were not covered on the agenda.</p> | |
| <p>5.</p> | <p>Review of Committee Performance against Terms of Reference</p> <p>The Director of Governance reported that in light of the Board’s decision to suspend the self-assessment process owing to a comprehensive change in the governance arrangements and taking into account that this was a statutory committee, he had produced a self-assessment paper for governors’ consideration.</p> <p>The paper covered the following areas:</p> <ul style="list-style-type: none"> • Membership • Terms of Reference • Operation <p>Resolved: That the information is received and accepted.</p> <p><i>Lindsey Whiterod (LW) joined the meeting.</i></p> | |
| <p>6.</p> | <p>Internal Audit Reports:</p> <p>i. <u>Progress Report 2016/17 (TCC)</u></p> <p>Governors were reminded that the Audit, Governance and Search Committee had approved the Internal Audit Plan for 2017/18 at its meeting on 21 June 2017.</p> <p>This report was to provide a summary update on progress against that plan. The auditor indicated that all assignments were on track to achieve their target submission date.</p> <p>ii. <u>UK Visas and Immigration (UKVI) Compliance Review</u></p> <p>The report concluded that, taking account of the issues identified, the Board could take reasonable assurance that the controls in place to manage this area were suitably designed and consistently applied. However, auditors had identified issues that needed to be addressed in order to ensure that the control framework was effective in managing the identified area.</p> <p>As a result of these findings, the report contained one ‘low’ and two ‘medium’ priority management actions.</p> <p>It was noted that this report had been commissioned outside of the audit plan owing to staff concerns at the number of rejected visa applications which took the College close to a maximum level of 10% refusals for UKVI Tier 4.</p> <p>In response to a question, governors were reminded that there had been a misinterpretation of the guidance against the regulations and this could be viewed as a one-off error. It was also noted that the College had received an audit by the Home Office which achieved a positive outcome.</p> <p>LW stated that, in this particular case, when new revised guidance was issued there was no indication of what changes had been made. Steps were being taken to try and prevent this from happening again.</p> | |

Q. No recommendations in report? The Chair indicated that the report given at the SSMS Local Board suggested that if the College stopped accepting blocks of students wherever possible, it would reduce the risk. However, it was accepted that this could prove difficult. The concern centred around the fact that if one student was rejected, all those within the same block were also refused.

The Chair stressed the importance of monitoring this situation given that it could result in up to a £4m loss to the College.

Q. Taken issue up with the Home Office? Yes.

Q. Other eight students in the report? Typical individual rejections mainly owing to incorrect paperwork.

iii. Key Financial Controls: Payroll and Expenses

From the work performed on key financial controls, auditors considered that the system of internal control was Good. There was an adequate and effective system of risk management, control and governance to address the risk that objectives were not fully achieved. However, some matters were noted during the course of the review, which if the associated recommendations were implemented would enhance the control environment and mitigate the associated risk to the College.

As a result of these findings, the report contained five 'low' priority management actions.

Q. Fully written down assets and physical verification should be undertaken? The assets had not yet been brought into Tyne coast College's fixed assets register. A review was currently being undertaken.

iv. Funding Body Income

This report covered the following areas:

- Introduction and background
- Key findings and recommendations
- Action plan
- Summary of work undertaken and risks reviewed
- Classification of report ratings
- Classification of findings

From the work performed on funding body income, auditors considered that the system of internal control was Good. There was an adequate and effective system of risk management, control and governance to address the risk that objectives were not fully achieved. However, some matters were noted during the course of the review, which if the associated recommendations were implemented they would enhance the control environment and mitigate the associated risk to the College.

As a result of these findings, the report contained three 'low' priority management actions.

Q. ILR not maintained correctly? It was explained that it was a complicated process with a considerable amount of data to collect/monitor for each student. It was noted that each learner's record consisted of 70-80 elements. Therefore, it was expected that

| | | |
|----|---|--|
| | <p>some data entry errors would occur.</p> <p>Resolved: That the Committee accepted the reports, as presented.</p> | |
| 7. | <p>Mock Funding Audit 2016/17 (ILR Audit Report)</p> <p>A mock funding review was undertaken at the request of college management and the Audit Committee. This was outside of the agreed Audit Plan.</p> <p>This review involved reviewing a sample of 60 adult learners across Adult Education Budget (AEB) and apprenticeship provision, 60 16-19 non-apprenticeship learners and 30 Advanced Learner Loans learner files to confirm that the College was in compliance with the 2016/17 Funding Rules.</p> <p>There were no issues of concern.</p> <p>Resolved: That the Committee accepts the report, as presented.</p> | |
| 8. | <p>Internal Audit Annual Reports (Year ending 31 July 2017)</p> <p><u>South Tyneside College</u> The above mentioned report covered the following areas:</p> <ul style="list-style-type: none"> • The annual internal audit opinion • The basis of auditors' audit opinion • Appendix A: Annual opinions • Appendix B: summary of internal audit work completed 2016/17 <p>The auditors concluded that the College had an adequate and effective framework for risk management, governance and internal control. However, auditors work had identified further improvements to the framework of risk management, governance and internal control to ensure that it remained adequate and effective.</p> <p>Auditors undertook eight internal audit reviews in 2016/17, which resulted in an assurance opinion for each. There were five reviews that received a substantial assurance level and three where reasonable assurance was provided. During the year auditors had raised a total of 11 medium priority management actions and ten low actions that were all accepted by management.</p> <p><u>TyneMet College</u> The above mentioned report covered the following areas:</p> <ul style="list-style-type: none"> • Executive summary • Planned coverage and outputs • Implementation of recommendations • Performance of Internal audit • Classification of report ratings • Classification of findings <p>The auditors work supported the view that the College had adequate and effective risk management, control and governance processes to manage the achievement of its objectives. Auditors were also satisfied that, based on the work completed, management had implemented adequate arrangements in respect of economy, efficiency and effectiveness.</p> | |

| | | |
|------------|--|-----------|
| | <p>The revised annual internal audit plan identified four reviews, which resulted in an assurance opinion for each. There were three reviews that received a 'Good' opinion rating and two where a rating of 'Satisfactory' was given.</p> <p>During the year auditors had raised a total of 3 medium priority management actions and 9 low actions that were all accepted by management.</p> <p>Resolved: That the reports are received and recommended to the Board for approval.</p> | HB |
| 9. | <p>Audit Recommendation Tracker</p> <p>The Director of Governance presented the tracker for governors' consideration.</p> <p>The document identified any recommendations which were deemed a high or medium risk, which were either overdue for implementation or could be removed if completion had taken place. All personnel who were shown on the list with outstanding issues had been asked to advise if there had been any further progress and the tracker had been updated accordingly.</p> <p>HB and NL responded to governors seeking clarification on matters within the updates.</p> <p>NL confirmed that there were no outstanding actions to be transferred from TyneMet College.</p> <p>Resolved: That the report is received and accepted.</p> | |
| 10. | <p>Regularity Self-Assessment Questionnaires (STC and TyneMet College)</p> <p>These reports were to inform governors of the work and evidence the Colleges had provided the external auditors in order to carry out their work on regularity.</p> <p>The Regularity Audit checked that the Colleges had used the funds provided by government for the purposes intended in the grant or contract. The audits were carried out as part of the external audit process and the Colleges provided the information to the auditors in the form of the completion of a standard questionnaire. The ESFA had requested that this completed questionnaire was formally signed off by the Chair and Accounting Officer.</p> <p>Resolved: That the committee recommends that the Chair and Chief Executive formally sign the completed questionnaires.</p> | HB |
| 11. | <p>Annual Report and Financial Statements for the Year-ended 31 July 2017 including regularity Audit Opinion and Management letter</p> <p>Confidential item</p> | |
| 12. | <p>Audit Committee Annual Reports (STC and TyneMet College)</p> <p>The Director of Governance introduced and outlined the reports which were to be presented to the Board.</p> | |

| | | |
|------------|--|-----------|
| | Resolved: That the reports are approved and are to be presented to the Board for information. | NL |
| 13. | <p>Annual Report on Disclosures made under the Public Interest Disclosure Procedure</p> <p>The Director of Governance informed the Committee that there were no issues to report.</p> <p>Resolved: That the report is received.</p> <p>At this stage in the proceedings the auditors left the meeting.</p> | |
| 14. | <p>Review of Internal and External Auditors Performance/Re-appointment</p> <p>The members of the committee were informed that the College was pleased with both auditors' performances over the past year and HB recommended that they be reappointed for the final year of their contracts at the price tendered (KPMG and RSM).</p> <p>Resolved:</p> <ol style="list-style-type: none"> i. That the report is received ii. That the Board is recommended to reappoint both internal and external auditors for the remainder of their contract and to be remunerated as per the tendered price. | HB |
| 15. | <p>Review of Policies</p> <p>HB presented the following policies for consideration by the committee and highlighted changes made:</p> <ul style="list-style-type: none"> • Data Protection (interim policy until new data protection regulations introduced) • Fraud and Bribery • Information Security <p>Resolved:</p> <ol style="list-style-type: none"> i. That the Information Security Policy is approved. ii. That the Data Protection and Fraud and Bribery Policies are recommended to the College Board for approval. | NL |
| 16. | <p>Any Other Business</p> <p>None.</p> | |
| 17. | <p>Identification of Confidential Items</p> <p>Resolved: That Item 11 (Annual Report and Financial Statements) are to remain confidential until approved by the College Board.</p> | |
| 18. | <p>Date and Time of Next Meeting</p> <p>The next Committee meeting was scheduled for Wednesday 28 February 2018 at 4.00pm.</p> | |

Signed:

Date.....