

Minutes of a Meeting of the Audit, Governance and Search Committee

Venue: Conference Room 1, South Tyneside College

Date: Wednesday, 25 May 2016

Time: 4.00pm – 6.50pm

Present: Terry Cornick (in the Chair)
Peter Davidson
Mark Overton
Les Watson
Nick Whalen-Griffiths
Lindsey Whiterod

In Attendance: Helen Beaton
Philip Church (RSM)
Neil Longstaff (Clerk)
James Morgan (KPMG)
Mick Thompson (KPMG)

ITEM NO.	ISSUES	ACTION
1.	<p>Appointment of Chair</p> <p>The Clerk explained that as this was a newly established committee a Chair and Vice-Chair was required. The Clerk sought nominations for the position of Chair.</p> <p>Resolved: That Terry Cornick is appointed as Chair of the Committee for a two year term of office.</p> <p>Appointment of Vice Chair</p> <p>The Clerk sought nominations for the position of Vice-Chair.</p> <p>Resolved: That Mark Overton is appointed as Vice-Chair of the Committee for an eighteen month term of office.</p>	
2.	<p>Meeting with Auditors in Absence of Management</p> <p>Auditors stated that planning meetings had been held, they had full access to all areas and were pleased to announce that there were no issues to report to the Committee.</p> <p>Lindsey Whiterod (LW) and Helen Beaton (HB) joined the meeting.</p>	
3.	<p>Apologies for Absence</p> <p>There were no apologies for absence received.</p>	
4.	<p>Declarations of Interest</p> <p>The Chair reminded members to declare any conflicts of interest as they arose on the</p>	

	agenda.	
5.	<p>Minutes of the Previous Meeting and Matters Arising</p> <p>The minutes of the meetings held on 2 March 2016 (Audit) and 23 February 2016 (G&S) were approved and signed by the Chair.</p> <p>Matters arising</p> <p><u>Audit</u></p> <p><u>Progress Report – RSM</u></p> <p>PC confirmed that the guidance paper to accompany the progress report had been circulated to governors.</p> <p><u>IT Cyber Security</u></p> <p>HB explained that any issues previously raised would be addressed through the new contract with Tribal. HB was to add dates to the action plan to replace terms as and when required.</p> <p><u>Audit Recommendation Tracker</u></p> <p>LW confirmed that the dates identified for the implementation of actions within the Audit Tracker were reasonable (reference was made to the latest Audit Tracker).</p> <p><u>Governance and Search</u></p> <p><u>Succession Planning – Consideration of future vacancies</u></p> <p>Governors were reminded that Andy Walton had been appointed to the Board. The Clerk reported that he had received several names from governors for consideration by the Committee for future governor vacancies.</p> <p><u>Nominations for Fellowships</u></p> <p>The Clerk confirmed that the Board had appointed Andrew Hodgson and Steph McGovern as Fellows of the College. Presentations were planned as part of forthcoming graduation ceremonies.</p>	
6.	<p>Internal Audit Reports:</p> <p>The reports detailed below were presented to the members of the committee.</p> <p>It was reported that in respect of all recommendations the management had accepted the findings and agreed reasonable actions to address the recommendations to enhance the control environment within the College.</p> <p>(i) <u>Progress Report</u></p> <p>Governors were reminded that the Internal Audit Plan for 2015/16 was approved by the Audit Committee (now Audit, Governance and Search Committee) on 23 September</p>	

2015.

This report provided a summary update on progress against that plan and summarised the results of the auditors work to date.

Governors' attention was also drawn to the section 'information and briefings' which provided an update on annual reporting requirements.

Resolved: That the report is received.

Each of the audit reports covered the following areas:

- Executive summary
- Action Plan
- Detailed findings
- Scope
- Further information

Learner Journey - Professional and Vocational

The report concluded that, taking account of the issues identified, the Board could take reasonable assurance that the controls upon which the organisation relied to manage this area were suitably designed and consistently applied.

However, auditors had identified issues that that needed to be addressed in order to ensure that the control framework was effective in managing this area.

As a result of these findings, the report contained three "medium" and one "low" priority management actions.

Governors highlighted that the implementation date for Risk 1 should read May 2016 not 2015.

The auditor and staff responded to questions on the report covering a number of issues including:

- Monitoring implementation of actions
- Recruitment of staff and induction
- Feedback to students/parents
- Target for conversion rate
- Management capabilities

It was noted that there remained an issue of some staff not recognising that it was their role to 'sell' the college and view students as customers. LW confirmed that staff were ensuring that the right learners were on the right course but staff could do more to ensure they stayed. Governors felt that this should be identified through appraisal. It was noted that a new appraisal system was being implemented.

Booking Centre – Full Cost Recovery Courses

The audit considered the full cost courses at three schools that formed part of the Marine School: Responsive Provision and Senior Marine (ESMR), Simulation and Senior Marine (SISM) and School for Marine, Offshore and Safety Training (MOST).

The following areas were reviewed:

- Policies and procedures
- Income generation and targets
- Recording and processing bookings; and
- Promotional activities.

Taking account of the issues identified, auditors concluded that the Board could take substantial assurance that the controls in place to manage this risk were suitably designed and consistently applied.

There were no areas for improvement and therefore no action plan.

A governor asked the question as to whether the College could find itself in litigation if the College did not release a certificate to a student because a company had not paid its debts. In reply it was explained that these matters were considered on a case by case basis. However, retaining the certificate was the only leverage the College had.

HB confirmed that the College made every effort to recover outstanding debt.

Management of Subcontract Provision

Taking account of the issues identified, the auditors concluded that the Board could take substantial assurance that the controls upon which the organisation relied to manage the identified risks was suitably designed, consistently applied and operating effectively.

There were no areas for improvement and therefore no action plan.

An example of good practice was identified during this audit which was that the College had defined and documented a set of contingency plans which were designed to cover the eventuality of a subcontractor ceasing to trade, partway through the academic year.

The Chair stated that this was a very good report. LW commented that she was pleased with the progress being made in this area of work.

Key Financial Controls: Cash and Bank, and Accounts Payable

This audit had been undertaken to provide annual assurance that there were appropriate controls in place for ensuring the integrity and accuracy of financial data, specifically including whether cash income was correctly accounted for.

Taking account of the issues identified, the auditors concluded that the Board could take substantial assurance that the controls upon which the organisation relied to manage the identified risks was suitably designed, consistently applied and operating effectively.

As a result of these findings, the report contained only one “low” priority management action.

Q. Was 20 invoice samples a reasonable number? Yes – samples were taken across the work.

	<p>Again, this was viewed by governors as a very good report.</p> <p>Resolved: That the Committee accepts the reports, as presented.</p>	
<p>7.</p>	<p>Audit Recommendation Tracker</p> <p>The Clerk 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>It was reported that auditors (RSM) had completed its Follow Up Report, which was to be presented to the next meeting of the committee, and confirmed that all actions completed during the year that had been removed from the Tracker had been actioned as indicated.</p> <p>LW and HB responded to governors seeking clarification on matters within the updates.</p> <p>Resolved: That the report is received and accepted.</p>	
<p>8.</p>	<p>Audit Plan and Strategy 2015/16</p> <p>The Audit Plan and Strategy 2015/16 was presented and outlined to the members of the committee for their consideration.</p> <p>The report covered the following areas:</p> <ul style="list-style-type: none"> • Executive summary for the 2015-2016 audit • Audit approach • Audit cycle and timetable • Materiality and reporting of audit differences • Risks and areas of audit focus • Mandated communications with those charged with governance • Responsibility in relation to fraud • Audit team structure • Fees • Confirmation of independence • Audit quality framework • Further Education sector update <p>It was reported that discussions had been held with management regarding risks.</p> <p>HB confirmed that the fees for the audit had been checked.</p> <p>Attention was drawn to FRS 102, the new financial reporting standard, which would affect the accounting treatment of certain balances/disclosures particularly pensions, grants and short term employee benefits.</p> <p>Q Change the 'bottom line'? Yes but this applied to every college.</p>	

	<p>Further clarification was provided on matters concerning materiality, reputational risk and Area Reviews.</p> <p>Auditors confirmed that audit findings of a college were shared as part of any due diligence undertaken as part of a merger.</p> <p>Resolved: That the Committee receives and agrees the report.</p>	
<p>9.</p>	<p>Internal Audit Plan 2016-17 and Strategy 2016-19</p> <p>This strategic plan and annual internal audit plan sets out the scope of the planned work to be undertaken by internal audit for 2016-17 within a wider 3 year strategy.</p> <p>This plan was developed based on consideration of the College's corporate objectives, risk profile and assurance framework as well as other factors affecting South Tyneside College in the year ahead including changes within the sector.</p> <p>Through these activities, potential internal audits were identified and prioritised for 2016-17 based on those areas viewed as of greatest benefit. The reviews planned for 2016-17 were detailed in the report.</p> <p>In approving the Internal Audit strategy, the committee was asked to consider the following questions:</p> <ul style="list-style-type: none"> • Is the Committee satisfied that sufficient assurances are being received within our annual plan to monitor the organisation's risk profile effectively? • Does the strategy for Internal Audit cover the organisation's key risks as they are recognised by the Committee? • Are the areas selected for coverage this coming year appropriate? • Is the Committee content that the standards within the charter are appropriate to monitor the performance of Internal Audit? <p>The auditor responded to questions from governors seeking clarification on statements made within the report.</p> <p>Resolved: That the Internal Audit Plan 2016-17 and Strategy 2016-19 is recommended to the Board for approval.</p>	<p>HB/NL</p>
<p>10.</p>	<p>Risk Management Update</p> <p>The purpose of the report was to provide the Audit Committee with an update on risk management activity during the current academic year.</p> <p>It was explained that:</p> <ul style="list-style-type: none"> • Corporate Risk register was last updated in April/May 2016 • Corporate risk register was regularly reviewed by Senior Executive Group (SEG) • Operational risk registers for all areas of the college were reviewed at termly performance monitoring reviews <p>Q. Quality? The implementation of the new ISO standard was outlined and discussed. Governors asked about lesson observations. It was explained that observations were not as high on Ofsted's agenda as in previous years.</p>	

	<p>Q. Governance as a risk? Governors asked what risks had been identified in terms of governance of the College e.g. if Chief Executive left the College.</p> <p>Q. Measuring staff morale? Staff surveys were now carried out each year and exit surveys implemented although the PVC had not yet completed their reviews. Previous annual surveys had been stopped as the College implemented several redundancy procedures and staff unhappy tended to be the ones more likely to return the survey. LW recognised the need for greater communications with staff.</p> <p>Q. Other ways to engage? The LEAN programme was considering staff communications.</p> <p>Resolved:</p> <p>i. That the committee receives and approves the report.</p> <p>ii. That a risk management analysis of governance be undertaken at a future Development Event.</p> <p>iii. That LW is to ensure a staff survey for the P&V College is undertaken.</p>	<p>LW</p> <p>LW</p>
<p>11.</p>	<p>Annual update on risk assessment in relation to fraud and bribery</p> <p>HB reported that there had been no incidents of bribery or fraud to report.</p> <p>Resolved: That the report is received and accepted.</p>	
<p>12.</p>	<p>Appointment or Dismissal of Internal Audit Service and Remuneration 2016-17</p> <p>Confidential item</p> <p>HB, LW and PD left the meeting.</p>	
<p>13.</p>	<p>Governor Attendance for autumn/spring</p> <p>The purpose of the report was to monitor group and individual attendance to ensure that targets were being met and, if not, to address any difficulties which individual governors might have and consider ways in which attendance, if necessary, might be improved.</p> <p>Governors were provided with the following information:</p> <ul style="list-style-type: none"> • There were targets of 75% attendance for governors individually, at meetings of the Board and its Committees. • Attendance at the following committees was below the target of 75%: Finance and Resources SSMS Quality P&V Quality • Several governors had individual attendance rates below the target of 75%: • Overall attendance rates to date compared to national averages were considered. • The attendance rate at Board meetings had reduced to 85% compared to 91% in the previous term. <p>Governors recognised that the mix of the Board had changed recently as there was now a greater number of working governors. The poor attendance of the Student Governors was also noted. Contributions other than attending meetings were</p>	

	<p>highlighted and noted.</p> <p>Attendance was to be monitored closely.</p> <p>Resolved: That the report is received and that it be presented to the Board for information.</p>	
14.	<p>Annual Review of Code of Conduct & Standing Orders</p> <p>The purpose of the report was to review the Code of Conduct and Standing Orders and make any recommendations to the Board.</p> <p>Governors were reminded that the Code of Conduct sets out the standards of conduct and accountability expected from governors, to enable them to understand their legal and ethical duties and to assist them in carrying out those duties and in their relationship with the Board, Chief Executive and Clerk.</p> <p>The Standing Orders set out the way in which the Board operated in relation to the provisions in the Instrument and Articles of Government.</p> <p>The Clerk reported that the changes being proposed were directly related to the new committee structure implemented by the Board.</p> <p>Resolved: That the Committee agree to recommended the Code of Conduct and Standing Orders to the Board for approval.</p>	NL
15.	<p>Review of Governance Structure</p> <p>The purpose of the report was to undertake a formal review of the governance structure and associated documentation.</p> <p>The Clerk reported that he had sought volunteers to sit on the various committees/working parties etc. as instructed by the Board. An updated document showing the current committee composition and membership was presented. The Clerk highlighted committees where governor membership still needed to be strengthened.</p> <p>It was explained that changes had been made to the committees' terms of reference to reflect the new committee structure.</p> <p>It was noted that Mark Overton had volunteered to serve on the PVC Quality Committee when Les Watson's term of offices ends in October 2016.</p> <p>Resolved:</p> <p>i. That the Governance papers, as presented, are to be recommended to the Board for approval.</p> <p>ii. That the Clerk is to seek volunteers to serve on the quality committees as there was a lack of governor numbers.</p>	NL NL
16.	<p>Succession Planning – governor vacancies</p> <p>Confidential item</p>	

17.	<p>Review and approve the Student Union Constitution</p> <p>The report explained that there had been no changes to the South Tyneside College's Students' Union constitution.</p> <p>Members' views were sought.</p> <p>Resolved: That the constitution of South Tyneside College's student union is reaffirmed.</p>	
18.	<p>Review of Chair of Board's performance</p> <p>Confidential Item</p>	
19.	<p>Committee Workplan 2016-17</p> <p>The members of the Committee were asked for their views on the proposed workplan for 2016/17.</p> <p>Resolved: That the Workplan 2016/17 is agreed and is to be presented to the Board for approval.</p>	NL
20.	<p>Any Other Business</p> <p>LW left the meeting</p> <p><u>Instrument and Articles of Government</u></p> <p>Confidential Item</p>	
21.	<p>Identification of Confidential Items</p> <p>Resolved: That the following items are to remain confidential:</p> <ul style="list-style-type: none"> • Item 12 - Appointment or Dismissal of Internal Audit Service and Remuneration 2016-17 • Item 16 - Succession Planning (governor vacancies) • Item 18 - Review of Chair of Board's performance • Item 20 – AOB - Instrument and Articles of Government 	
22.	<p>Date and Time of Next Meeting</p> <p>The next Committee meeting was scheduled for Wednesday 16 November 2016 at 4.00pm.</p>	

Signed:

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