

Minutes of a Meeting of the Audit Committee

Venue: Conference Room 1, South Tyneside College

Date: Wednesday 23 September, 2015

Time: 4.00pm – 5.55pm

Present: Terry Cornick
Christine Smith
Ray Staward
Nick Whalen-Griffiths

In Attendance: Arlene Atkinson (KPMG)
James Morgan (KPMG)
Helen Beaton
Lindsay-Anne Straughton (Baker Tilly)
Lindsey Whiterod
Neil Longstaff (Clerk)

ITEM NO.	ISSUES	ACTION WHO/DUE DATE
1.	<p>Appointment of Chair</p> <p>The Clerk sought nominations for the position of Chair and in doing so explained that the current Chair's term of office on the Board ended on 31 October 2015. Options were outlined.</p> <p>Resolved:</p> <p>i. That Ray Staward is appointed as Chair of the Committee until the end of his term as governor at the College.</p> <p>ii. That the Appointment of Chair be placed as an item on the agenda of the next meeting of the Audit Committee.</p> <p>Appointment of Vice-Chair</p> <p>The Clerk sought nominations for the position of Vice-Chair.</p> <p>Resolved: That Nick Whalen-Griffiths is appointed as Vice-Chair of the Committee for an eighteen month term of office.</p>	NL
2.	<p>Meeting with Auditors in Absence of Management</p> <p>Auditors stated that there were no issues to report to the Committee.</p> <p>Q. Were there issues raised at other Colleges? Yes, but no such issues at South Tyneside College as matters were fully discussed with management and outcomes agreed. It was stated that where an agreement could not be reached it would be reported to the Committee.</p> <p><i>Lindsey Whiterod and Helen Beaton joined the meeting.</i></p>	

3.	<p>Apologies for Absence</p> <p>The Clerk informed the Committee that an apology for absence had been received from Les Watson. Responding to a question it was confirmed that no reason had been given for the absence and there had been no comment on the papers. Susan Wear had been delayed at work owing to her own Board meeting overrunning but was hoping to join the Committee at some stage, if possible.</p> <p>Governors also noted an apology from Robert Barnett (Baker Tilley).</p> <p>Resolved: That the apologies for absence received are noted.</p>	
4.	<p>Declarations of Interest</p> <p>The Chair reminded members to declare any conflicts of interest as they arose on the agenda.</p>	
5.	<p>Minutes of the Previous Meeting and Matters Arising</p> <p>The minutes of the meeting held on 13 May 2015 were approved and signed by the Chair.</p> <p>Matters arising</p> <p>The Clerk confirmed the following:</p> <ul style="list-style-type: none"> • That the report on the Key Financial Controls had been presented to the Finance and Resources Committee for information, as requested. • Changes to the Workplan 2015/16 had been made, as requested. • The Corporate Governance report was to be presented to the next Governance and Search Committee for information. • The Staff recruitment, retention and capability report was to be presented to the next meeting of the two Quality Committees for information. • Pro Monitor had been removed from the Audit Tracker as this had been replaced with an in-house system. • Auditors had been appointed by the College Board and Academy Board, as recommended by the Audit Committee. 	
6.	<p>Committee Workplan 2015-16</p> <p>The Clerk presented the Workplan 2015/16 as approved by the Board, which took into account changes made at the previous Committee meeting.</p> <p>Resolved: That the Workplan 2015/16, as presented, is received.</p>	
7.	<p>Review of Committee Performance against Terms of Reference</p> <p>The Clerk reported on the outcome of the self-assessment survey that had been circulated for members to complete. It was noted that 5 out of a possible 7 returns had been received and the results were shared.</p> <p>Members considered how best to use these responses and in particular, address any issues that had been highlighted.</p>	

	<p>Q. Opening three questions to be rephrased? This was to be amended to clarify the question and highlight the supporting statement/comment being sought.</p> <p>Governors were pleased to read that there were no areas identified as being ineffective.</p> <p>Resolved:</p> <p>i. That the information is received.</p> <p>ii. That the Clerk is to examine the judgements that did not achieve a score of outstanding and identify, with the support of HB, what action could be taken to achieve this rating.</p>	NL/HB
8.	<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) Stakeholder engagement and client management report</p> <p>The report covered the following areas:</p> <ul style="list-style-type: none"> • Introduction and background • Key findings and recommendations • Action Plan • Initial guidance on stakeholder engagement • Summary of work undertaken and risks reviewed • Classification of report ratings • Classification of findings <p>From the work performed on the stakeholder engagement and client management, auditors considered that the system of internal control was 'Good' with 1 low risk recommendation.</p> <p>There were three areas of good practice, these being:</p> <ul style="list-style-type: none"> • "The College has compiled a comprehensive list of key stakeholders, and utilised College-wide knowledge during the development of this. • Stakeholders have been linked to activities and interests and the College has determined its objectives from engaging with each key stakeholder. • There are robust processes in place to manage client relationships." <p>Q. Initial review? Following an initial one day review by Auditors in relation to stakeholder engagement, management had been provided with informal guidance on how processes could be improved and this was reviewed when auditors returned in May 2015.</p> <p>Q How many stakeholders? Difficult to say but probably 50-60.</p>	

(ii) Financial forecasting and budgetary control report

The 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 financial forecasting and budgetary control, auditors considered that the system of internal control was 'Good' with 2 low risk recommendations.

There was one area of good practice, this being:

- "Each budget holder is required to sign to verify their agreement to each of their budgets at the commencement of the year."

A governor highlighted the need to be consistent in identifying the Responsible Officer i.e. post or person.

(iii) Follow up report

From the work performed on follow up of prior year recommendations the 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 are not fully achieved.

An update on the risk recommendations between 2009-10 to 2014-15, as well as recommendations from the 06-14 Health and safety report, identified 2 Medium and 1 Low risk recommendations yet to complete. It was noted that there was 1 Medium recommendation that no longer applied.

It was reported that the Medium recommendations were covered in the Audit Recommendation Tracker which was later on the agenda.

Members reviewed the medium risks discussing the action taken to date.

A governor raised an issue over communication between staff as there appeared to be confusion at another committee as to whether Pro Monitor had been replaced. It was commented that this action looked as though it had not been disseminated fully. These matters were noted by the Chief Executive.

Governors congratulated staff on good audit reports.

Resolved:

i. That the Committee accepts the reports, as presented.

ii. That the Stakeholder engagement and client management report be presented to the Quality Committees for consideration.

NL

	<p>iii. That the Financial forecasting and budgetary control report be presented to the Finance and Resources Committee for consideration.</p>	NL
9.	<p>Internal Audit Annual Report (Year ending 31 July 2015)</p> <p>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 <p>The auditors concluded that they were satisfied that sufficient internal audit work had been undertaken to allow them to draw a reasonable conclusion as to the adequacy and effectiveness of the College’s risk management, control and governance processes. In their opinion the College had adequate and effective risk management, control and governance processes to manage the achievement of its objectives. They were also satisfied that, based on the work completed, management had implemented adequate arrangements in respect of economy, efficiency and effectiveness.</p> <p>It was reported that the annual internal audit plan, agreed by the audit committee, was for a total of 51 days and auditors confirmed that they had delivered 51 days during 2014-15.</p> <p>The 2014-15 annual internal audit plan identified 10 reviews and one follow up review of previously agreed internal audit recommendations. Therefore, a total of 11 reports had been issued with the opinion ratings on each identified.</p> <p>The recommendations for improvement within each report showed no high risks, 3 being medium and 11 of low risk.</p> <p>Resolved:</p> <ol style="list-style-type: none"> i. That the report is received and is recommended to the Board for approval. ii. That governors congratulate staff on a very good report which reflects the hard work undertaken during the year. 	NL
10.	<p>ILR Audit Report</p> <p><u>Funding assurance report (Partnership controls and spot checks) 2014-15</u></p> <p>The ILR report 2014-15 was presented for consideration. The report covered the following areas:</p> <ul style="list-style-type: none"> • Executive summary • Key findings and recommendations • Action plan <p>In the auditors view the overall controls on Individualised Learner Record (“ILR”) data within the College were Satisfactory/Weak.</p> <p>Areas for further development and the three areas of good practice were</p>	

highlighted and noted. There was 1 High risk recommendation, 3 Medium and 3 Low risks.

The auditors responded to questions from governors; these included:

Q. Anything found to be untoward (Due diligence)? No,

Q. Regarding 'Employment', any illegal practices around apprentices? None.

Q. Improving picture? College controls were sound, the greater risk was Partnership activity which was why management had asked auditors to focus on that particular area and undertake a full investigation on processes.

Q. Consequences for College? None as issues had been addressed by management. It was noted that in other Colleges there were often more than 1 red recommendation within reports. Partnership was a difficult area to manage as there were a wide range of partners. This area had grown quickly and required further improvement. Members of the Senior Executive Group had been tasked with specific areas to lead on.

The Chair highlighted that management were directing auditors to areas of potential concern thereby demonstrating that they were being open and transparent.

Substantive and DSATs

The above mentioned report covered the following areas:

- Executive summary
- Key findings and recommendations
- Action plan

A number of errors had been identified within the College's ILR data which required amendment. Subject to these being corrected across the entire population, the auditors were of the view that there were no material errors in the College's funding claim in the areas reviewed.

Two Medium and 1 Low risk recommendations were identified.

Q. Careless marking? Yes, with registers.

Q. There were 1085 entries in the DSAT where learners were in learning beyond their planned end date where the planned end date was greater than 3 months from the ILR production date? Auditors clarified that they were not suggesting anything was wrong but for staff to check to see if they were still in learning and whether there was an impact on funding.

Q. Why so many? There could be administration errors, timing issues etc. LW explained that the amount of information on each student was considerable despite what course they were undertaking. LW stated that the College had a strong MIS Manager and she was pleased with the MIS in general.

It was suggested that new governors should be shown what MIS systems the College had to enable them to understand the work undertaken.

It was stressed that this report was in addition to the audit plan and was not

	<p>compulsory. LW commented that a number of colleges had dropped this report but at South Tyneside College it had been retained as it was felt to be important and it would be retained for as long as the College could afford it.</p> <p>Resolved: That the Committee accepts the report, as presented.</p>	
<p>11.</p>	<p>Audit Plan and Strategy 2014/15</p> <p>The Audit Plan and Strategy 2014/15 was presented and outlined to the members of the committee for their consideration.</p> <p>This document described how KPMG would deliver the audit for South Tyneside College and its subsidiary for the year ending 31 July 2015.</p> <p>The report covered the following areas:</p> <ul style="list-style-type: none"> • audit approach • audit timetable and communications • materiality and reporting of audit differences • areas of audit focus • the Audit team • fees • independence <p>It was reported that preliminary discussions had been held with management regarding risks.</p> <p>HB confirmed that the fees for the audit had been checked.</p> <p>The Audit Committee were of the view that this report was important as it identified risks and provided value for money.</p> <p>Resolved:</p> <ol style="list-style-type: none"> i. That the Committee receives and agrees the report. ii. That governors agree that the de minimis threshold for reporting matters to the Audit Committee shall be £31,000. 	
<p>12.</p>	<p>Internal Audit Plan 2015-16</p> <p>This strategic and annual internal audit plan set out the scope of the planned work to be undertaken by internal audit for 2015-16 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 2015-16 based on those areas viewed as of greatest benefit. The reviews planned for 2015-16 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 Audit Committee satisfied that sufficient assurances are being received 	

	<p>within our annual plan to monitor the organisation's risk profile effectively?</p> <ul style="list-style-type: none"> • Does the strategy for Internal Audit cover the organisation's key risks as they are recognised by the Audit Committee? • Are the areas selected for coverage this coming year appropriate? • Is the Audit 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 for 2015-16 is recommended to the Board for approval.</p>	NL
13.	<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 were asked to advise if there had been any further progress and the tracker had been updated accordingly.</p> <p>Members considered the updates on the issues within the Tracker.</p> <p>Governors had an expectation that the Appraisal Policy would be tied in with the Succession Planning programme due to be presented to SEG in October.</p> <p>Resolved: That the report is received and agreed.</p>	
14.	<p>Review of Internal Audit Performance</p> <p>The committee was informed that the auditors had deployed the days as per their report, had met the agreed performance indicators and had completed the internal audit assignments agreed with the College.</p> <p>It was reported that Senior Management were pleased with the auditors' performance.</p> <p>Resolved: That the report is received and accepted.</p>	
15.	<p>Any Other Business</p> <p>The Chair and Christine Smith took an opportunity to thank the members of the committee for their support over the years and wished them well for the future.</p> <p>On behalf of the Committee, LW thanked Ray Staward and Christine Smith for their work with the Audit Committee and their contribution, support and challenge given during their time as governors of the College Board.</p>	
16.	<p>Identification of Confidential Items</p> <p>None.</p>	

17.	Date and Time of Next Meeting The next Audit committee meeting would be held as scheduled on 18 November 2015 at 4.00pm. It was noted that the Year End Accounts Working Party would commence prior to that at 2.30pm.	
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Signed:

Date: