

Minutes of a Meeting of the Audit Committee

Venue: Conference Room 1, South Tyneside College

Date: Wednesday 27 November 2019

Time: 3.58 pm – 5.22 pm

Present: Sheila Alexander (Chair)
Jane Cuthbertson
Bernard Garner
Mark Overton

In Attendance: Neil Longstaff (Director of Governance)
Mandy Oram (Minutes: Snr Governor Support Officer & PA to CE)
Steve Chittenden (Head of Finance)
David Mitchell (KPMG)
Maria Grady (KPMG)
Stuart Raw (KPMG)
Rob Burnett (RSM)

| ITEM NO. | ISSUES | ACTION |
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| 1. | <p>Meeting with Auditors in Absence of Management</p> <p>The Chair welcomed everyone to the meeting.</p> <p>Jane Cuthbertson (JC) and Steve Chittenden (SC) were asked to leave the meeting</p> <p>KPMG stated that there had been changes in terms of the finance team, which had created a significant gap without a figure head but that this had not caused any problems. SC had been on top of numbers and there had been no worries about underlying numbers. JC now in post and reviewing process with a view to make improvements. RSM had met with JC to cover protocols and felt there had been a slight lag due to the transition period.</p> <p>Q. Did the lag suggest that the process was not right? No, it had been with who had been delegated with regards to information for 2018/19 all was now up to speed for 2019/20 it had just been slower with regards to the return of information to what had been the norm.</p> <p>Q. Had there been any issues since the merger in terms of integration of systems, how was integration seen in terms of understanding of role and breaking barriers? The reports spoke for themselves in that areas were green, which was not common in a newly merged college, it would normally take a couple of years to be in this position. There were no issues to bring to the attention of governors, there had been strong report.</p> <p>Jane Cuthbertson and Steve Chittenden (SC) joined the meeting.</p> | |
| 2. | <p>Apologies for Absence</p> <p>None.</p> | |
| 3. | <p>Declarations of Interest</p> | |

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| | The Chair reminded members to declare any conflicts of interest as they arose on the agenda. | |
| 4. | <p>Minutes of the Previous Meeting and Matters Arising</p> <p>The minutes of the Audit Committee meeting held on 19 June 2018 subject to the changes below, were agreed and signed by the Chair.</p> <p>The request was made for a change to be made to the minutes to show that Philip Church represented RSM and not PwC.</p> <p>Matters arising</p> <p><u>4.1 Internal Audit Strategy 2018-21 and Audit Plan 2019-20</u></p> <p>It was noted that this strategic plan and annual internal audit plan that set out the scope of the planned work to be undertaken by internal audit for 2019-20 within a wider 3 year strategy, had been approved by the Board.</p> | |
| 5. | <p>Committee Workplan 2019/20</p> <p>The purpose of the paper was to provide the Committee with a Workplan for 2019/20. NL informed members that the plan had been approved by the Board with and future changes or additions needing to go to the Board for approval.</p> <p>Resolved: That the Committee accepted the report as presented.</p> | |
| 6. | <p>Review of Committee's Performance against Terms of Reference</p> <p>The purpose of the report was to provide an update on the performance of the Audit Committee during 2018/19</p> <p>Members of the Committee (2018/19) had been asked to complete an online survey to review the Audit Committee's performance during the previous financial year. There had been no areas identified as being ineffective overall or below satisfactory. There was a 100% return rate to the survey, with the average score of 3.</p> <p>Membership of the Committee had been looked at by the Governance and Search Committee with recommendations made to the Board.</p> <p>Members were advised that George Clark would be re-joining the Committee in the New Year. Steps were being taken to increase the membership of the Committee.</p> <p>Resolved: That the Committee accepted the report, as presented.</p> | |
| 7. | <p>Internal Audit Reports</p> <p>The reports detailed below were presented to the members of the committee.</p> <p><u>7.1 Internal Audit Progress Report</u></p> <p>Four reports had been finalised since the last Audit Committee meeting which would be detailed below. Two reports related to 2018/19 internal audit plan and the remaining two related to 2019/20 internal audit plan.</p> <p><u>7.2 Risk Management</u></p> | |

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| | <p>The Strategic Risks had not been able to be presented to the Management Group due to transition over three months of staff. Updates had been made to the Risk Register policy and risk owners are to complete training and departmental review of risk registers.</p> <p><u>7.3 Key Financial Controls</u></p> <p>The overall opinion had been formed by undertaking interviews with key staff at the College and sample testing the documentation retained regarding the cash and bank process.</p> <ul style="list-style-type: none"> • Medium management action – Z-reports from the restaurant and florist had not been submitted to Finance with the takings. <p>Q. The find regarding Z-reports had this meant that the process had never been operated? In certain places but not in the areas looked at. Z-reports had been available for the department but not attached to paperwork.</p> <p><u>7.4 Business Continuity Planning</u></p> <p>Testing highlighted that the College had adequate controls in place to deal with potential business continuity related events. The College had responded well to the three business continuity incidents that had occurred within in the last three years and had produced reports to document the lessons learnt from each event. It had been found that the Business Continuity Policy had needed names changing due to changes in staff and some key information had been missed.</p> <p>Q. When would this be re audited? Audits was undertaken once every three years unless a problem arose, a risk-based approach was taken.</p> <p>A progress report would be provided with NL covering Medium/High risks.</p> <p><u>7.5 Safeguarding and Prevent – Work Based Learning</u></p> <p>The review confirmed that there was a robust safeguarding framework in place. A minor deviation from the stated framework had been identified which resulted in a medium priority action related to the issuing of updated guidance and ensuring that subcontractors update their policies and internal frameworks to reflect this.</p> <p>Resolved: That the Committee accepts the reports, as presented.</p> | |
| 8. | <p>Internal Audit Annual Report</p> <p>The College had an adequate and effective framework for risk management, governance and internal control. Management had agreed actions to address al of the findings reported by internal audit during 2018/19. Follow up of actions agreed to address previous years’ internal audit findings showed that the College had made reasonable progress in implementing the agreed actions.</p> <p>Q. The Bar Chart at 2.2 and the report did not indicate if the timescale had been met? Actions had been agreed by the Management Team, six had pasted the implementation date. JC confirmed that she would look into this to see what could be done as she had an audit background.</p> | JC |

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| | <p>A summary of the work undertaken to date had shown overall positive for the year.</p> <p>Resolved: That the Committee receives and agrees the report.</p> | |
| 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 at high or medium risk, which were overdue for implementation. All personnel which 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 in red.</p> <p>The request was made for a date line to be added to the summary to show completion and if late by how much.</p> <p>Resolved: That the report is received and accepted.</p> | NL |
| 10. | <p>Regularity Audit Questionnaire</p> <p>This report was to inform governors of the work and evidence the College had provided the external auditors in order to carry out their work on regularity.</p> <p>The Regularity Audit checked that the College had used the funds provided by government for the purposes intended in the grant or contract. The audit was carried out as part of the external audit process and the College 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>Q. Was this standard for all colleges? Yes.</p> <p>Resolved: That the committee recommends that the Chair and Chief Executive formally sign the completed questionnaires.</p> | |
| 11. | <p>Audit Committee's Annual Report</p> <p>The purpose of the report was to summarise the Committee's activities relating to the financial year under review. Approval was sought and for agreement for the report to be taken to the Board. Activity undertaken over the last year:</p> <ul style="list-style-type: none"> • Membership • Terms of Reference • Meetings • Self Assessment <ul style="list-style-type: none"> ○ Training on risk incorporated to show carried out in June • Summary of reports • Comments from auditors <p>Q. This was just for approval? Yes, as it gives assurance to the Board for sign off.</p> <p>Q. What was the definition of reasonable, how would it be defined to ensure it was ok? No high risk issues, no overall problems, that the framework was in place. It could not be quantified as each area had a different level of risk.</p> | |

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| | Resolved: That the report is approved and is to be presented to the Board for information. | |
| 12. | <p>Annual Report on Risk Management 2018/19</p> <p>The purpose of this report was to provide the Committee with an update on Risk Management in order to assist in the review of the College framework of Governance and Internal control.</p> <p>The Chief Finance Officer informed the Committee that the following activity had taken place since the last annual update on risk management:</p> <ul style="list-style-type: none"> • The corporate risk register had been reviewed regularly by the Senior Executive Group (SEG) and was attached to the report. • Internal audit review of risk management at Tyne Coast College (TCC). • Operational risk registers for all areas of TCC were now being reviewed at performance monitoring meetings. • Increased awareness of the recording of risk control assurances across the College. • The College risk appetite was shown with on 5% of residual risks being primary risks. <p>The Committee were asked to consider if they were comfortable with the spread of risk.</p> <p>Resolved: That the Committee receives and agrees the report.</p> | |
| 13. | <p>Annual Report and Financial Statements for the Year Ended 31 July 2019 including Regularity Audit Opinion, Management Letter and Representation Letter</p> <p>Confidential Item until signed off by Board</p> | |
| 14. | <p>Annual Report on Disclosures made under Public Interest Disclosure Procedure</p> <p>There were none to report.</p> <p>Auditors left the meeting</p> | |
| 15. | <p>Annual Report on Data Protection</p> <p>The purpose of the report was to provide the Committee with the annual report on the College's implementation of the General Data Protection Regulations and provide an update on progress.</p> <p>The Business Operations Manager, Craig Scott (CS) highlighted:</p> <ul style="list-style-type: none"> • Greatest data loss risk was via compromised of electronic systems • All staff had completed online modules for Data Protection and Information Security training. • Face to face training had been delivered to targeted staff on specific relevant topics • Five personal data breaches had taken place two of which had been reportable to the ICO with no action needed to be taken. | |

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| | <ul style="list-style-type: none"> • Breaches to date had been the result of human error, additional technical measures were being implemented to minimis this risk. • Six Right to Access requests had been received, one was in the process at this moment in time with four completed within one month. • Extensive technical and organisational measures had been implemented in May 2018 with further measures planned to be implemented in the next 12 months. <p>Q. Was Right of Access the same as Freedom of Information (Fol)? No FOI information was information that would be beneficial to the public eg contract, salary information. Right of Access request were from organisation who would require all information held with all data being provided that related to that person. The process was time consuming with CS providing exact details.</p> <p>Resolved: That the Committee accepts the report as presented.</p> | |
| 16. | <p>Review Internal and External Auditors Performance/Appointment or dismissal of Auditors and Remuneration 2019/20.</p> <p>Both had been extended for two years and were due to end in 2020, this being the case both would need to go out to tender in January 2020.</p> | |
| 17. | <p>Letter from ESFA re Bourneville College – referred by Finance and Resources Committee.</p> <p>NL informed the Committee that the Letter had been referred by the Finance Committee for comments to be feed back to the Board.</p> <p>Q. What had been the issue: The letter had been issued from ESFA regarding Bournville College to inform that as Chair it was essential to know about the College. JC added that a report had been completed to ensure that the issues highlighted in the report were not carried out at TCC, there had been a tightening of procedures with training sessions booked for January.</p> <p>JC assured the Committee that overall there were no issues and that the information would be going to the Board.</p> <p>Q. What did the F&R Committee want the Audit Committee to do? It was just for awareness the Chair of the F&R Committee also received the letter.</p> <p>Q. Did the associated report go to F&R as it didn't appear in the papers? The report was attached at the back of the letter.</p> <p>Q. How was the investigation initiated? It had been initiated by KPMG in Birmingham though not sure how it could have been a whistle-blower to the FE Commissioner who instigated the investigation. The College concerned no longer exists.</p> | |
| 18. | <p>Any Other Business</p> <p>None.</p> | |
| 19. | <p>Identification of Confidential Items</p> | |

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| | Item 13 – Annual Report and Financial Statements for the Year Ended 31 July 2019 including Regularity Audit Opinion, Management Letter and Representation Letter. (until accounts published) | |
| 20. | Date and Time of Next Meeting Wednesday 4 March 2020 at 4.00 pm at STC. | |

Signed:

Date.....

**CONFIDENTIAL ITEMS DISCUSSED AT A MEETING OF AUDIT
COMMITTEE HELD ON 27 NOVEMBER 2019**
(To be monitored and released when reason for confidentiality has passed)

| Item No. | ISSUES | ACTION |
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| 13. | <p>Annual Report and Financial Statements for the Year Ended 31 July 2019 including Regularity Audit Opinion, Management Letter and Representation Letter.</p> <p>The Committee were informed that the Report had been to the Finance and Staffing Committee meeting the evening before and that the suggestion had been put forward suggesting the narrative on page 46 of the report in regards to pension be explain in a more relevant way from non-financial members. The deficit had been because of pension liabilities and that ok as a College. RSM commented that there were a few minor points that would be feedback to JC after the meeting.</p> <p>Q. It would be an advantage to understand how the deal was going forward which could be picked up in the narrative? Agreed, narrative would be put in about the building in EBITA to explain fully.</p> <p>Page 31 was an extended item and could reasonably be added/removed to get adjusted operating number working and will advise JC.</p> <p>JC confirmed that discussion had been held with senior manager and that they were aware of upcoming events. In turn managers were being encouraged to think and talk more about risks.</p> <p><u>Revenue Recognition</u></p> <ul style="list-style-type: none"> • Judgement at year end, nothing of issue no error in numbers. <p><u>Management override of controls</u></p> <ul style="list-style-type: none"> • Nothing unusual seen in transactions, no issues, journals work <p><u>Pension</u></p> <ul style="list-style-type: none"> • Nothing to flag or unusual seen. <p><u>Overall financial position and going concern</u></p> <ul style="list-style-type: none"> • Cash balance still healthy, positive information to make as not all colleges are in this position. • Notification £600k for Teacher Pension fund announced after budge signed off. <p>Q. Was the age profile of employees looked at? Looking more at driving numbers, budget on assumptions with criteria built in eg deliver of course retires, won't pick up if department has plan for those going forward.</p> <p><u>Regularity</u></p> <ul style="list-style-type: none"> • No issues to report in respect of the above. <p>Q. When was the next actuarial review? Next year.</p> <p>Resolved: That the Committee receives and agrees the report with the change to narrative.</p> | <p align="center">SC</p> <p align="center">RSM</p> |

CHAIR DATE