

Minutes of a Meeting of the Audit Committee

Venue: STC Conference Room 1 / TEAMS

Date: Thursday 13 June 2024

Time: 10.00am – 11.40am

Present: Clive Johnson (Chair)
Martin Alexander
George Clark

In Attendance: Lindsey Whiterod (Chief Executive Officer)
Neil Longstaff (Director of Governance)
Jane Cuthbertson (Chief Operating Officer)
Claire Pinkney (Contracts and Procurement Manager)
Scott Bays (Head of MIS)
Craig Scott (Director of IT)
Mike Gibson (RSM)
David Hoose (Forvis Mazars)
Karen Ritchie (Head of Finance)

ACTION TRACKER

Item	Summary of Action Required	By whom	Status	Comment / Update
Meeting of the 13 June 2024				
8.	<u>Internal Audit Plan and Strategy 2024-25 and 2026-27</u> the Audit Plan and Strategy 2024-25 and 2026-27 and Internal Audit Charter are recommended to the Board for approval subject to any further amendments deemed necessary by the COO after taking into account the Committee's comments.	JC		Approved by Board
11.	<u>Risk Management</u> Next deep dive on risk? The CEO and COO were to consider and recommend at the next meeting.	LW/JC		Review to be undertaken of the risk management framework with reference to the internal audit report recommendations, the recent External Governance review and a recent visit to East Kent College to adopt best practice and incorporate into the College and present to next audit committee.
12.	<u>Annual update on risk assessment - fraud and bribery</u> Governors felt that the students should receive counselling with regard to this matter. JC was to check.	JC		Should a situation like this occur again, counselling will be offered to students

13.	<u>Review of Corporate Social Responsibility Policy</u> the Audit Committee agree to recommend the policy to the Board for approval.	JC		Approved by Board
14.	<u>College Financial Handbook</u> Governors suggested that a short 'mini-training course' be created for staff.	JC		This will be developed in the new year
	i. That the Audit Committee agree to recommend the Handbook to the Board for approval.	JC		Approved by Board
	ii. That a short precis/checklist be produced for the Board for information.	JC		This will be developed in the new year

MINUTES

ITEM NO.	ISSUES	ACTION
1.	<p>Meeting with Auditors in Absence of Management</p> <p>The Chair welcomed everyone to the meeting.</p> <p>RSM auditor stated that the programme for 2023/24 was progressing well, there had been full engagement by management to date and announced that there were no issues or concerns to report to the Committee.</p> <p>David Hoose (Mazars) commented that he had no concerns to raise with the Committee. A planning meeting had been held with JC and there had been full co-operation by staff.</p> <p>The Chair indicated that there were a couple of items on the agenda that were concerning and sought the views of the auditors on these matters.</p> <p>RSM stated that any areas of identified fraud would be considered but none raised as yet.</p> <p>Mazars indicated that the AtkinsRealis issue would be considered as part of the audit process and might need a provision in the accounts but the theft was below the level of reporting.</p> <p>With regard to the breach of contract, the Chair indicated that it appeared an uncomfortable situation in many respects and the College needed to prevent such situations happening again. It was suggested that procurement or contractual compliance could be a future audit report.</p> <p>DH stated that the question should be asked whether something had happened that might be considered novel, contentious, or repercussive, which must always be referred to the DfE for prior approval. However, JC was to prepare a paper to confirm the College had followed due process.</p>	
2.	<p>Staff joined the meeting.</p> <p>Apologies for Absence</p> <p>The Committee approved apologies for absence received from Jackie Watson after having first considered the reasons for her absence.</p>	
3.	<p>Declarations</p>	

	<p>i. <u>Declarations of Interest</u></p> <p>The Chair reminded members to declare any conflicts of interest as they arose on the agenda.</p> <p>There were standing declarations for links to Tyne Coast Academy Trust for the CJ.</p> <p>ii. <u>Business to be raised under Item 16</u></p> <p>None.</p>	
<p>4.</p>	<p>Minutes</p> <p>The minutes of the Audit Committee meeting held on 12 March 2024 were approved and to be signed.</p> <p>Matters arising not covered on the agenda or tracker</p> <p>Actioned as shown on the Action Tracker.</p>	
<p>5.</p>	<p>Approval of Financial Statements Audit Plan 2023-24 (Audit Strategy Memorandum)</p> <p>DH presented Forvis Mazars Audit Strategy Memorandum for the College for the year ending 31 July 2024.</p> <p>The purpose of this document was to summarise Forvis Mazars audit approach, highlight significant audit risks and areas of key judgements and provide governors with the details of the audit team. As it was a fundamental requirement that an auditor was, and was seen to be, independent of its clients, the section titled ‘Confirmation of our independence’ of this document also summarised Forvis Mazars considerations and conclusions on their independence as auditors.</p> <p>DH explained that Forvis Mazars considered two-way communication with the College to be key to a successful audit and important in:</p> <ul style="list-style-type: none"> • Reaching a mutual understanding of the scope of the audit and the responsibilities of both parties. • Sharing information to assist both parties to fulfil their respective responsibilities. • Providing the College with constructive observations arising from the audit process; and ensuring that Forvis Mazars, as external auditors, gain an understanding of the College’s attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the College which might affect the audit, including the likelihood of those risks materialising and how they were monitored and managed. <p>Therefore, this document was the basis for a discussion around the audit approach, any questions, concerns or input the College might have on Forvis Mazars approach or role as auditor.</p> <p>Governors’ attention was drawn to the change of name for Mazars to Forvis Mazars but there was no impact on the service to the College. It was noted that there were no significant changes to the Post-16 Audit Code of Practice and Accounts direction to highlight. In terms of risk, there were nothing new to focus upon. Other matters discussed with management were:</p> <ul style="list-style-type: none"> • The College’s proposed further restructuring before the year-end 	

	<ul style="list-style-type: none"> • The College’s ongoing capital projects and any potential decisions that might be made around the viability of those projects • The College’s ongoing dispute with AtkinsRealis <p>Q. Why are audit fees separate? Non audit fees were reported separately as part of Forvis Mazars ethical guidance.</p> <p>Resolved: That the Committee receives and agrees the report.</p>	
<p>6.</p>	<p>Internal Audit Reports</p> <p>The reports detailed below were presented to the members of the committee.</p> <p><u>6.1 Internal Audit Progress Report</u> Governors were reminded that the Audit Committee had approved the Internal Audit Plan for 2023/24 at its meeting on 14 June 2023.</p> <p>This report provided an update on progress made against that plan and summarised the results of RSM’s work to date.</p> <p>No issues had been encountered at this stage with regards to delivery and all audits were on track.</p> <p>A request for an additional audit on Apprenticeship Funding Assurance was noted.</p> <p>Q. Partial assurance on Fixed Assets Controls, how concerned should governors be? Auditors indicated that it would be something to take into account as part of their audit but there appeared to be no concerns.</p> <p>JC stated that this would be in hand ahead of the audit but it was a report that had been sought by the College and the recommendations within the report were welcomed. Governors did note the low level of the values involved but auditors stressed that it was about the process (the control environment) being examined rather than the amount. As concerns were found, it resulted in partial assurance being given.</p> <p>RSM/KR responded to a question around the recording of a variance within the capital suspense account.</p> <p><u>6.2 Data Protection: Subject Access Requests</u> This review focussed on processes in place to manage subject access requests.</p> <p>As a result of the review, two low priority management actions had been agreed.</p> <p>Taking account of the issues identified, the Committee was informed that it could take substantial assurance that the controls upon which the organisation relied to manage the identified risk were suitably designed, consistently applied and effective.</p> <p>A governor commented that he would have been disappointed if this report had been anything less than good given the amount of work undertaken to date.</p> <p><u>6.3 Apprenticeship Funding Assurance</u> The College was responsible for ensuring compliance with the Funding Rules that formed part of the terms and conditions of the funding agreement between the Education and Skills Funding Agency (ESFA) and the College. This review had been undertaken in</p>	

	<p>accordance with aspects of the ESFA's assurance methodology which was designed to ensure providers managed the key risks relating to the ESFA's funding requirements and that public funds had been used appropriately and for the purposes for which they were intended.</p> <p>In completing the agreed programme of work on the College's ILR, RSM had identified exceptions where the College could not demonstrate compliance with the Funding Rules. The exceptions identified had resulted in errors in the funding being claimed.</p> <p>Through their testing RSM had identified five 'Medium' and eleven 'Low' priority actions for management.</p> <p>Responding to a question it was confirmed that this report was not related to the 16-18 funding report.</p> <p>Q. This was about ensuring the issues raised don't happen again or is it always going to be a problem? SB stated that the issues identified were somewhat mechanical and most had already been addressed through a review of College systems. However, there was one issue which would remain (calculation of off the job hours used by the College). SB explained that the College used the calculator issued by the DfE and the College was content with this approach as it was complaint.</p> <p>Resolved: That the Committee accepted the audit reports as presented.</p>	
7.	<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 due/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 all management actions had been addressed.</p> <p>Resolved: That the report is received and accepted.</p>	
8.	<p>Internal Audit Plan and Strategy 2024-25 and 2026-27</p> <p>This Audit Plan and Strategy set out the scope of the planned work to be undertaken by internal audit for 2024-25 and 2026-27.</p> <p>This plan was developed based on analysing the corporate objectives, risk profile and assurance framework as well as other, factors affecting Tyne Coast College in the year ahead, including changes within the sector.</p> <p>The Committee was asked to approve the Internal Audit Plan and associated Internal Audit Charter</p> <p>Potential internal audits were identified and prioritised based on areas viewed as of greatest benefit.</p>	

	<p>Q. Capital project – any value in covering particularly as the governance arrangements were highly commended by the DfE. Therefore, a focus can go on something else? The planned report was more to do with the ongoing monitoring of the project but it could be reviewed.</p> <p>Q. Reserve in hand if the Capital Project is not followed up? Yes, one of the other planned audits could be brought forward if needed.</p> <p>Q. Apprenticeships report? The planned report was more operational rather than funding assurance.</p> <p>The Chair commented that he was pleased to see the planned audits on the workforce/staffing and apprenticeships. It was suggested that one of the high risks on the Risk Register could be brought forward as a report.</p> <p>Resolved: That the Audit Plan and Strategy 2024-25 and 2026-27 and Internal Audit Charter are recommended to the Board for approval subject to any further amendments deemed necessary by the COO after taking into account the Committee’s comments.</p> <p><i>CS and SB left the meeting</i></p>	JC
9.	<p>Breach of Contract</p> <p>Confidential Item</p>	
10.	<p>Refectory Theft</p> <p>Confidential Item</p>	
11.	<p>Risk Management (update on current key risks and action plan)</p> <p>The purpose of the report was to provide the Audit Committee with an update on risk management to assist them in reviewing the college framework of governance and internal control.</p> <p>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 was regularly reviewed by the College Management Team (CMT) and was attached to this report. • Operational risk registers for all areas of Tyne Coast College were reviewed at performance review meetings. • The college risk appetite was shown with only 8.9% of residual risks being primary risks. The committee was requested to consider if they were comfortable with this spread of risk. <p>Responding to a question, KR explained how the action required reduced the inherent risk (KR was planning to show the Target risk functionality on the system).</p> <p>A governor sought benchmarking information around risks to establish whether the College’s risks were in line with other Colleges.</p> <p>Q. Are management comfortable with the risks identified and actions taken to mitigate the risks? The CEO stated she was very comfortable managing risk and profile, and the approach was always to be open and honest.</p> <p>One strategic risk for the FE College was the state of the buildings compared to its competitors, whereas the Marine School was an income generator and performed well</p>	

	<p>against its competitors but was hit hard during Covid as it relied heavily on international students.</p> <p>Q. Next deep dive on risk? The CEO and COO were to consider and recommend at the next meeting.</p> <p>Resolved: That the committee agree to receive the report and are satisfied that the college has appropriate procedures for the consideration of risk management in its activities.</p>	LW/JC
12	<p>Annual update on risk assessment in relation to fraud and bribery</p> <p>This report was to inform governors on any fraud and bribery allegations against the College.</p> <p>The Committee was requested to note that no staff or organisations working on behalf of the College had been accused of fraud or bribery but there had been attempts by third parties to defraud the College, which had not been successful.</p> <p>It was also reported that the College had identified that 2 students had been falsifying student services slips to claim further cash from the cashier. The Principal had suspended the students in question as it was felt this was a suitable punishment.</p> <p>The Committee noted the actions that had been taken by the College to further strengthen internal controls.</p> <p>Governors felt that the students should receive counselling with regard to this matter. JC was to check.</p> <p>Resolved: The committee agree to receive the report, noting that no staff or organisations working on behalf of the College have been accused of fraud or bribery.</p>	JC
13	<p>Review of Corporate Social Responsibility Policy</p> <p>The purpose of the report was to review the Corporate Social Responsibility Policy before seeking approval to adopt by the Board.</p> <p>The Corporate Social Responsibility Policy was last approved in June 2021 and the proposed updates were highlighted to governors.</p> <p>Resolved: That the Audit Committee agree to recommend the policy to the Board for approval.</p>	JC
14	<p>College Financial Handbook</p> <p>This report was to inform governors about the College Financial Handbook.</p> <p>It was noted that the ESFA had published for the first time a College financial handbook. The handbook represented the outcome of extensive joint work with the sector and aimed to bring together the key elements of the financial management and governance framework for colleges.</p> <p>The handbook comprised elements that had been in place for several years, combined with the new elements arising from the reclassification of the sector in late 2022. The</p>	

	<p>handbook did not introduce any new significant requirements but drew on those already communicated and included in the series of 'bite size' guides, published in early 2023.</p> <p>The handbook was to come into force from 1 August 2024 and would form part of the College accountability agreement from that point onwards.</p> <p>JC reported that staff would receive a copy of the handbook and would be required to sign to state that they have read and understood the document.</p> <p>Governors suggested that a short 'mini-training course' be created for staff.</p> <p>Resolved:</p> <p>i. That the Audit Committee agree to recommend the Handbook to the Board for approval</p> <p>ii. That a short precis/checklist be produced for the Board for information.</p>	<p>JC</p> <p>JC</p> <p>JC</p>
15.	<p>Feedback from Business and Stakeholder Groups</p> <p>None.</p>	
16.	<p>Any Other Business</p> <p>None.</p>	
17.	<p>Date and Time of Next Meeting (tbc)</p> <p>Governors thanked CJ for his service on the Committee particularly as Chair, in light of a forthcoming move across onto the Finance and Resources Committee.</p>	
18.	<p>Identification of Confidential Items</p> <p>Resolved: That the following items are to remain confidential:</p> <ul style="list-style-type: none"> • Item 09 - Breach of Contract • Item 10 - Refectory Theft 	

Signed:

Date.....