

Minutes of a Meeting of the Audit Committee

Venue: STC Conference Room 1 / TEAMS

Date: Tuesday 6 December 2022

Time: 4.00pm – 6.05pm

Present: Clive Johnson (Chair)
Sheila Alexander
Mark Overton
Jackie Watson

In Attendance: Lindsey Whiterod (Chief Executive Officer)
Neil Longstaff (Director of Governance)
Jane Cuthbertson (Chief Finance Officer)
Simon Ashton (SSMS Principal)
Steve Chittenden (Head of Finance)
Craig Scott (Director of IT)
Robert Barnett (RSM)
Chris Barstow (Mazars)(TEAMS)

ACTION TRACKER

Item	Summary of Action Required	By whom	Status	Comment / Update
Meeting of the 27 June 2022				
7.	Internal Audit Reports That the Mental Health and Wellbeing questionnaire be reissued by the College in February 2023 (one year on from the initial circulation).	LWh		Scheduled

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>Mazars auditor stated that there had been full engagement by management, which resulted in a smooth audit process and announced that there were no issues to report to the Committee.</p> <p>RSM endorsed the views of Mazars confirming that there were no areas of concern to report.</p> <p>Q. Are there internal control processes to inform the risk register and audit plan? Auditors confirmed processes were in place and gave examples.</p> <p>Responding to a question CB explained that Mazars did not place any reliance on internal audit other than minor work around the ILR.</p> <p>LWh, SA, CS, SC and JC joined the meeting.</p>	

2.	<p>Apologies for Absence</p> <p>There were no apologies for absence to be received.</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 following: AW, MO, LWh and JC.</p> <p>ii. <u>Business to be raised under item 18</u></p> <p>None reported at this stage in the proceedings.</p>	
4.	<p>Minutes</p> <p>The minutes of the Audit Committee meeting held on 27 June 2022 were approved and signed by the Chair subject to Simon Ashton being added to those in attendance.</p> <p>Matters arising not covered on the agenda or tracker</p> <p>None.</p>	
5.	<p>Review of Committee Performance against TOR</p> <p>The purpose of the report was to provide an update on the performance of the Audit Committee during 2021-22.</p> <p>Members of the Committee (2021-22) had been asked to complete an online survey to review the Audit Committee's performance during the previous financial year.</p> <p>The feedback received indicated that there were no areas identified as being ineffective or below satisfactory. The overall score was very good. There was a 100% return rate to the survey. It was noted that the judgement had been incorporated into the Committee's annual report to the Board.</p> <p>NL responded to questions from governors.</p> <p>Resolved: That the Committee accepted the report, as presented.</p>	
6.	<p>Committee Workplan 2022-23</p> <p>The purpose of the paper was to provide the Committee with a Workplan for 2022/23.</p> <p>NL informed members that the plan had been approved by the Board but there was an opportunity to review and update the future business to be conducted, if required.</p> <p>Q. Anything to add from Senior Management re. new build? No, as oversight of the New Build was given to the New Build Task Group.</p> <p>A governor indicated that the next two terms were likely to be busy and if something</p>	

	<p>needed and could be deferred then this should be given careful consideration.</p> <p>Resolved: That the Committee accepted the report as presented.</p>	
7.	<p>Annual Report on Data Protection and Policy</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 Regulation and provide an update on progress.</p> <p>CS highlighted the following:</p> <ul style="list-style-type: none"> • Number of incidents had slightly declined in this reporting period, 42 incidents vs 49. • 6 data breaches, 5 minor, 1 major (reported to Information Commissioners Office (ICO)) • Phishing simulation training exercises now being run termly, compromise rates significantly below exercise benchmarks. • Technical & organisational measures enhanced with additional controls, include requirement for all students to use Multi-factor authentication (MFA) for remote access. • Staff Data Protection Committee established November 2022; membership includes staff from across the college. • Data Protection Policy had been updated to cover the change in the Data Protection Officer for the College. <p>Governors sought assurances that even though the change in the DPO was permitted, was this good governance. CS, the CEO and internal auditor indicated that this arrangement was common across Colleges and they were comfortable with the proposed change.</p> <p>The CEO provided additional comfort to the Committee in the way the data breaches were handled. CS gave an update on the reportable incident explaining the type of breach identified, the checks carried out and the action taken to address the breach. It was noted that the ICO accepted that the fault for this incident lay with a 3rd party cloud services provider.</p> <p>Q. Anything keeping CS up at night? No, as he was confident in the systems and security in place.</p> <p>Resolved:</p> <ol style="list-style-type: none"> That the report is received and information acknowledged. That the updated Data Protection Policy is recommended to the Board for approval. 	CS/NL
8.	<p>Annual report on the number of applications the College processes re UKVI</p> <p>Confidential item</p>	
9.	<p>Internal Audit Reports</p> <p>The reports detailed below were presented to the members of the committee.</p> <p><u>9.1 Internal Audit Progress Report</u> Governors were reminded that the Audit Committee had approved the Internal Audit Plan for 2022/23 at its meeting on 27 June 2022.</p>	

	<p>This report was to provide a summary update on progress against that plan.</p> <p>No issues had been encountered at this stage.</p> <p><u>9.2 Subcontracting Controls</u></p> <p>The Education and Skills Funding Agency (ESFA) had included clauses within its funding agreements for 2021/22 and the various funding rules for 2021/22 stipulating that providers which subcontract a certain level of provision were required to obtain a report from an external auditor on the arrangements in place to manage and control their subcontractors. The clause required lead providers to supply the ESFA with a certificate confirming that the provider’s arrangements were satisfactory.</p> <p>It was noted that providers were in scope if they had entered into subcontracts to deliver provision with an aggregate value of more than £100,000 each academic year (from 1 August to 31 July). This aggregate value included apprenticeship, traineeship and all other adult provision. If the provider was in scope to obtain an external audit report for both of these elements, a single combined report was required.</p> <p>The approach undertaken in relation to this engagement was to provide management with a questionnaire for completion, detailing the processes and procedures in place to ensure compliance with the Funding Rules. Auditors then corroborated the responses provided by management through review of relevant documentation.</p> <p>This was a factual report to determine whether the internal controls agreed in the scope were operating as prescribed.</p> <p>It was reported that there were six actions agreed by management to address the findings from this review and these were shared with the Committee.</p> <p>A governor queried as to the extent to which the same rules that apply in College around safeguarding and safeguarding review covering prevent applied to sub-contractors and sought assurance as to how this happened and was monitored.</p> <p>Q. Do we review controls of sub-contractors? Yes.</p> <p>Q. How are completion dates confirmed? Set in agreement with the management team when report finalised. They needed to be achievable but timely.</p> <p>Q. Sub-contractors for new build? These would be covered under a different framework and work monitored through the various Task Groups established including the governors New Build Task Group.</p> <p>Resolved:</p> <ul style="list-style-type: none"> i. That the reports are received and accepted. ii. That the COO is to seek an update from the Director of Business Engagement and Safeguarding Lead to provide assurance that subcontractor policies on safeguarding and Prevent are being reviewed to ensure they are robust as College procedures. iii. That the Internal Auditors be asked to provide a level of assurance on the Subcontracting Controls to enable governors to understand the seriousness of the issue(s) raised. 	<p>JC</p> <p>RSM</p>
10.	<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 four out of seven actions had been completed</p> <p>Q. Student Services position filled? Yes, someone was now in post.</p> <p>A governor stated that there had been a significant increase in demand around support for mental health and wellbeing and this was likely to be reflected in future reports to the Board.</p> <p>Resolved: That the report is received and accepted.</p>	
<p>11.</p>	<p>Internal Audit Annual Report – Year ended July 2022 (Internal audit annual opinion)</p> <p>The above-mentioned report covered the following areas:</p> <ul style="list-style-type: none"> • The annual internal audit opinion • The factors and findings which had informed auditor’s audit opinion • The basis of auditor’s audit opinion • Auditors’ performance • Appendix A: Annual opinions • Appendix B: summary of internal audit work completed • Appendix C: Opinion classification <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 enhancements to the framework of risk management, governance and internal control to ensure that it remained adequate and effective.</p> <p>Auditors undertook five internal audit reviews in 2021/22, which resulted in an assurance opinion for each. There were two reviews that received a substantial assurance level and two where reasonable assurance was provided and one with partial assurance. During the year auditors had raised a total of eight medium priority management actions and seventeen low actions that were all accepted by management.</p> <p>An advisory report was also conducted resulting in two uncategorised management actions.</p> <p>Auditors felt that good progress had been made with the implementation of actions.</p> <p>Governors highlighted the Mental Health and Wellbeing report and the number of actions to address. The CEO explained that the College asked for this area to be review and staff had been open and honest as to the current position. However, this area was being addressed. The CEO reminder governors that the areas selected were potentially high risk or would assist the College to move things forward.</p> <p>Resolved: That the report is received and recommended to the Board for approval.</p>	<p>JC</p>

12	<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 and Covid.</p> <p>The Covid questionnaire confirmed that the College was ensuring good governance and funding had been correctly claimed and spent. The Regularity Audits 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>Mazars reported that they had found no issues to report.</p> <p>Resolved: That the committee recommends that the Chair and Chief Executive formally sign the completed questionnaire.</p>	JC
13	<p>Audit Committee's Annual Report</p> <p>The Director of Governance outlined the report, which summarised the committee's activities relating to the financial year under review.</p> <p>It was noted that this report needed to be presented to the Board before the signing of the statutory accounts.</p> <p>The Chair thanked the Audit Committee for the work undertaken in 2022/23.</p> <p>Resolved: That the report is approved and is to be signed by the Chair and presented to the Board for information.</p>	NL/Chair
14	<p>Annual Report and Financial Statements for the Year Ended 31 July 2022 including Regularity Audit Opinion, Management Letter and Representation Letter</p> <p>Confidential item</p>	
15	<p>Annual Report on Risk Management 2021-22</p> <p>Confidential item</p>	
16	<p>Annual report on disclosures made under Public Interest Disclosure Procedure</p> <p>There were none to report.</p> <p><i>At this stage in the proceedings the auditors were thanked for their reports and left the meeting.</i></p>	
17	<p>Review Internal Auditors and External Auditors Performance against performance indicators</p> <p>JC confirmed that audit had went well and that auditors had been very thorough in their approach to the audit.</p>	

	<p>Governors were informed that the College was approaching the end of its three-year contract with both internal and external auditors and it was the recommendation of JC that the Committee takes up the option of extending the contract for a further year.</p> <p>Governors considered their options.</p> <p>Resolved: That the Committee agree to receive the information provided and recommends that the Board agrees a one-year extension to both the internal and external auditors contracts.</p>	JC
18.	<p>Any Other Business</p> <p>Confidential matter.</p>	
19.	<p>Date and Time of Next Meeting</p> <p>Wednesday 15 February 2023 at 4.00pm</p>	
20.	<p>Identification of Confidential Items</p> <p>Resolved: That the following items are to remain confidential:</p> <ul style="list-style-type: none"> • Item 8 (Annual report on the number of applications the College processes re UKVI) • Item 14 (Annual Report and Financial Statements) • Item 15 (Annual Risk Management Report) • Item 18 (Any Other Business) 	

Signed:

Date.....