

Minutes of a Meeting of the Audit Committee

Venue: STC Conference Room 1 / TEAMS

Date: Wednesday 14 June 2023

Time: 4.00pm – 5.30pm

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

In Attendance: Lindsey Whiterod (Chief Executive Officer)(TEAMS)
Neil Longstaff (Director of Governance)
Jane Cuthbertson (Chief Operating Officer)
Steve Chittenden (Head of Finance)
Mike Gibson (RSM)
David Hoose (Mazars) (TEAMS)
Sarah Bartlett (Head of Estates)(TEAMS)
Gordon Duffy-McGhee (Quality Manager HE)

ACTION TRACKER

Item	Summary of Action Required	By whom	Status	Comment / Update
Meeting of the 15 February 2023				
7.	Internal Audit Reports iii. The auditors be asked to review the Apprenticeship Funding report with SB in light of SB's comments and amend the report if required.	SB/PC		Not yet been corrected – however, SB accepts the evidence wasn't present but it was by omission on both sides. This has been addressed by the implementation of Aptem therefore cannot occur in the future and SB will ensure any future sample will not have this evidence missing. The Committee accepted that this had been resolved.
Meeting of the 14 June 2023				
6.	Internal Audit Reports That the Higher Education and Moderation Audit Report be referred to the Quality, Curriculum and Standards Committee for an update and consideration.	GMD/NL		Report presented to QCS Committee on 27 June 2023
9.	Internal Audit Strategy 2023-26 and Plan 2023-24 That the Internal Audit Plan 2023/24 is recommended to the Board for approval.	JC		Presented to Board July 2023

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 auditors stated that there were no areas of concern to report as staff had been fully engaged with open and honest conversations.</p>	
2.	<p>Staff joined the meeting.</p> <p>Apologies for Absence</p> <p>The Committee approved apologies for absence received from Mark Overton after having first considered the reason for his 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 following: CJ, LWh and JC.</p> <p>ii. <u>Business to be raised under Item 13</u></p> <p>None.</p>	
4.	<p>With the agreement of governors, the Chair changed the order of business as follows to accommodate individual attendance at the meeting.</p> <p>Internal Audit Reports</p> <p>The reports detailed below were presented to the members of the committee.</p> <p><u>4.1 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 made against that plan.</p> <p>No issues had been encountered at this stage with regards to delivery.</p> <p><u>4.2 Higher Education - Assessment and Internal Verification - Moderation of Courses</u> RSM undertook a review of the College's internal verification and moderation processes to confirm it had robust, effective and well applied controls in place.</p> <p>As a result of the review, two high, two medium and one low priority management actions had been agreed.</p> <p>The review established the College did not have a consistent internal verification and assessment process embedded to manage, monitor, record and retain supporting</p>	

evidence in line with awarding body requirements across all courses. It further identified significant weaknesses in HE staff understanding of the internal verification and assessment process, as it had been noted that some staff had not read or considered any of the HE specific policies, and as a result could not apply College policy requirements.

Auditors identified further areas for improvement, including internal verifier (IV) responsibilities and streamlining the internal verification and assessment process in place at the Marine School across all HE programmes and campuses under the College.

Taking account of the issues identified, the Committee was informed that it could take partial assurance that the controls upon which the organisation relied to manage the identified risk were suitably designed, consistently applied or effective.

Governors raised concerns around the Marine School.

Q. Moderation form not used but awarding body form was, is this not acceptable? The awarding body's form would be a minimum requirement therefore acceptable to use it but other areas had been identified that the College needed to review in terms of consistency, practice and retention.

GDM reported that his understanding was that the practice was inconsistent across the areas and the recommendation was to take the model of the Marine school and apply that across all the areas so that the Marine school in effect would be the standardised documents that would be used. A centralised set of ID forms had been established and stored on a new SharePoint site for easy access, which would give an audit trail (quality controls and enhancement process).

Q. Anything changed as Marine not had issues raised previously? Verification always completed but where documents go and whether they were followed up were issues of concern. Lots of awarding bodies were involved covering a number of complexities and there was a lack of one clear TCC approach to higher education and quality assurance. This had now been addressed.

A governor stated that her view was that a Policy had been implemented in 2022 but it had not been followed in the right way and that Audit had been asked to review to give direction.

GMD stated that the staff's misunderstanding of the Policy stemmed from different practices in different areas but now having one centralised approach meant there could be one set of training, everyone knew where documents were and staff could store them in one place.

Q. One person controlling? A new appointment of Director of Quality commencing 1 July 2023.

Q. Is this report of serious concern to auditors? Yes, as reflected in the ratings given. It was explained that audit could only be undertaken on what's been seen.

Q. Reason for poor report, inconsistency or performance issue? LWh felt it was more to do with a lack of understanding and an inconsistent approach and not a non-compliance issue. It was felt that moving away from Sunderland University had further complicated matters with staff.

GMD stated that there had been a process identified, which was almost completed.

The Chair stated that this partial assurance would be reported in the annual report alongside other matters that were yet to be raised, and these would need to be reflected

	<p>in the annual accounts, which overall did not paint a good picture. Therefore, from an audit point of view this report was concerning.</p> <p>It was stressed that an audit needed to reflect on areas for improvement rather than areas that the College knew were already good.</p> <p>GMD left the meeting.</p>	
<p>5.</p>	<p>Approval of Financial Statements Audit Plan 2022-23 (Audit Strategy Memorandum)</p> <p>David Hoose joined the meeting.</p> <p>DH presented Mazars Audit Strategy Memorandum for the College for the year ending 31 July 2023.</p> <p>The purpose of this document was to summarise 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, section 6 of this document also summarised Mazars considerations and conclusions on their independence as auditors.</p> <p>DH explained that 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 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 Mazars approach or role as auditor.</p> <p>Governors' attention was drawn to the impact of changes in the Post-16 Audit Code of Practice and Accounts direction owing to colleges ONS reclassification. DH expected more colleges receiving a modified regularity audit because of the new rules being applied.</p> <p>Core audit risks were highlighted with reference to the college being a 'going concern'.</p> <p>There was a revised audit standard to identify risk and some longer-term views regarding accounting standards that would impact colleges in the coming years (2026) e.g. a move to international standards.</p> <p>Q. Can the College move towards these changes before 2026? Yes, colleges could start to examine aspects of this earlier than 2026.</p> <p>Q. Note in accounts to reflect forthcoming changes? Too early for 2023, more likely 2025.</p> <p>Discussion around a move to a different financial year and possible implications of reporting were noted (1 April to 31 March).</p>	

	<p>Q. Re. 'Going Concern', anything to recognise work college is doing to address this? This would probably be captured in the narrative. Discussion had been held between the auditors and COO.</p> <p>Q. Materiality of auditors? As a general guide the concept was based on revenue of 1.5%.</p> <p>Q. Opinion on accounts, anything in report that recognises work of college and timescale to resolve them e.g. new build? There would be an audit opinion, which was a requirement but also an audit completion report, which was more flexible in the 'story telling' aspect of the journey the college was on.</p> <p>Q. Surprised no reliance on work of internal audit? DH explained that the move away from reliance on internal audit was a requirement of the regulators. Mazars would review these reports and examine areas that had been highlighted but not rely upon them.</p> <p>Resolved: That the Committee receives and agrees the report.</p> <p>DH left the meeting</p>	
6.	<p>Internal Audit Reports (Continued)</p> <p><u>6.1 Marine School: Programme Review</u></p> <p>RSM undertook a review of the College's Marine School Programme Review process to evaluate the effectiveness of the Marine School's internal quality assurance procedures in ensuring that its courses complied with the standards set by external governing bodies.</p> <p>Based on the review, it was determined that the Marine School had developed an internal audit plan to schedule internal audit activities within the Marine School which was in line with its external audit activities to support its short course certification/approval. However, there were some gaps in the oversight of the Marine School's internal audit processes and documentation of the results.</p> <p>RSM felt that this lack of oversight could undermine any benefit derived from the Marine School's internal audit activities and could, potentially, lead to non-compliance issues and damage to the Marine School's reputation. As a result of the review, RSM agreed seven management actions consisting of five medium and two low priority actions.</p> <p>Taking account of the issues identified, the Committee could take reasonable assurance that the controls upon which the College relied to manage this risk were suitably designed, consistently applied and effective.</p> <p>Q. ISO affected? No.</p> <p><u>6.2 Health and Safety</u></p> <p>A review had been undertaken on the College's health and safety processes in place to mitigate risks related to health and safety and ensure the College discharges its statutory duties in respect of health and safety requirements.</p> <p>As a result of RSM's review, three management actions had been agreed, consisting of two medium and one low priority actions.</p> <p>RSM concluded the College had adequate controls and processes in place for the management of health and safety and ensured that any health and safety incidents or accidents were reported, addressed, and reported to management and governors.</p>	

	<p>Taking account of the issues identified, the Committee could take reasonable assurance that the controls upon which the organisation relied to manage this area were suitably designed, consistently applied and effective.</p> <p>Q. How serious is this as the wording implies an issue around evidence? SB stated that this was specifically relating to a safety walk audit where some files had been overwritten. Governors were informed that the IT Team could access previous versions of the reports that had been overwritten. This practice had stopped and files were not being sent to staff only hyperlinks for staff to update, which was now controlled by one administrator.</p> <p>MG stated that AR1 Forms had not been signed properly and dated? SB explained that one form had been signed by a Head of Department but not countersigned as the box had already been filled, the other hadn't been signed or countersigned as it was a form that was under review as there had been no evidence of an accident.</p> <p>Resolved:</p> <ul style="list-style-type: none"> i. That the Committee accepted the audit reports, as presented. ii. That the Higher Education and Moderation Audit Report be referred to the Quality, Curriculum and Standards Committee for an update and consideration. <p>SB left the meeting.</p>	GMD/NL
7.	<p>Minutes</p> <p>The minutes of the Audit Committee meeting held on 15 February 2023 were approved and signed.</p> <p>Matters arising not covered on the agenda or tracker</p> <p>As shown on the Action Tracker in minutes dated 15 February 2023. The Committee indicated that it was content for the amber action (Item 7) to be signed off as completed.</p>	
8.	<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 but one action had been addressed and the remaining action was on track to be resolved by the deadline agreed within the report.</p> <p>Resolved: That the report is received and accepted.</p>	
9.	<p>Internal Audit Strategy 2023-26 and Plan 2023-24</p> <p>This strategic plan and annual internal audit plan set out the scope of the planned work to be undertaken by internal audit for 2023-24 within a wider 3-year strategy.</p>	

	<p>This plan was developed based on consideration of the College’s strategic objectives, risk profile and assurance framework as well as other factors affecting the College in the year ahead including changes within the sector. It was stated that auditors would work closely with management to deliver an internal audit programme which remained flexible and agile to ensure it met the College’s needs in the current circumstances.</p> <p>The key points to note from the plan were:</p> <ul style="list-style-type: none"> • 2023 / 2024 internal audit priorities • Level of resource • Core assurance with the following key matters being considered: <ul style="list-style-type: none"> ❖ College campus relocation- The College’s Risk Register ❖ Ofsted inspection ❖ Marine School <p>Potential internal audits were identified and prioritised for 2023-24 based on areas viewed as of greatest benefit.</p> <p>Q. Relocation to new campuses (project management) – risk around financial analysis reviewed or mechanics of project management? MG indicated that this area had not yet been scoped but gave examples of areas likely to be reviewed e.g. process, level of scrutiny, any gaps etc</p> <p>The Chair indicated that a Post Project review would be needed. JC stated that there would be a review on lessons learnt after each project.</p> <p>Q. SSMS financial growth and competitiveness. Is this an area to be reviewed again at some point? JC was of the view that this would be better reviewed in 2025/26 i.e. after move.</p> <p>Q. If the Marine School is moving to a subsidiary company, will it still be under the umbrella of the College? Yes, it would be part of the financial health scoring.</p> <p>The Chair asked RSM to update the title of the report to cover the period of the contract.</p> <p>Resolved: That the Internal Audit Plan 2023/24 is recommended to the Board for approval.</p>	JC
10.	<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>There had been one incident of an attempted fraud which was reported to the audit committee in February 2023. Payroll procedures had been updated. External audit, internal audit and the Chair of the Audit Committee were advised at the time of incident.</p> <p>The committee was requested to note the actions that had been taken by the College to further strengthen internal controls.</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>	
11.	<p>Risk Management (update on current key risks and action plan)</p> <p>Confidential item</p>	
12.	<p>Feedback from Business and Stakeholder Groups</p> <p>None.</p>	

13	Any Other Business None.	
14	Date and Time of Next Meeting tbc	
15	Identification of Confidential Items Resolved: That the following items are to remain confidential: <ul style="list-style-type: none"> • Item 11 – Risk Management 	

Signed:

Date.....