

## Minutes of a Meeting of the Audit Committee

**Venue:** STC Conference Room 1 / TEAMS

**Date:** Monday 27 June 2022

**Time:** 4.00pm – 5.05pm

**Present:** Andrew Watts (Chair)  
Mark Overton  
Wendy Starks  
Jackie Watson (TEAMS)

**Apologies for absence:** Sheila Alexander  
Clive Johnson  
Susan Wear

**In Attendance:** Lindsey Whiterod (Chief Executive Officer)  
Neil Longstaff (Director of Governance)  
Jane Cuthbertson (Chief Finance Officer)  
Steve Chittenden (Head of Finance)  
Scott Bays (Head of MIS)  
Philip Church (RSM)  
David Hoose (Mazars)(TEAMS)

### ACTION TRACKER

Item	Summary of Action Required	By whom	Status	Comment / Update
Meeting of the 27 June 2022				
7.	<b>Internal Audit Reports</b> That the Mental Health and Wellbeing questionnaire be reissued by the College in February 2023 (one year on from the initial circulation).	LWh		Scheduled
10.	<b>Internal Audit Strategy 2022-25 and Plan 2022-23</b> i. That the Internal Audit Plan 2021-22 and Strategy 2021-24 is recommended to the Board for approval.	JC		Approved 20 July 2022
	ii. That the CEO and COO consider any internal controls needed for project management and report back to the next meeting.	LWh/JC		College has appointed an internal project manager

### MINUTES

ITEM NO.	ISSUES	ACTION
1.	<b>Meeting with Auditors in Absence of Management</b>  The Chair welcomed everyone to the meeting.	

	<p>Mazars auditors stated that they had been given full access to all areas requested, there had been full engagement by management when necessary and were pleased to announce that there were no issues to report to the Committee.</p> <p>RSM endorsed the views of Mazars confirming that they had received full co-operation from management and there were no areas of concern to report.</p> <p>LWh, SB, SC and JC joined the meeting.</p>	
<b>2.</b>	<p><b>Apologies for Absence</b></p> <p>The Committee approved apologies for absence received from those identified above after having first considered the reason for their absence.</p> <p>There were standing declarations for links to Tyne Coast Academy Trust for the following: AW, MO, LWh and JC.</p>	
<b>3.</b>	<p><b>Declarations of Interest</b></p> <p>The Chair reminded members to declare any conflicts of interest as they arose on the agenda.</p>	
<b>4.</b>	<p><b>Minutes</b></p> <p>The minutes of the Audit Committee meeting held on 9 March 2022 were approved and signed by the Chair.</p> <p><b>Matters arising not covered on the agenda</b></p> <p><u>4.1 Policies</u> It was confirmed that the Data Protection Policy had been presented to the Board and approved.</p>	
<b>5.</b>	<p><b>5 Year trend analysis of HE enquiries through to application</b></p> <p>The purpose of the report was to meet the requirements of an audit action and supply the Audit Committee with a trend analysis for Higher Education related to enrolments, retention and achievement.</p> <p>SA highlighted the following:</p> <ul style="list-style-type: none"> <li>• Analysis showed that enrolments had fallen since 2018-19 although enrolments for 2021-22 were an increase on both the preceding 2 years.</li> <li>• Retention over the last five years had been consistent at approximately 91%. Incomplete data showed a reduction for 21-22 but this was expected to rise to previous levels before the end of the academic year.</li> <li>• Achievement dropped below 80% for the first time in a number of years in 20-21. Current achievement was 77% but this was expected to be 80% on completion of 21-22 academic year.</li> </ul> <p>Q. Do you think the College will achieve pre pandemic levels of enrolments again and if so when? SA expects the college to return to similar levels as early as next year particularly with the links established with City of London College. Marine numbers looked healthy for next year.</p>	

	<p>Governors asked that SA set a KPI for retention and achievement for next year, which would become a benchmark for the future. SA indicated that the HE Quality Team would be setting such a benchmark to measure against. It was also noted that staff set benchmarks for individual courses.</p> <p>Q. Comparable with other areas ie sector standard? Yes, the College was above the national average, which was around 88%.</p> <p><b>Resolved: That the Committee agree to receive the report, acknowledging the information presented.</b></p>	
<p><b>6.</b></p>	<p><b>Annual report on number of applications the college processes re UKVI</b></p> <p>Confidential item</p>	
<p><b>7.</b></p>	<p><b>Internal Audit Reports</b></p> <p>The reports detailed below were presented to the members of the committee.</p> <p><u>7.1 Internal Audit Progress Report</u> Governors were reminded that the Audit Committee had approved the Internal Audit Plan for 2021/22 at its meeting on 23 June 2021.</p> <p>This report was to provide a summary update on progress against that plan. Three reports had been finalised since the last Audit Committee meeting, which were detailed below.</p> <p>Governors were reminded of the decision to defer the proposed audit of T Levels as the College was only at the initial preparation phase of T-Levels and a delay would allow time for this to be embedded. It was also noted that an HR review was also deferred owing to resource pressures on the department.</p> <p><u>7.2 Mental Health and Wellbeing</u> This review was completed to provide assurance on the initiatives and processes in place in regard to student and staff mental health and wellbeing, assessing mental health strategies in practice, what had been done, and the impact of these activities.</p> <p>As a result, five medium and five low priority actions had been agreed with management. The results of the questionnaire on mental health and wellbeing, which was sent out to all students had resulted in a recommendation made to management to follow up the results of RSM's questionnaire.</p> <p>Taking account of the issues identified, the Board could take partial assurance that the controls upon which the College relied to manage this risk were suitably designed, consistently applied or effective. Action was needed to strengthen the control framework to manage the identified risk.</p> <p>Governors agreed that this was a negative report and there were issues to be addressed. It was commented that the report indicated recording and outcomes had not been good. LWh felt the report was a true reflection of where the College was but there were changes being made at pace including staffing, better systems and processes to support people etc.</p>	

The Chair stated that this report was produced as a snapshot back in February, therefore this survey should be reissued at an appropriate time to show impact of changes being made. LWh indicated that Student Services could send this out when action had been implemented.

Q. Response rate to survey? 87 responses but unsure of response rate.

Governors felt that considerable amount of work internally could be undertaken eg you said, we did' to show action was being taken and that the student voice was important.

### 7.3 Adult Education Funding Compliance

It was explained that 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 accordance with the ESFA's assurance methodology, which was designed to ensure providers managed the key risks relating to the ESFA's funding and that public funds had been used appropriately and for the purposes for which they were intended.

Areas of non-compliance with the funding rules, which could result in a funding error were highlighted and discussed.

SB explained the reasons for the non-compliance and indicated that the first action was to be addressed at the end of the academic year.

### 7.4 Follow Up of Previous Internal Audit Management Actions

This report covered the following areas:

- Academic Year 20/21
  - Marine School: Budget Setting and Monitoring;
  - Governance Framework: High Level Review of Selected OfS Requirements;
  - Cyber Risk Management;
  - Data Management (Advisory Review);
  - Additional Subcontracting Review;
- Academic Year 19/20
  - Competition and Markets Authority;
  - Procurement; and
- Academic Year 18/19
  - Marine School Income.

The focus of this review was to provide assurance that previously agreed management actions had been fully implemented. This resulted in reviewing a total of 27 actions across the reports during the audit.

It was reported that in the auditors' opinion, the College had demonstrated good progress in implementing agreed management actions. Auditors had been provided with satisfactory evidence for 24 out of 27 of the actions declared as completed by the respective action owner.

NL reported that the feedback from the auditor was that the audit had been sound and seamless and he had indicated that it had been the best he had completed with the lowest outstanding actions to take forward. There had been one action reopened, which had been added to the Tracker but that action would be closed off shortly as a report was going to the next F&R Committee.

	<p>Q. Recharge in the budget process between TCAT and College? This had been done from a TCAT perspective as it had not been requested by College governors.</p> <p><b>Resolved:</b></p> <ol style="list-style-type: none"> <li>i. That the reports are received and accepted.</li> <li>ii. That the Mental Health and Wellbeing questionnaire be reissued by the College in February 2023 (one year on from the initial circulation).</li> </ol>	<b>LWh</b>
<b>8.</b>	<p><b>Audit Recommendation Tracker</b></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 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 actions were either completed or on track.</p> <p>NL reported that feedback had recently been received on the query with HE applications, which stated that they were processed within the 3-day time frame. Where this was not appropriate – eg Foundation Degree Counselling – the applicants received communication advising of the process. There was a high volume of applications for this course, the application process was reviewed and improved each year to streamline and improve the process. Interviews and offer communication were all recorded centrally on EBS – this was shown to the auditor.</p> <p><b>Resolved: That the report is received and accepted.</b></p>	
<b>9.</b>	<p><b>Approval of Financial Statements Audit Plan and Strategy 2021-22</b></p> <p>DH presented Mazars Audit Strategy Memorandum for the College for the year ending 31 July 2022.</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 7 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"> <li>• Reaching a mutual understanding of the scope of the audit and the responsibilities of both parties;</li> <li>• Sharing information to assist both parties to fulfil their respective responsibilities;</li> <li>• Providing the College with constructive observations arising from the audit process; and</li> <li>• 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.</li> </ul> <p>Therefore, this document was the basis for a discussion around the audit approach, any</p>	

	<p>questions, concerns or input the College might have on Mazars approach or role as auditor.</p> <p>It was highlighted that there had been no change in the senior management at Mazars and there had been no fundamental change to the audit scope from the previous year. There had been minor changes to the College Accounts directions and narrative around governance in the annual accounts.</p> <p>Local Government Pensions Schemes valuations had been raised as a risk where more work would be needed. The auditor indicated that there was not a risk around the College being a going concern unlike many other Colleges in light of his discussions with the Chief Operating Officer. A judgment on depreciation would be undertaken but not that it was a risk to the College.</p> <p>Q. Depreciation of current assets have any impact on new build? No, but it would not necessarily impact until next year if there were something to raise.</p> <p>Q. Auditors fees increased? As part of the mechanism built into the original contract.</p> <p><b>Resolved: That the Committee receives and agrees the report.</b></p>	
10.	<p><b>Internal Audit Strategy 2022-25 and Plan 2022-23</b></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 2022-23 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"> <li>• 2022/2023 internal audit priorities</li> <li>• Level of resource</li> <li>• Core assurance</li> <li>• 'Agile' approach</li> </ul> <p>There had been no change to the RSM team.</p> <p>Potential internal audits were identified and prioritised for 2022-23 based on areas viewed as of greatest benefit. The reviews planned for 2022-23 were detailed in the report.</p> <p>Q. Internal controls regarding project management over the next two years? This was something that might be needed to be built into the workplan.</p> <p><b>Resolved:</b></p> <ol style="list-style-type: none"> <li>i. <b>That the Internal Audit Plan 2021-22 and Strategy 2021-24 is recommended to the Board for approval.</b></li> <li>ii. <b>That the CEO and COO consider any internal controls needed for project management and report back to the next meeting.</b></li> </ol>	<p>JC</p> <p>LWh/JC</p>
11.	<p><b>Annual update on risk assessment in relation to fraud and bribery</b></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 as usual the College had attempts by third parties to defraud the College, which had not been successful.</p> <p><b>Resolved: That the Audit Committee notes the report.</b></p>	
<b>12</b>	<p><b>Any Other Business</b></p> <p>None.</p>	
<b>13</b>	<p><b>Date and Time of Next Meeting</b></p> <p>To be confirmed when the annual calendar is approved by the Board in July 2022.</p>	
<b>14</b>	<p><b>Identification of Confidential Items</b></p> <p><b>Resolved: That Item 6, Annual report on number of applications the college processes re UKVI, is to remain confidential.</b></p>	

Signed: .....

Date.....