

Present: Mr Colin Seccombe, Chair  
Mrs Sheila Alexander  
Mr Bernard Garner  
Dr Adam Langman

In attendance: Mrs Rosamund Moore, Company Secretary  
Mrs Ann-Marie Crozier, Deputy Principal: Finance & Corporate Development  
Mr Mick Thompson, KPMG  
Mr James Morgan, KPMG  
Mr Richard Lingwood, PwC  
Mr Adam Morton, PwC

[The meeting started at 9.00 a.m.]

**1. Apologies for absence**

None.

**2. Declarations of interest**

None.

**3. Minutes and Matters Arising from the Meeting of 18 June 2015**

**The minutes of the meetings of 18 June 2015 were approved as a true record and duly signed by the Committee Chair.**

Under *Matters Arising*, item 3, the Committee received a further update on the progress the College was making to fulfil the requirements of FRS 102 New Education Statement of Recommended Practice (SORP) which would come into effect next year. The Deputy Principal: Finance & Corporate Development stated that the College was confident there were no financial instrument issues and that the holiday calendar had been standardised across the College so that there was only one month of accrual to the year end. With respect to the matter of grant treatment, this would be discussed at the next AoC Finance Directors' meeting, but the Skills Funding Agency still had to provide guidance, in particular, on changes to the scoring matrix for determining financial health. Mr Lingwood was asked to provide a view on the impact of FRS 102 on next year's accounts at the next meeting.

Under *Matters Arising*, item 3, Verbal Update on Case of Fraud, a separate, confidential minute was taken.

Under *Matters Arising*, item 9, *Any Other Business*, the Deputy Principal: Finance & Corporate Development reported that the College had received a grant offer letter for capital works related to the IGNITE Centre for Engineering and Innovation in July, had submitted a claim and received a payment. Chair's Action had been necessary to let the building contract so that work could be completed by the start of term. The building was now operational and there would be an official launch in due course.

All other actions had been, or were being, taken forward as agreed.

**4. Internal Audit Tracker**

With respect to the Internal Audit Tracker, it was noted that the outstanding actions related to the review of the College's Risk Management framework would be completed once the Corporation Board had approved the 2014/15 Risk Management Plan.

**The Committee was pleased to note the progress reported in the updated Internal Audit Tracker.**

**ACTION**

**PwC  
3 Dec.**

**Item taken out of order as taken in conjunction with item 4 above:**

**5. Internal Audit Reports**

*b) 06-15 Follow-up of prior year recommendations*

Mr Thompson reminded Governors about the slight timing difference between KPMG's Follow-up review and the College's update to the Internal Audit Tracker. Mr Morgan highlighted the fact that all relevant recommendations had been implemented which was unusual in KPMG's experience. This had resulted in a judgement of 'good' for this review. It was noteworthy that the two high recommendations related to health and safety had been satisfactorily implemented. The review of curriculum planning had been a value for money report resulting in advisory observations which were not part of the follow-up review.

The Committee Chair queried an apparent discrepancy between the Internal Audit Tracker (page 1) and the Follow-up report as the latter did not contain a reference to an action around English & maths (02-14 Employer Responsive review). Mr Thompson thought that this had been removed from the final report and merged with another point. The Deputy Principal: Finance & Corporate Development indicated she would cross check this point.

Mr Thompson concluded that the College control environment was good and that staff responded well to recommendations, which was corroborated by the small number of items in the Internal Audit Tracker.

**The Committee was pleased to note the outcome of KPMG's Follow-up of prior year recommendations.**

*The Director of Planning & Performance joined the meeting at 9.20 am.*

*a) 05-15 Funding Body Income Report*

Mr Thompson observed that this was a 'good' report and there would always be recommendations in a report of this nature as it covered a huge amount of data. Mr Morgan commented that KPMG undertook a review of funding in one form or another at all the colleges for which they performed internal audit work and indicated that it was not common for the audit to result in a 'good' opinion rating. All recommendations were low priority and were largely due to the timing of the audit which was prior to some of the routine management checks occurring. A discussion about the timing of the audit ensued and the Director of Planning & Performance felt that the current timing was helpful.

It was noted that the College had been selected for an SFA funding audit this year and this also supported the timing of KPMG's internal audit of funding body income. The SFA's auditors, Baker Tilly, had been in College last week to undertake the audit. This involved a huge amount of additional work for the MIS Team and the team would need to catch up on start of year routines after the funding audit. In response to Governors, the Director of Planning & Performance indicated that informal feedback from Baker Tilly suggested there were no concerns. Although the bulk of Baker Tilly's work was complete, the auditors had asked the College to respond to well over three hundred queries. Baker Tilly would be back in College on 9 October and the final ILR would be submitted on 16 October, a week earlier than normal. The resultant management letter would be placed on the Audit Committee's agenda in December.

Returning to KPMG's Funding Body Income Report, Mr Morgan responded to a question about what had driven the level of sampling by explaining that this depended on the number of audit days allocated, the type of provision and the risk associated with each type of provision. Mr Thompson reminded Governors that the purpose of this review was not to prove whether the accuracy of the College's funding claim (which was the role of the SFA funding audit), rather it was to test the control environment. KPMG had found no systemic issues.

**The Committee was pleased to note the outcome of the internal auditor services' Funding Body Income Report.**

The Committee Chair thanked the Director of Planning & Performance for attending the meeting.

*The Director of Planning & Performance left the meeting at 9.30 am.*

AMC

Agenda  
3 Dec.

**6. Annual Internal Audit Report 2014/15**

Mr Thompson presented the Annual Internal Audit Report for 2014/15, highlighting the unqualified opinion which read: ***“In our opinion the College has adequate and effective risk management, control and governance processes to manage the achievement of its objectives. We are also satisfied that, based on the work completed, management has implemented adequate arrangements in respect of economy, efficiency and effectiveness”***.

The opinion had been determined on the basis of five new internal audit reviews plus the ‘Follow-up of prior year recommendations’. Three of the reviews had resulted in ‘good’ and three in ‘satisfactory’ opinion ratings. The five new reports had contained 14 recommendations, four of which were ‘medium’ and ten ‘low’. With respect to the Follow-up review, of the 20 agreed recommendations from prior years, 16 had been ‘implemented’ and none were ‘ongoing’ and four were ‘no longer applicable’.

As requested by the Committee, KPMG had referenced the agreed scope of work regarding a potential international venture. KPMG had performed some of the work, but as the venture was currently on hold, internal audit work had halted and therefore KPMG had not issued a formal report.

**The Committee was pleased with the outcome of KPMG’s internal audit work which had resulted in an unqualified audit opinion and agreed to recommend the Annual Internal Audit Report 2014/15 to the Corporation Board in October.**

**Agenda  
Corp.  
14 Oct.**

**7. 2014/15 – 2016/17 Strategic Internal Audit Plan and 2015-16 Annual Internal Audit Plan**

Mr Thompson confirmed that KPMG had discussed the output of the risk workshop with the Deputy Principal: Finance & Corporate Development as requested at the last Committee meeting and that all significant risks were already covered in the internal audit plan. Therefore, no changes had been made to the plan since the last meeting. He commented that succession planning would be built into the scope of KPMG’s review of Corporate Governance.

In addition, the contingency days (four from last year and two for the current year) could potentially be used to undertake a review of subcontracting as the Skills Funding Agency was paying significant attention to this area, although this area of provision did not seem to be a cause for concern at TyneMet. The Deputy Principal: Finance & Corporate Development indicated that the Skills Funding Agency now required colleges to have a certificate which would provide independent assurance that appropriate controls were in place around subcontracting. The certificate was needed by the end of January 2016. She felt it would be helpful if the Committee could agree in principle to a review of subcontracting, but that the scope and number of days for the review could not be determined until the Skills Funding Agency had issued its detailed guidance about the process. In response to Governors’ questions, Mr Morgan observed that the wording for the certificate had been issued and that KPMG colleagues were in the process of developing a scope for such reviews centrally.

In response to the Committee Chair, the Deputy Principal: Finance & Corporate Development felt that the plan addressed all issues from a Senior Leadership Team perspective, and likewise Mrs Moore (as Risk Management Champion) felt that the plan covered the key risks facing the College.

**Governors agreed to recommend to the Corporation Board the 2014/15 – 2016/17 Strategic Internal Audit Plan and 2015-16 Annual Internal Audit Plan subject to a revision to include a potential review of subcontracting, with the number of days for this review assigned once the scope of the work was clarified using impending Skills Funding Agency guidance.**

**Agenda  
Corp.  
14 Oct.**

KPMG was asked to amend the plan accordingly and submit it to the Company Secretary in time for Corporation Board papers being mailed out on 7 October.

**KPMG**

## 8. 2015/16 Risk Management Plan

Mrs Moore, as Risk Management Champion, presented the 2015/16 Risk Management Plan which continued to have a clear link to the Strategic Plan. Specific references to the Strategic Plan would be inserted following Corporation Board approval of both plans on 14 October.

Internal audit recommendations had been taken on board, resulting in some amendments to the format of the Risk Management Plan. This included amendments to the Corporation Board Assurance Map and, new for 2015/16, was the addition of Appendix 3, *Likelihood and Impact Scorings – Examples*.

Gross sub-risks had been carried forward from 2014/15 where appropriate and / or amendments made to fit changes in context. Four gross sub-risks remained net high despite mitigating controls as set out on page 4 of the Risk Management Plan. Further risks and actions would be added as and when necessary and the plan would undergo the usual updating process in November, February and June. In response to Governors' questions, the Deputy Principal: Finance & Corporate Development indicated that a specific risk around the financial position had not been included as the underlying cause of any such risk was linked to learner recruitment and meeting funding targets. In respect of staff costs, the Deputy Principal indicated that any reductions were part of an annually managed process and therefore this was not a high net risk.

A discussion followed regarding the overarching risk appetite for the College. It was recognised that the College needed to target a 'low' rating for such things as safeguarding and health and safety. It was noted that the majority of the risks identified in the Risk Management Plan were targeted to be 'low' given that the plan focussed on maintaining or improving the control environment and the College's operating position was a key determinant. Nevertheless, Governors felt that the College's overarching risk appetite should reflect the vision, drive and ambition of the Strategic Plan. The new three-year Strategic Plan could not be delivered without diversification of revenue streams and a shift away from high dependence on funding body income. Within this context, Governors agreed that the Corporation Board should continue to evaluate high risk strategies, but that decision-making should remain measured. Consequently, the Audit Committee was of the view that the College's overarching risk appetite should continue to be 'medium'.

**The Committee considered the proposed 2015/16 Risk Management Plan and agreed to recommend it to the Corporation Board with a proposal that the College's overarching risk appetite should be 'medium' to reflect the drive and ambition of the three-year Strategic Plan.**

Agenda  
Corp.  
14 Oct.

## 9. Disaster Recovery Plan, issue 8

Mrs Moore, as Risk Management Champion, reported that the Senior Leadership Team had considered the proposed Disaster Recovery Plan on Monday and was recommending it to the Audit Committee. The amendments reflected changes in management responsibilities, included information about new facilities which had opened in September and evacuation procedures for those facilities. Governors felt that the plan was comprehensive and they were content to recommend it to the Corporation Board.

**The Committee agreed to recommend to the Corporation Board for approval the revised Disaster Recovery Plan, issue 8, as part of the Consent Agenda given that the updates were a matter of 'housekeeping'.**

Agenda  
Corp.  
14 Oct.

## 10. Any Other Business

None.

## 11. Assessment of Impact of Committee's Actions

To inform the Committee's annual assessment of the impact of its decisions, it was noted that the Committee had:

- Requested a further update on the case of fraud as and when more information became available.
- Asked PwC to provide a view on the impact of FRS 102 on the accounts at the next Committee meeting on 3 December.
- Asked for clarification about an apparent discrepancy between the Internal Audit Tracker (page 1) and the Follow-up report as the latter did not contain a reference to an action around English & maths (02-14 Employer Responsive review).
- Agreed to recommend the Annual Internal Audit Report 2014/15 to the Corporation Board.
- Agreed to recommend to the Corporation Board the 2014/15 – 2016/17 Strategic Internal Audit Plan and 2015-16 Annual Internal Audit Plan subject to a revision to include a potential review of subcontracting, with the number of days for this review assigned once the scope of the work was clarified using impending Skills Funding Agency guidance.
- Agreed to recommend the Risk Management Plan 2015/16 to the Corporation Board with a proposal that the College's overarching risk appetite should be 'medium' to reflect the drive and ambition of the new Strategic Plan for 2015-18.
- Agreed to recommend to the Corporation Board for approval the revised Disaster Recovery Plan, issue 8, as part of the Consent Agenda given that the updates were a matter of 'housekeeping'.

AMC

PwC

AMC

## 12. Any items to be designated as non-confidential or no longer exempted following this meeting and conversely any items to be designated as exempted/confidential

- Item 3, Confidential minutes
- Item 8, Risk Management Plan 2015/16

The meeting closed at 10.05 a.m.

**Next meeting:** 9.00 a.m. on 3 December 2015.