

Present: Mr Colin Seccombe, Chair  
Mrs Sarah Bartlett  
Mr Bernard Garner (*from 9.30 am*)  
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 (*from 9.12 am*)  
Mr Richard Lingwood, PwC  
Mr Adam Morton, PwC

[*The meeting started at 9.05 a.m.*]

The Committee Chair explained that Mrs Alexander had stepped down from the Committee due to increased work commitments and that Mrs Bartlett had agreed to join the Committee. Mrs Bartlett was duly welcomed to the meeting. Dr Langman had been appointed as the Committee Vice Chair.

**1. Apologies for absence**

None.

**2. Declarations of interest**

None.

It was noted that as Mrs Bartlett was a Staff Governor (Support) she might have to declare an interest if any future reports covered her work area.

**3. Minutes and Matters Arising from the Meeting of 23 June 2016, including confidential Minutes**

**The minutes of the meetings of 23 June 2016 were approved as a true record (following Mr Garner's arrival) and duly signed by the Committee Chair.**

*Under Matters Arising, item 11, External Audit Plan for Year ended 31 July 2016, the Committee Chair indicated that the additional fee for work related to FRS 102 had provoked considerable discussion at the Corporation Board meeting in July with some Governors expressing concern over the unexpected additional fee. The Board had approved the fee, but it was hoped that no other unexpected issues would arise during the course of the current year.*

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

**4. Internal Audit Tracker**

With respect to the Internal Audit Tracker, the Deputy Principal: Finance & Corporate Development indicated that two actions were scheduled for implementation in September following approvals by the Senior Leadership Team and would show as 'complete' at the next meeting.

The Committee Chair indicated that he had compared the front pages of the Internal Audit Tracker with KPMG's Follow up of Prior Year Recommendations (item 6.b) and had found a high level of correlation between the two documents.

*Mr Morgan arrived at 9.12 am.*

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The Deputy Principal commented that the action related to payroll leavers and would be reinserted into the Internal Audit Tracker as it was not fully implemented and would again be subject to follow-up work by KPMG. She reaffirmed that nothing was removed from the Internal Audit Tracker until KPMG had signed it off.

In response to the Committee, the Deputy Principal explained that KPMG had sampled a different set of staff to the ones the College had sampled and found some errors. The system did not need to be changed, but the HR department would need to liaise with the Finance department more closely. She was certain that no one had got the wrong pay, but that the tracking system needed to be strengthened.

Mr Thompson commented that the report provided a clean start for 2016/17 as there was not a backlog of actions, thereby allowing the College to concentrate on recommendations made in the current year.

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

#### **5. Funding Audit Tracker**

The Deputy Principal: Finance & Corporate Development confirmed that all actions (including 1.5 on the tracker) had been implemented and that the College had not been selected in the Skills Funding Agency's funding audit sample. This confirmed that the College was not viewed as a risk by the SFA, although the College could have been selected at random.

Mr Morgan indicated that KPMG mirrored the SFA process in its funding body income report, but used a smaller sample.

**The Committee was pleased to note that the actions in the updated Funding Audit Tracker were complete.**

#### **6. Internal Audit Reports**

a) *06-16 Funding Body Income Report:* Mr Morgan observed that the scope was very similar to last year and the report was a very clean report, especially for one on funding body income. There were no high or medium recommendations, so there was very little risk of funding claw back. Mr Morgan commented further that this was the second year in a row that the College had received a 'good' judgement for this review.

Mr Morgan proceeded to go through the three low recommendations in the report.

Mr Thompson confirmed that KPMG gave very few 'good' judgements for this report. Governors acknowledged the complexity of, and constant change to, the funding rules and the Deputy Principal commented that the outcome of the review was a credit to the staff team. One Governor noted that this was a helpful external benchmark by which the College could compare itself.

**The Committee was pleased to note the outcome of the Funding Body Income Report.**

b) *07-16 Follow-up of prior year recommendations:* This item had been covered with item 4 above.

**The Committee had noted the outcome of KPMG's Follow-up of prior year recommendations in discussions related to the Internal Audit Tracker.**

## 7. Annual Internal Audit Report 2015/16

Mr Thompson presented the Annual Internal Audit Report for 2015/16, indicating that last year's internal audit work had involved 39 days, including six unallocated days. He commented that management responses to recommendations had been positive and timely. During 2015/16, KPMG had followed up on 14 agreed recommendations from prior years, of which ten had been 'implemented', one was 'ongoing' and three were 'no longer applicable'.

Mr Thompson indicated that KPMG was able to place reliance on the systems in operation for the six areas reviewed during 2015/16. Five of the six areas had received a 'good' rating and one had received a 'satisfactory' rating. Follow-up of prior year recommendations had also received a 'good' rating as reported above. With respect to the review of Corporate Governance, KPMG had issued two advisory reports.

KPMG was of the view that the firm had fulfilled all the requirements of an Internal Audit Service and that it had complied with the public sector internal audit standards ("PSIAS") and fully achieved the seven performance indicators set by the Audit Committee.

The Deputy Principal commented that in the previous tendering exercise, the College had hoped for a change in approach which would add value to management, and this was certainly the case as evidenced by the increase in advisory or bespoke work undertaken.

*Mr Garner arrived at 9.30 am.*

Mr Thompson highlighted the opinion given in the report that based on the internal audit work undertaken during the year: "*Our work supports the view that 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 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 2015/16 to the Corporation Board in October.**

## 8. 2016/17 Risk Management Plan

Mrs Moore, as Risk Management Champion, presented the 2016/17 Risk Management Plan which continued to have a clear link to the Strategic Plan.

Gross sub-risks had been carried forward from 2015/16 where appropriate and / or amendments made to fit changes in context. Five 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.

A discussion followed regarding the College's overall strategic risk appetite of 'medium' which was intended to reflect the ambitions of the Strategic Plan. Mrs Moore asked the Committee to consider whether this was at odds with the draft Risk Management Plan for 2016/17 as nine of the ten gross sub-risks had a target of 'low' by the close of the year. Governors reflected on some of the items of business that had been raised at Corporation Board meetings and concluded that the Board was not wholly risk-averse and was indeed prepared to take the lead in determining the College's strategic direction which was an important part of its role. Nevertheless, it was natural for College management to try to reduce risk as much as possible in the context of the Risk Management Plan. At the same time, in creating the Risk Management Plan, management should always consider whether the amount of resource needed to reduce a risk to 'low' was absolutely necessary and the best use of the College's resources. Mr Thompson commented that the number of risks with a target of 'low' was also a reflection of the fact that TyneMet was a well-controlled College.

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Discussion followed about gross sub-risk 2.1: *Failure to implement merger proposal with South Tyneside College*. The Committee Chair commented on discussions which had taken place at the Merger Committee this week, highlighting the fact that there would be a separate merger risk plan. In response to the Committee, Mrs Moore explained she had only included related actions at headline level in TyneMet's Risk Management Plan so as not to duplicate the work of the Merger Committee. The Committee asked for the merger risk plan to be appended to TyneMet's Risk Management Plan so that the Committee had a complete picture of risk.

Regarding sub gross-risk 1.4, *Failure to maintain management capacity due to increased workload related to developments with South Tyneside College*, a discussion took place about whether the target of 'low' was realistic given the actions presented in the plan. The Committee agreed that the target for this risk should be changed to 'medium' pending further actions being added for the November update which might mitigate the risk to 'low'.

**The Committee considered the proposed 2016/17 Risk Management Plan and agreed to recommend it to the Corporation Board with the above amendment.**

#### **9. 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:

- Agreed to recommend the Annual Internal Audit Report 2015/16 to the Corporation Board;
- Agreed to recommend the 2016/17 Risk Management Plan with one amendment to the Corporation Board.

#### **10. Any Other Business**

It was noted that the first internal audit visit would take place in November.

Mr Lingwood indicated that PwC had undertaken interim testing for the external audit and would be starting the year-end fieldwork in three weeks' time, working with the Director of Resources and his Finance team. Mr Lingwood confirmed that the principles around FRS 102 had been agreed and the Deputy Principal indicated that she had the pro-forma for the financial statements. Both Mr Lingwood and the Deputy Principal felt that the external audit was going well. The Deputy Principal stated that the College had not yet received the pension adjustment, but it was likely to be to be a substantial charge.

#### **11. 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 2016/17

The meeting closed at 9.55 a.m.

**Next meeting:** 9.00 a.m. on Thursday, 1 December 2016.

RMM

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