

SOUTH EASTERN REGIONAL COLLEGE

Governing Body – Audit Committee

Minutes of the meeting of the Governing Body Audit Committee held on Tuesday 15th March 2015 at 6:00 p.m. in the Bangor Campus.

1.	Attendance and Apologies <u>Present:</u> Mr G. Hetherington, Mr S. Pollard, Ms C. Meharg, <u>In attendance:</u> Mr T. Martin (Chief Finance Officer), Mr C. Andrews (DEL), Ms C. O'Hagan (NIAO), Mr B. O'Hara (KPMG), Mr K. Webb (Principal), Miss C. McDermott (Minutes) <u>Apologies:</u> Mr E. Jackson, Mr N. Bodger, Ms S. Corbett, Ms L. Martin <u>In the Chair:</u> Mr G. Hetherington. The Chair welcomed everyone to the meeting and passed on his condolences to Mr Jackson at this difficult time.
2.	Declarations of conflicts of interest The Chairman asked if any member had an actual, potential or perceived conflict of interest with any item on the agenda. There were no declarations of conflicts of interest.
3.	Minutes of the meeting held on 26th January 2016 Mr Pollard proposed the adoption of the minutes as a true record and the Chair seconded.
4.	Matters arising The Chair informed members that the external Audit contract has been awarded to and accepted by PwC.
5.	Chairman's Business In relation to the Governors Remuneration, the Chair asked members to ensure all paperwork is completed and forwarded to Ms Healy. <u>DFP Annual Theft & Fraud report</u> The Chair said that from an Audit Committee perspective, the members are responsible for monitoring the controls in place to help detect fraud and purpose of this report would be to share actual examples of fraud which the committee can note and be aware of. He noted the following: <ul style="list-style-type: none">- In terms of value of fraud cases reported, theft of assets, grant related fraud and payment processes related had the highest values noted.- The causation of the majority of reported cases was opportunistic in nature and therefore did not display a weakness in the fraud control systems.- The two main methods of discovery were through the operation of normal control procedures and those reported by an external third party, emphasising the importance of a robust whistleblowing policy. The members noted the report.

<p>6.</p>	<p>Correspondence:</p> <p><u>Letter from DEL re Anti-Fraud Policy and Fraud Response Plan</u></p> <p>Mr Andrews highlighted the minor amendments to be made to the current Anti-Fraud Policy and Fraud Response Plan following the assessment by the FE Corporate Governance and Accountability Branch.</p> <p>The Chief Finance Officer informed the Committee that these updates will be made to the Anti-Fraud Policy and Fraud Response Plan at the upcoming annual review in April 2016 and presented to the next Audit Committee.</p> <p>The Committee noted the correspondence.</p>
<p>7.</p>	<p>Risk Management Report</p> <p>The Chief Finance Officer reported on the risks as follows:</p> <p><u>R074: Managing the financial viability of the College.</u></p> <p>The Chief Finance Officer reported that the Period 6 Management Accounts and Full Year Forecast were completed in February 2016 and recorded an historic cost surplus of £1,545k for the first 6 months of the year compared with a budgeted surplus of £978k giving a positive variance of £567k for the period. The Chief Finance Officer continued that the forecast outcome at this stage of the year is for a historic cost surplus of £206k. The Chief Finance Officer informed members that the cash balance was forecasted to be on target at the financial year end with a forecast of approximately £3.86m.</p> <p>The Chief Finance Officer reminded members of the approval of the NIFE VES Economic Appraisal by DEL on 24th November 2015. He updated the Committee that DEL formally confirmed this approval on the 28th January, and £15.7m of funding has been provisionally allocated to the Sector, from the Public Sector Transformation Fund.</p> <p>Risk to remain as <u>Category A</u>.</p> <p><u>R075: Failure to manage the level of sickness absence within the College</u></p> <p>The Chief Finance Officer reported an improvement to the Absence rate YTD of 3.03% which is a 30% reduction from the rate in 2014/15 of 4.34% and significant reduction (43%) from the rate at the same period last year of 5.33%.</p> <p>The Chief Finance Officer reminded members that the Staffing Committee approved the extension of the Healthcare Scheme pilot for a further 12 months to compliment the management of the sickness absence level in the College.</p> <p>Risk to remain as <u>Category B</u>.</p> <p><u>R077: Ability to manage impact of financial cuts</u></p> <p>The Chief Finance Officer said the sector continues to progress the six work streams of the Collaboration Programme and SERC has received a provisional budget allocation from DEL for 2016/17, which sets out a static funding position. The Chief Finance Officer informed the members that SERC met with DEL on 2nd March to outline SERC's FLU delivery plans for 2016/17 and its current financial forecasts for 2015/16 – 2017/18 to be a break-even position. He added that SERC should have final confirmation of FLU allocation funding by end of March 2016.</p> <p>Risk downgraded to <u>Category B</u>.</p>

R078: Planning the Curriculum Provision as a consequence of financial cuts

The Chief Finance Officer said that the four Level 2 Traineeship Pilots and four HLAs are continuing with excellent retention at 90% and 92% respectively

He added that the second phase of ETI Evaluation of Traineeships commenced on 2 March 2016. HQED and Chief Training & Contracts Officer (CTCO) have fully briefed all Traineeship teams and have produced a SER & QIP. Feedback from the DEL Quality Unit Audit of HLAs was arranged for 3 March 2016 and verbal feedback was very positive.

Risk to remain as Category A.

Analysis of College Feedback Process

The Chief Finance Officer informed the members that the Risk Management Team reviewed the Report from the Senior Customer Services Officer which highlighted 4 Category A complaints and 28 compliments/positive feedback. The Risk Management Team were content that there were no trends or areas that presented a significant risk to the College

Mr Pollard noted the Feedback and compared 4 negative instances with 28 positive, and commented that this is clear evidence of good work.

Identification of New Risks

The Chief Finance Officer reminded the members that a new risk had been identified from the previous Audit Committee Meeting -

"Managing the implications of demographic change".

The Chief Finance Officer said an action plan has been created in response to this risk. He added that this is not identified as a Sector-wide risk as yet, without recognition in the Health check report.

Mr Andrews added that this risk has not been categorised as "Sector Wide", possibly because the impact has not been assessed as yet. He added that the impact will be more evident at the end of this academic year and may be considered by individual colleges for inclusion on their strategic risk register and in the Health Check.

Mr Pollard said that the recognition of this risk would be advantageous to the Sector and the Principal suggested an initial discussion with NIFON and then reviewed by the sectors Principal's Group.

8. Internal Audit Reports

Mr O' Hara provided a verbal update to members on the current situation with the HMRC investigation of the KPMG Partners.

Mr O' Hara made the following comments:

- The issues were not linked to the work of KPMG or its clients, which has been confirmed by HMRC
- The Partners have voluntarily retired
- Mr Poole who was acting head of internal Audit for all six colleges, has been made permanent in this position.

Mr O' Hara said that a letter confirming that the issues were not linked to the work of KPMG or its clients and confirmation of the updates to the service will be sent to all colleges

8.1 Progress Against Internal Audit Plan – 2015/16

Mr O’ Hara presented the Progress against the 2015/16 Internal Audit plan and noted the Monitoring of the Voluntary Exit Scheme review which has received a substantial rating and will be addressed in item 8.3. He added that two reviews on Monitoring of Performance against Budget and also Procurement which will be addressed at the Audit Committee meeting in June 2016. Mr O’ Hara said that all individual reviews have went according to budget and will be evaluated for recommendations over the coming summer, and the year-end assurance statement will be presented in September 2016.

8.2 Sector wide Review of Training for Success Administrative Processes

Mr O’Hara presented the Review of Training for Success Administrative Processes and noted that the findings included elements of good practice and also areas where there are system challenges or potential inefficiencies within TFS related administrative processes across the sector and also within the Department. He added that two colleges, NRC and SERC were assessed in detail. Mr O’Hara said this report is useful to consider the lessons learned from the previous administrative framework and also to help implement new processes and procedures surrounding the introduction of new Pilot programmes.

The Chief Finance Officer said that this report demonstrates the complexities of the admin processes He added that the difficulties that have been highlighted in this report are positively influencing how the Pilots are being planned, for example, the Pilots are based around the FLU concept rather than more complex frameworks that incur much higher costs that were not always guaranteed to be claimed back through funding.

8.3 Review of Management of VES

Mr O’Hara reported that the College had received a substantial assurance rating for the review of the Management of VES. He said the purpose of this report was to look closely at the process of working through VES, the response and ensuring the appropriate arrangements are in place to ensure the continuity of key roles and functions of VES. Mr O’Hara reminded members this is an on-going process that will have to be actively managed. Mr O’Hara noted that an observation of the management of VES highlighted the failure to appropriately document the rationale for decision-making which could result in the College being unable to robustly defend decisions made in the event of challenge to the decision making process.

The Chief Finance Officer added that this Priority 3 grade is key and highlighted that this is related to record keeping. He informed the members that SERC had SMT sign off data and electronic signatures against every person that was approved to leave through VES and also a master sheet was kept by the Chief Human Resources Officer with notes relating to the decision-making process for every individual. The Chief Finance Officer highlighted that the rationale for the decision making was recorded and could be used in the event of a challenge, but not in the recommended format of bullet points against the electronic signature. Therefore, with a view to improving the clarity of the audit trail, SERC management will record the relevant SMT approval for each individual exit with bullet point rationale and a forecast of the potential cost savings for that exit when processing the 2016/17 VES

ACTION: Mr O’Hara to provide a letter of assurance on behalf of KPMG, to the Audit Committee.

9. Actions taken in response to Internal Audit/NIAO Audit Reviews

9.1 Items brought forward from 2014/15

The Chief Finance Officer reported that one item brought forward from 2014/15 in relation to the Internal Audit Review of Utilisation of the Estate remains in progress. This relates to the Estates Department liaising with the Timetabling Department to identify areas of underutilisation. The

	<p>Chief Finance Officer predicts that this action will not be complete until the start of the new academic year.</p> <p>9.2 Review of Core Financial Processes</p> <p>The Chief Finance Officer reported on one Priority 3 area related to daily lodgement summaries. He updated the members that this action is complete now and all staff with cash handling responsibility have been reminded, by the Deputy Head of Finance, of the requirements and responsibilities included within the income SOP in relation to cash handling. The Chief Finance Officer said that adherence to the SOP is being monitored by the Finance Department.</p> <p>9.3 Strategic and Corporate Planning</p> <p>The Chief Finance Officer informed the members that the RAG (Red/Amber/Green) methodology has been adopted and will be applied to the next "Update on College Development Plan Targets" paper.</p> <p>9.4 NIAO Report to those Charged with Governance 2014/15</p> <p>The Chief Finance Officer provided a verbal update on the 2014/15 Report to those Charged with Governance in relation to the priority 3, sector-wide, recommendation in relation to developing an Intangible Asset accounting policy through the SORP/FRS 102 working group. He noted this is on-going and the development is in consultation with DEL. He added an estimated completion date towards the end of the financial year.</p>
<p>10</p>	<p>External Reports:</p> <p><u>Apprenticeship NI 2013 Lisburn Campus Final Report</u></p> <p>The Principal gave a verbal overview of the details of the report and the members noted the content. He highlighted the recovery of £13k from £263k of funding.</p> <p>Mr Pollard added he understands that there will be contractual issues, however, he also takes reassurance from the report as the DEL contracts manager showed that the young people are receiving appropriate support.</p> <p>Miss Meharg highlighted an operational issue in one instance recorded where the employer was at fault and did not follow correct procedure.</p>
<p>11</p>	<p>DEL Health Check – Issue 1</p> <p>Members noted the contents of the first DEL Health Check for 15/16 and the Chief Finance Officer brought the relevant points to the attention of the Committee:</p> <ul style="list-style-type: none"> - The first DEL Health check that has been reported in NDPB format compared with previous reports that have been based on the SERC financial year and SERC out-turn forecast. - Recurrent Spend for SERC is a £43k overspend, which is within -0.1% of target - The College has suffered a drop in income in the employer engagement, Training for Success and Steps2Success as well as reduced non-EU grant income - Cash Days are within range - Debtor Days, slightly outside range at 32 - Current Assets are outside range at 2.8 - Cash Balance is within range - Staffing costs are within range, 56% of total income and 55% of total costs. - Prompt payment ratios are outside range, with 90% of invoices paid within 30 Days q/w 31 January, based on a target range of 95% - In relation to sources of funding, FLU Accredited funding ranges from 46%-72% across the six Colleges with SERC accruing 56% of funding from FLU, demonstrating the huge variation of income sources across all the six Colleges

	Mr Andrews added that the report is now easier to understand and shows how well SERC is doing against the other Colleges. He added SERC is doing competitively well at this stage.
12	Audit Code for the Governing Bodies (and Audit Committees) of FE Colleges – Version 2 The Chief Finance Officer presented the amended version to the committee. Members noted the content of the revised V.2 of the Audit Code.
13	Policies for Approval: There were no policies for approval.
14	Any other notified business There were no items to be taken.
15	Date and time of next meeting There being no further business, the meeting ended at 7:18p.m. The Chair thanked everyone for their attendance and contribution. The next meeting will be held on Tuesday 7 th June 2016 at 6 p.m. in the Lisburn campus.

Attendees	Time Arrived	Time Left	Duration	Entitlement to Payment Y/N
Gareth Hetherington	6pm	7:18pm	1:18	Y
Neil Bodger				
Steve Pollard	6pm	7:18pm	1:18	Y
Linda Martin	6pm			
Ed Jackson	6pm			
Claire Meharg	6pm	7:18pm	1:18	Y
Ken Webb	6pm	7:18pm	1:18	N

Signed: _____

Date: _____

Chairman of Governing Body

