

SOUTH EASTERN REGIONAL COLLEGE

Governing Body – Audit Committee

Minutes of the meeting of the Governing Body Audit Committee held on Tuesday 26th January 2016 at 6:30 p.m. in the Lisburn Campus.

1.	Attendance and Apologies <u>Present:</u> Mr G. Hetherington, Mr S. Pollard, Mr N. Bodger (arrived 6:44pm), Ms S. Corbett, Ms L. Martin <u>In attendance:</u> Mr T. Martin (Chief Finance Officer), Mr C. Andrews (DEL), Mr D. Lynn (NIAO), Mr B. O'Hara (KPMG), Mr J. Poole (KPMG), Mr E. Jackson, Mr D. McCullough, Ms C. McDermott (Minutes) <u>Apologies:</u> Ms C. Meharg, Mr K. Webb (Principal) <u>In the Chair:</u> Mr G. Hetherington. The Chair welcomed everyone to the meeting.
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 17th November 2015 Mr Pollard proposed the adoption of the minutes as a true record and the Chair seconded with the following amendment: <i>Page 6, Item 11 had a typing error: "The Head of Finance reported one item brought forward from 201/15 in relation to the Internal Audit Review of Utilisation of Estate" should be "The Head of Finance reported one item brought forward from 2014/15 in relation to the Internal Audit Review of Utilisation of Estate".</i> The minutes of the meeting held on 17 th November 2015 were subsequently approved.
4.	Matters arising <u>SORP Working Group – update report</u> The Chief Finance Officer updated members on the work of the sector working group that was established to review and assist with the transition to FRS 102 and the new SORP: Accounting for Further and Higher Education. Mr Martin explained the background of the working group and its membership. The Chief Finance Officer provided members with a summary of the work to date and brought to members' attention a number of key points: <ol style="list-style-type: none">i. Northern Ireland FE sector will adopt the SORP: Accounting for Further and Higher Education (2015) in its entirety with an additional note/statement as required to meet any additional requirement as a consequence of NDPB status. The Department has indicated that it is content for this approach to be adopted and will be reflected in the preparation of the Accounts Direction.ii. Clarification received from DEL representatives that there were no plans to change the college financial year and colleges should therefore continue to plan implementation of the new SORP on the basis of 1 August to 31 July accounting periods.

	<p>iii. DEL is currently working towards production of an early Accounts Direction and will issue interim guidance as appropriate in respect of opening balance requirements.</p> <p>iv. Clarification of a number of approaches to accounting treatment.</p> <p>The Chief Finance Officer informed members that SERC will be producing opening balances as at 1 August 2014 and is expected that NIAO will audit such balances in March / April 2016.</p> <p>Members discussed the human resource required to fully transition to FRS 102/new SORP with Mr Martin informing members that work was ongoing within SERC to implement</p> <p>Mr Lynn explained NIAO's approach to auditing the transition to FRS 102 and said that SERC's methodology for transitioning was appropriate.</p> <p>The chairman welcomed Mr N. Bodger at 6:44 PM</p>
<p>5.</p>	<p>Chairman's Business</p> <p>The Chairman informed members that Mr N. Bodger has agreed to continue as Vice Chair of the Audit Committee and thanked Mr Bodger for his contribution to the committee.</p> <p><u>KPMG</u></p> <p>The Chairman asked Mr Poole to provide members with an update on the current situation in KPMG Belfast.</p> <p>Mr Poole provided a verbal update to members on the current situation and assured members that there would be no interruption to KPMG's service to the College in regards to Internal Audit. Mr Poole made the following comments:</p> <ul style="list-style-type: none"> - The issues were not linked to the work of KPMG or its clients - The individuals concerned were currently on administrative leave and the matter was currently subject to an internal investigation - The NIAO has not discontinued any audit contracts already commenced with KPMG following this incident. <p>Mr Lynn confirmed the NIAO had not discontinued any audit contracts already commenced.</p> <p>The Chief Finance Officer added that NIFON members met with KPMG in December and as a group they did not foresee any operational issues or problems in service provision.</p> <p>Members discussed the situation with Mr Poole and asked to be kept informed, as far as possible, of the outcome of current investigations.</p> <p><u>NIAO Good Practice Publications:</u></p> <p>The Chair brought to the attention of members two recent Northern Ireland Audit Office (NIAO) Good Practice Publications:</p> <ul style="list-style-type: none"> - Managing Fraud Risk in a Changing Environment - Conflicts of Interest – A Good Practice Guide <p>The Chairman specifically highlighted the 'Managing Fraud Risk in a Changing Environment' publication in the context of the College being in the process a significant change due to restructuring as a result of the execution of VES. The Chairman said that such change had the potential to impact the control environment that exists within an organisation, but the control environment is required to mitigate any risk of Fraud.</p> <p>The Chief Finance Officer commented that there was need to update all points of contacts for policies and procedures within this area as a result of the new management team structure. The Chief Finance Officer added that all Finance related policies and procedures are reviewed as part of an annual process with any updates brought to the Finance & General Purposes Committee each March, with all updates to the Fraud Policy being brought to the Audit Committee.</p>

<p>6.</p>	<p>Correspondence:</p> <p><u>DEL Circular – 13/15 – Remuneration of Governing Body Chairs and Members</u></p> <p>The Chairman brought the correspondence from DEL to the attention of all members. Mr Hetherington noted that there is provision in the Circular to refuse remuneration and that any member in this situation should inform the Department. Mr Andrews commented that the Secretary of the Governing Body should also be informed of such a situation.</p> <p>The Chairman noted an ongoing query regarding the payment of Staff Governors in regards to attendance at necessary committees and the Governing Body. Mr Hetherington informed members that the circular currently precludes payment to Staff Governors by way of paragraph. 6 "College staff members and the Principal are not eligible for payment, under the terms of DAO (DFP) 02/11".</p> <p>Mr Andrews informed members that this exclusion was as a result of Department of Finance and Personnel Guidance. Mr Andrews said the sector's Principal's Group had asked the NIFON group to review the contents of the Circular, produce feasible recommendations and feedback to the Department.</p> <p>Mr Andrews noted that the payment of overtime may be appropriate to Staff Governors attending meetings, but this was a matter for individual Colleges to review.</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> Mr Martin reported that the Period 4 Management Accounts and Full Year Forecast were completed in December 2015 and recorded an historic cost surplus of £1,351k for the first 4 months of the year compared with a budgeted surplus of £783k giving a positive variance of £568k for the period. Mr Martin continued that the forecast outcome at this stage of the year is for a historic cost surplus of £297k. Mr Martin informed members that the cash balance was forecasted to be on target at the financial year end.</p> <p>Mr Martin highlighted to members the approval of the NIFE VES Economic Appraisal by DEL on 24th November 2015.</p> <p>Risk to remain as Category A.</p> <p><u>R075: Failure to manage the level of sickness absence within the college</u> The Chief Finance Officer reported that the absence rate for the year-to-date is 3.1%, which is a 28% reduction from the absence rate in 2014/15 of 4.34% and a significant reduction (42%) from the rate at the same period last year (5.38%).</p> <p>Mr Martin informed members of the recent recommendation to Staffing Committee to extend the Healthcare Scheme pilot for a further year until 31 March 2017.</p> <p>Mr Martin said that as sickness levels were being successfully managed the risk was downgraded to Category B. The Chair indicated that if the absence rate increased the risk category should then be subsequently upgraded. Mr Martin confirmed if it would be increased if absence rate increased.</p> <p><u>R077: Ability to manage impact of financial cuts</u> Mr Martin informed members that DEL had not as yet set the budget for 2016/2017, but detail was expected towards the end of February 2016. He outlined the 6 work streams of the Collaboration Programme and noted good progress.</p> <p>Risk to remain as Category A.</p>

	<p>R078: Planning the Curriculum Provision as a consequence of financial cuts The Chief Finance Officer reported that the four Level 2 Traineeship Pilots and four HLAs are continuing with excellent retention to date. He also noted a very successful ETI Evaluation of Traineeships.</p> <p>Mr Martin informed members that the College is currently awaiting confirmation of the process of approving new programmes from DEL. Mr Martin also noted that although there was ongoing correspondence the funding for the pilots was not yet finalised.</p> <p>Risk to remain as Category A.</p> <p>The Chairman thanked Mr Martin for his report. Mr Hetherington noted that there appeared to be two categories of risk: Sector Wide Risks and College Specific Risks.</p> <p>The Chairman discussed with members a possible sector wide risk, being the increase of sixth form provision in many schools. The Chair suggested that this particular risk would be worth considering by the Risk Management Team. Members discussed this possible risk and the general provision of HE/FE Provision in Northern Ireland. Mr Pollard highlighted to members that this potential risk was under consideration by the Education Committee.</p>
<p>8.</p>	<p>Internal Audit Reports</p> <p>8.1 Progress Against Internal Audit Plan – 2015/16</p> <p>Mr O’ Hara presented the Progress against the 2015/16 Internal Audit plan and noted that 4 of the 7 scheduled reviews had been completed and the remaining reviews were scheduled with management.</p> <p>8.2 Review of Core Financial Processes</p> <p>Mr O’Hara presented the Review of Core Financial Processes and informed members of the award of a substantial assurance rating for both the Bank & Cash / Treasury Management and Payments to Creditors reviews.</p> <p>Mr O’Hara noted one priority 3 issue recommendation in relation to Cash Handling in that management should ensure that a Daily Lodgement Summary should be appropriately prepared in respect of all lodgements in line with the agreed SOP. Mr O’Hara said that Management had accepted the recommendation.</p> <p>8.3 Strategic and Corporate Planning</p> <p>Mr O’Hara reported that the College had received a substantial assurance rating for the review of Strategic and Corporate Planning. He continued that there was one priority 3 issue with the recommendation that management consider implementing a ‘RAG’ reporting system within the Update on the College Development plan Targets. Mr O’Hara noted that management had accepted this recommendation and will the RAG methodology for future reporting of progress against CDP targets.</p> <p>The Chair noted a typing error on Page 3 - the date “2013/14” which should read “2014/15”. Mr O’Hara noted this point.</p> <p>8.4 Financial Planning and Budgetary Control</p> <p>Mr O’Hara reported the substantial assurance rating for the review of Financial Planning and Budgetary Control and stated there were no recommendations.</p>

<p>9.</p>	<p>Actions taken in response to Internal Audit Reviews</p> <p>The Chief Finance Officer reported the actions taken in response to the Internal Audit Review on Complaints Handling and informed members that all five recommendations had been fully implemented.</p> <p>Mr Martin reported that one item brought forward from 2014/15 in relation to the Internal Audit Review of Utilisation of the Estate remains in progress and informed members that the College Estates Department are liaising with the Timetabling Department to deliver Utilisation of Estate Reports that will come to sub-committee meetings and the Governing Body Committee meetings. Members discussed the utilisation of the Estate and the low utility costs in comparison with the sector.</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 an Intangible Asset accounting policy.</p> <p>Mr O’ Hara positively commented on the low level of outstanding recommendations within the College.</p>
<p>10</p>	<p>External Reports:</p> <p><u>North Down Steps to Work Inspection 2015 Final Report</u></p> <p>Members noted the contents of this report with the Chairman noting the satisfactory outcome and the lack of significant issues with this element</p> <p>Members suggested the future reports should be redacted.</p> <p>The Chairman, with members’ agreement, suggested that going forward such reports should be presented to the Audit Committee in summary – being the assurance rating and brief summary of findings.</p>
<p>11</p>	<p>DEL Health Check – Issue 3</p> <p>Members noted the contents of the DEL Health Check and the Chief Finance Officer brought the relevant and pertinent points to the attention of the Committee.</p> <p>The Chairman made reference to the FE College Health Check Report, and commended the content and its overall value.</p> <p>Mr Andrews discussed the 2014/15 FLU targets and SERC’s performance against the targets. He said that, although the College did not meet the FLU targets, curriculum delivery performance, retention, achievement and success was strong when compared with the sector. Mr Andrews said that DEL are reviewing the financing of the Colleges. Mr Andrews informed members that 2015/16 FLU data information suggests the College is currently on-target.</p> <p>Members discussed the FLU targets of the College and the funding of the FE sector. The Chair noted that when an FE college is running a financial deficit, under delivery is potentially one means to balance the budget. The Chair added that this cycle is difficult to break and the funding of the Colleges will need to be reviewed going forward.</p>
<p>12</p>	<p>Policies for Approval:</p> <p>There were no policies for approval.</p>
<p>13</p>	<p>Any other notified business</p> <p>There were no items to be taken.</p>
<p>14</p>	<p>Date and time of next meeting</p>

	<p>There being no further business, the meeting ended at 8:25 p.m. The Chair thanked everyone for their attendance and contribution.</p> <p>The next meeting will be held on Tuesday 15th March 2016 at 6 p.m. in the Bangor campus.</p>
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Attendees	Time Arrived	Time Left	Duration	Entitlement to Payment Y/N
Gareth Hetherington	6:30pm	8:25pm	1:55	Y
Neil Bodger	6:44pm	8:25pm	1:41	Y
Steve Pollard	6:30pm	8:25pm	1:55	Y
Linda Martin	6:30pm	8:25pm	1:55	N
Shirleen Corbett	6:30pm	8:25pm	1:55	Y
Ed Jackson	6:30pm	8:25pm	1:55	Y

Signed (Chairman)

Date