



SOUTH EASTERN REGIONAL COLLEGE

Governing Body – Audit Committee

Minutes of the meeting of the Governing Body Audit Committee held on Thursday 14th September 2017 at 5.00 p.m. in the Bangor Campus.

<p>1.</p>	<p>Attendance and Apologies</p> <p><u>Present:</u> Mr G Hetherington (Chair), Mr N Bodger , Mrs C King, Mr J Mackell Items 6-15 only, Ms S Corbett</p> <p><u>In attendance:</u> Mr T Martin (Chief Finance Officer), Ms J Smith (DfE) Items 7-15 Only , Mr D Lynn (NIAO) Items 7-15 Only, Mr B O’Hara (KPMG) Item 9.1 only, Mr A McKibben (Grant Thornton) Mr D. Sagar (Chair of Governing Body), Mr K Webb (Principal & Chief Executive), Mrs C Williamson (Secretary to the Governing Body), Mrs H McKee (Director of Strategic Planning Quality and Support) Items 1-7 Only, Ms R Heaney (Student Governor Elect)</p> <p><u>Apologies:</u> Mr S Pollard, Ms C Meharg</p> <p><u>In the Chair:</u> Mr G Hetherington.</p> <p>The Chair welcomed everyone to the meeting and noted the apologies.</p>
<p>2.</p>	<p>Declarations of conflicts of interest</p> <p>The Chairman asked if any member had an actual, potential or perceived conflict of interest with any item on the agenda. No perceived conflicts were declared.</p>
<p>3.</p>	<p>Minutes of the meeting held on 20th June 2017.</p> <p>The Chair invited members to review the minutes from the previous meeting. The minutes were accepted as a true and accurate record of the meeting.</p>

	<p>Proposer: Carolyn King</p> <p>Seconded: Neil Bodger</p>
4.	<p>Matters arising</p> <p>The Chair advised members that most action points from the last meeting were complete or addressed on the agenda, however he suggested that the review of the Committee’s Terms of Reference is reviewed at the next meeting in November. After discussion with the Chair of the Governing Body there is still room for improvement in the presented document.</p> <div data-bbox="276 544 1428 654" style="border: 1px solid black; background-color: #e0e0e0; padding: 5px;"> <p>Action Point: The committee terms of reference will be reviewed and approved at the committee’s meeting in November.</p> </div>
5.	<p>Chairman’s Business</p> <p>5.1 Annual review of Committee Terms of Reference</p> <p>As discussed and agreed under agenda item 4 this item will be moved to the November meeting.</p> <p>5.2 Audit Committee Annual Report</p> <p>The Chair presented the Audit Committee Annual Report 2016/17 to the committee for approval. The Chair of the GB Mr. Sagar enquired if the Whistleblowing incident recorded had been previously reported to the Governing Body. The CFO confirmed that it had been raised as a suspected fraud and therefore was reported to the Governing Body. The committee confirmed they were content with the report and would recommend it to the Governing Body for approval at their meeting in November.</p> <div data-bbox="276 1568 1428 1783" style="border: 1px solid black; background-color: #e0e0e0; padding: 5px;"> <p>Key Decision: The committee agreed to recommend the Audit Committee Annual Report to the Governing Body for approval</p> <p>Proposer: Gareth Hetherington</p> <p>Seconded: Neil Bodger</p> </div>
6.	<p>Correspondence:</p> <p>6.1 DfE Accounts Direction</p>

The committee were asked to note the circular from DfE which sets out the requirements for Colleges to prepare their 2016/17 Annual Report and Financial Statements. The Chief Finance Officer confirmed there were no material changes in the Accounts Direction to report.

6.2.1 Properties Division, email from Christopher Andrews 12.09.17

The Chair directed members to the response provided by Chris Andrews from DfE with regard to the College's mandatory use of Properties Division, the committee had previously requested DfE to outline the rationale for the College's requirements to use PD at their meeting on 20 June 2017. A brief discussion took place and the following points were noted:

- The Principal advised the committee the Director of FE, Beverly Harrison, engaged with the CPD and a plan had been in place to address the issues raised by the Colleges but so far not much improvement has been made.
- The Chair advised that the committee had previously raised issues around value for money; that accountability ultimately rests with the Governing Body; and that the purpose of seeking clarification from DfE was to confirm our requirement to use PD.
- The Chair of the GB, Mr. Sagar suggested that these concerns could be recorded in the committee's annual report as the current situation is unsatisfactory. The Chair agreed that a note in the report would ensure that the Governing Body's position was clear and record that the matter was raised with DfE.
- The Principal advised members that he would raise the matter at the mid-year accountability review meeting with the Permanent Secretary in October.
- The Chair advised members he has had an initial discussion with Grant Thornton to consider using Internal Audit to review this area across the sector to highlight the issues faced.

Action Point: The Chair will include a note in the Audit Committee Annual Report 2016/17 to highlight the issues around the mandatory use of Properties Division

7.

For Information:

a. Operational Risk Summary

The Director of Strategic Planning, Quality and Support presented a sample of operational risks from the areas of the College she is responsible for. The Director of SQPS provided a high-level summary of the types of risks across Learning Support and Customer Services. The committee

were provided with a detailed presentation on the impact risks can have in the department and the actions taken to address these.

b. Risk Management Report

The CFO presented a high-level summary of the Risk Management report to the committee, a brief explanation was provided by the CFO on those risks identified as red or amber and the action plans in place to manage these risks. The following points were highlighted:

- The CFO highlighted the risk in managing College enrolments and advised the committee that the College is feeding into the 14-19 Strategy Working Group to progress this issue. The Principal confirmed that this is a sector wide issue due to falling demographics, lower entry requirements for universities and increased provisions in schools for 6th form. The Principal stressed that enrolment numbers for the year are not finalised and at this stage of the year, students still have time to join courses before the main body of work begins.
- The Chair stressed that although the solution to these issues is beyond the remit of this committee it has noted the risk to the institution. The Chair enquired if DfE are currently able to make any decisions in the absence of a Minister and when one is in place will this issue be looked at as a priority. Ms Smith advised that the working group has been set up and are continuing to meet to progress the matter but she will take the committee's concerns back to DfE.
- The committee briefly discussed the College's sickness absence levels; the CFO stressed that there is lot of long term serious illness and HR have implemented programmes to focus on staff health incentives. Mr Mackle enquired if sick pay provisions was a mitigating feature of the risk. The CFO responded that it is a much wider issue than terms and conditions and that any proposed change would have to be progressed through the agreed sector wide negotiating frameworks. He stressed that the BHSF Health Care Scheme is innovative and the benefits for staff are excellent.
- Mr Sagar noted that complaints have reduced and enquired if CMT could give some consideration as to how concerns can be resolved before they reach the complaint stage. The Principal advised that every concern is recorded in the College even if it is resolved informally; he agreed to consider an alternative way to process these concerns.

Action Point: The Principal will consider developing a system to process and resolve concerns before they reach the complaints stage

<p>8.</p>	<p>Draft Annual Report & Financial Statements (including Governance Statement)</p> <p>The CFO directed members to the Draft Annual Report and Financial Statements for the year ended 31st July 2017. The CFO provided a high-level summary of the main points and advised that the committee will have sight of the Audited draft in November before it is approved by the Governing Body. He asked members to note the review of the Governing Body will be inserted to the Governance Statement when it is available in October. Finally, the CFO advised that PwC will commence their audit on Monday 18th September.</p> <p>Mr Sagar enquired if the College has any discretion over the Annual Report document as he feels it is too long and some of SERC’s successes may get lost in the detail. Mr Lynn advised the NIAO ensure that the Annual Report is consistent with the Financial Statements and do not audit the report, however he is mindful that certain disclosures have to be included as per the Accounts Direction from DfE.</p> <p>The committee briefly discussed the purpose and audience of the Annual Report and agreed that this document is not intended as a “headline marketing brochure” but rather as the published audited financial record with an annual report which not only touches on some achievements, but also details Governance structure and arrangements.</p>
<p>9.</p>	<p>Internal Audit:</p> <p>9.1 2016/17 Internal Audit Report</p> <p>Mr O’Hara, KPMG, attended the meeting to present the final report from KPMG. He advised that the substantive work had been carried out by June and this was mostly a formality. Mr O’Hara advised the committee that in 2016/17 the internal audit reports produced only one priority 3 finding which was very uncommon. He highlighted that there was a consistently strong performance from the College across all the reports with the highest level of assurance received across the reports.</p> <p>Mr O’Hara thanked the committee and advised that KPMG had found it a pleasure to work with the staff at SERC at all levels. The Chair thanked Mr O’Hara for attending the meeting and the work KPMG had produced, he asked that his thanks be extended to entire team at KPMG.</p> <p>9.2 New Contract Award</p> <p>The Chair advised members that Grant Thornton had been awarded the Internal Audit contract for the sector, he welcomed Anthony McKibben from GT to the meeting.</p>

9.4 2017/18 Internal Audit Strategy

Mr McKibben addressed the committee and presented the proposed three year strategy from Grant Thornton. He asked members to note that as there was still one year remaining on the KPMG Strategy they had decided to remain broadly consistent with that strategy in the first year. The committee had a robust discussion on the areas of audit and noted the following:

- The Principal referred back to the earlier discussion on sick absence (under agenda item 7) and proposed that because the levels have remained it would be worth doing a review of this area in the first year.
- Mr Sagar enquired if there was room in this area to include staff satisfaction as it is currently lower than customer satisfaction levels.
- Mr McKibben advised that the sector wide review will be discussed with all the Colleges and noted that the areas of CPD, STS and the funding model seem to be the main areas of agreement. The CFO advised the vehicle in which to reach a consensus on these areas is the NIFON group.
- The Chair highlighted that a sector wide review must be consistent with the issues of concern to the Audit Committee, he reminded members that the committee had discussions with DfE the previous year to ensure they are independent and the Audit Code was amended to reflect this. Ms Smith advised that the idea is to agree an area with all the Colleges and she didn't believe there would be a mandated area.

Action Point: It was agreed to push a review of Strategic and Corporate Planning back to 2018/19 and replace this with a review of Sickness absence, Wellbeing and Staff satisfaction in the first year of the Grant Thornton Internal Audit strategy

Action Point: The Chair requested GT to include a column beside each audit area in the strategy paper to highlight when the last review had taken place

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Fraud Update

10.1 National Fraud Initiative

The CFO asked members to note the written report provided.

10.2 2016/17 Fraud Update

	<p>The CFO asked members to note the report provided and gave them a high-level summary of the three instances of reported fraud. He advised there was no loss to the College due to normal controls in place and there are no live incidents to carry forward.</p>
11	<p>Summary of Actions taken in Response to External & Internal Audit Recommendations</p> <p>As agreed under item 4 the outstanding recommendation regarding the Terms of Reference will be reviewed at the November meeting of this committee.</p>
12	<p>DfE Health Check Issue 3</p> <p>The CFO asked members to note the recent Health Check issued by DfE. He advised that SERC and the other 5 Colleges were showing a forecasted overspend as at June. The sector shortfall at that stage was approximately £6.2m which Colleges were asked to reduce by making savings. It is anticipated that this figure will reduce to £5m, and will then be the subject of a request to draw down End Year Flexibility monies. Ms Smith advised that as of today the sector shortfall is £4.9m.</p>
13	<p>Other Audits/Reviews</p> <p>13.A NEBOSH Review</p> <p>The Principal asked members to note the NEBOSH Audit report which ensures the College is compliant to provide Health and Safety Training.</p> <p>13.B Access NI Review</p> <p>The Principal asked members to note the Access NI Certificate of Compliance which the College requires for areas such as childcare and sport.</p>
14	<p>Any other notified business</p> <p>No other business was discussed.</p>
15	<p>Date and time of next meeting</p> <p>The next meeting is scheduled be held on 23rd November 2017, 5pm, Lisburn Campus.</p> <p>There being no other business the meeting concluded at 19.15pm</p>
16	<p>Confidential Business</p> <p>An item of confidential business was scheduled, but due to a smaller number of members in attendance, it was agreed that the item should be carried forward to the next meeting in November 2017.</p>