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SOUTH EASTERN REGIONAL COLLEGE

Governing Body – Audit Committee

Minutes of the meeting of the Governing Body Audit Committee held on Thursday 23rd September 2017 at
5.00 p.m. in the Bangor Campus.

1. a) Attendance and Apologies

Present: Mr G Hetherington (Chair), Mr N Bodger, Mrs C King, Mr J Mackell, Ms S Corbett, Ms R Heaney (Student Governor)

In attendance: Mr T Martin (Chief Finance Officer), Mr A McKibben (Grant Thornton) **Items 1D-10**, Mr D. Sagar (Chair of Governing Body), Mr K Webb (Principal & Chief Executive), Mrs C Williamson (Secretary to the Governing Body, Ms C O'Hagan (NIAO), Mr M Pitt (PWC), Mr W Smyth (DfE), Professor A Woodside **Items 3-10**, Ms C Goodwin, Mr P Smyth (Chief Human Resources Officer) **Items 1a-1d and 5a only**

Apologies: Mr S Pollard

In the Chair: Mr G Hetherington.

The Chair welcomed everyone to the meeting and thanked them for accommodating the time change he had requested. The Chair paid a particular welcome to Ms Goodwin (Governor) who had joined the meeting as an observer.

b) 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. No perceived conflicts were declared.

c) Minutes of the meeting held on 14th September 2017.

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.

Proposer: Neil Bodger **Seconder:** Gareth Hetherington

d) Matters arising

The Chair advised members that most action points from the last meeting were complete or addressed on the agenda

e) Annual review of Committee Terms of Reference

The Chair invited members to review and approve the committee's terms of reference, he advised the version presented was based on model terms of reference for Audit committees, a brief discussion took place and the following points were noted:

- Mr Sagar queried if the last bullet point 21 was a necessary as he felt this may duplicate other committee's work and that this committee should feel free to ask other committees for sight of their reports.
- Ms O'Hagan suggested that in its current draft the sentence might imply that this committee may not want to see reports on near misses or disasters. Mr Pitt reminded members that the audit committee is the monitoring function for the whole College and therefore duplication was not an issue.
- Mr McKibben echoed these comments and advised that Audit Committees review reports from a different perspective. Ms O'Hagan highlighted that this was a common point to include in an audit committee's ToR and helped to reinforce the committee's duties when things do go wrong.
- The Chair advised that the text be amended to reflect the professional advice. The committee members unanimously agreed to present the ToR at the next Governing Body meeting for review and approval.

Action Point: The Audit Committee Terms of Reference will be presented to the Governing Body for review and approval in January 2018

f) Audit Committee Annual Report 2016/17

The Chair advised members that the Annual Report had been amended after the committee had last reviewed in September and changes had been made to reflect this discussion, the report would now be presented to the GB for approval at the meeting on 27th November. Mr Mackell suggested that point 9.1 should be amended to read 'the committee **will** meet 4 times per year'.

Subject to this change being made the committee agreed they were content to recommend the Annual Report to the GB for approval.

Key Decision: The committee agreed to recommend the Audit Committee Annual Report 2016/17 to the Governing Body for approval and submission to DfE

Proposer: Neil Bodger

Seconder: Carolyn King

g) Managing the risk of Bribery and Corruption Good Practice Guide

Media Release Bribery Risk Guide

The Chair asked members to note the enclosed guidance and advised the main point from the guidance is not to become complacent in these areas.

Action Point: The Chair requested if the Chief Finance Officer would check if any internal processes needed any amendment in light of the guidance circulated 'Managing the risk of Bribery and Corruption Good Practice Guide'

2. Correspondence:

The Chair directed members to the letter received from Christopher Andrews at DfE (dated 27 September 2017) in relation to the Remit of Internal Audit Service. The Chair advised this letter was in response to the committee's concerns raised around the use of audit days. The Chair noted that no further response was required, and that the committee will of course listen to concerns or risks raised by DfE.

3. For Approval:

a) Annual Report & Financial Statements (including Governance Statement)

b) Report to Those Charged with Governance

The Chief Financial Officer advised members that the Annual Report and Financial Statements had been presented to this committee in September and no changes had been made since. Ms O'Hagan thanked the CFO and his team for their cooperation in preparing the accounts and commended them on a clean report.

Mr Pitt echoed Ms O'Hagan's comments and advised that he was satisfied with the content and the accounts and that all required disclosures have been fully complied with. He advised that the accounts are complete up to today's date with no outstanding balances. He directed members to page 4 on the Report to Those Charged with Governance and confirmed that these numbers all align with the annual report; that there were no control weaknesses; and that no adjustments were required.

Mr Pitt reiterated his earlier comments and paid tribute to the CFO and his team with particular thanks to the Financial Controller, David McCullough, for his efforts in preparing the accounts and working with the audit team.

The Chair of the Governing Body questioned the accuracy of the enrolment figures and the Chief Financial Officer indicated that the number quoted was accurate at the point in time the data was lifted. This was confirmed by the Mr. Pitt.

The Chair commended the CFO and asked that the committee's appreciation of the hard work was recorded.

The Principal stated that as Accounting Officer he did not know of anything that would require adjustment since the accounts had been produced.

Key Decision: The committee recommended the Annual Report & Financial Statements (including Governance Statement) 2016/17 to the Governing Body for approval

Proposer: John Mackell

Seconder: Neil Bodger

4. For Information:

a. Operational Risk Summary

The Chief Finance Officer addressed the committee to present a summary of the operational risks in the departments of the College he is responsible for, following a brief discussion the following points were noted:

- Mr Sagar enquired if there was any risk around payroll and if so how it is managed. In response the CFO advised that there is a detailed set of processes along with a formal set of segregated duties, the area has been subject to frequent audits with no recommendations.
- Mr Sagar further enquired if the College could be sure they were charging students appropriately. The CFO informed members that this is integrated in the Learner Management System, whilst the processes and interfaces could be smoother and more efficient it has no impact on the accuracy of the system. The CFO highlighted that the LMS is being reviewed as part of the STS Project to upgrade systems in the College.
- Mr Mackell asked the CFO if he had identified the issues around paying suppliers. The CFO confirmed there are a number of issues which have been identified and being worked on with a view to process invoices as quickly as possible.

The Chief Human Resources Officer presented a high-level summary of the risks relating to HR, the Learning Academy and Health & Safety; the following points were noted during the discussion:

- The committee noted the substantial risk recently identified around mini bus drivers (Department of Infrastructure guidelines are now that all drivers require a Driver Certificate of Professional Competence) and discussed if it would be escalated to the strategic risk register. The CHRO explained that the College was informed of the change in legislation from the media like most affected schools and colleges were. It had been the College's understanding that there would be a lead in time for this change to take effect, but that introduction has been immediate. This essentially means that the College has two members of staff that can drive mini buses at present which is not enough to meet the demands of the College.
- The CFO advised that no provision has been made for the costs associated with this change at this time because the College believed there would be a lead in time after a period of consultation. The committee noted that this could also have a financial impact on the College as there will be additional costs to hire buses, drivers and train existing staff. The CFO also highlighted that the College insurance company advised there is no cover with immediate effect, and that there will be delays with any of this as the College will have to use the Central Procurement Directorate to procure any training or cover and there are already identified delays with CPD.

- The CFO agreed to provide an estimate of the financial impact to the next Audit Committee meeting.

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 pointed out the risk around Negative Impact of End testing in Essential Skills on College Performance which is red on the strategic risk register as this issue is affecting the College's success rate statistics.
- The Principal confirmed that DfE are aware of this issue and the problem is common across the sector. Rates have been compared to last years and across the sector over 2000 students more have failed and are therefore not being afforded an opportunity for progression. The Principal informed members he had recently met with the Director of FE and she has indicated it is their intention to address this issue within as short a time as possible.
- The Chair noted this update, highlighting that failing these courses will have a significant impact on the lives of these young people and their life choices which is critical to the College's mission.
- The CFO drew the committee's attention to the risk in the continued use of Properties Division. The CFO highlighted the ongoing risk to the College with the use of Properties Division, he informed the committee procurement fees for this service are 19% and the College had been previously paying 3.75% before using PD became mandatory for the sector. A pilot is currently being run which is similar to the method the College had used and it is hoped that this could be rolled out to the sector urgently, perhaps in April 2018.
- The CFO asked members to note that the Chair of the Finance and General Purposes committee has agreed to write to DfE again to highlight the risks associated with PD. The Principal highlighted that the College needs the support of DfE as to when the "pilot" model currently being used by Stranmillis could be rolled out to the sector, to ensure that the Colleges have access ASAP.

c. Direct Awards Contracts 2016/17

Members were asked to note the enclosed report for information.

d. Curriculum Reform

The Chair advised members that the Principal had addressed this matter in his report to the Governing Body on 27th November, so he would revisit this subject at the next meeting following the GB meeting.

6.	<p><u>Internal Audit:</u></p> <p>a) Internal Audit Strategy (2017/18 – 2019/20) – Final</p> <p>Mr McKibben addressed the committee and advised that the draft audit strategy, plan and charter had been reviewed by the Committee in September and are now final having included the changes the committee had requested. The committee noted the strategy and briefly discussed the areas for review, including Staff Sickness & Wellbeing and Staff Satisfaction. The Chair suggested that the committee might have sight of the draft terms of reference for this particular review before the audit fieldwork in January. Mr Mackell highlighted that whilst the committee would not wish to cross into operational matters this area is impacting on the risk register, so it may be useful.</p> <div data-bbox="127 817 1276 929" style="border: 1px solid black; padding: 5px;"> <p>Action Point: The Audit committee will be sent a copy of the draft terms of reference for the IA review into Staff Sickness and Wellbeing as agreed with the CMT and Grant Thornton.</p> </div> <p>b) Annual Audit Plan for 2017/18 – Final</p> <p>The committee reviewed the audit plan for 2017/18. The CFO advised as part of the sector wide days there was been a suggestion to deliver a technical workshop for the sector, however this would only go ahead if all six Colleges were in agreement. The committee confirmed they had no objections to this and the Chair enquired if there was an agreed number of days yet. Mr McKibben advised that once agreement had been reached the number of days can then be investigated and agreed.</p> <p>c) Internal Audit Charter – Final</p> <p>Mr McKibben asked the members to note the Charter and advised there were no final changes since September.</p> <p>d) Key Financial Controls Internal Audit Report</p> <p>Mr McKibben directed the committee to the report and highlighted that an overall satisfactory rating was given and identified two priority 3 findings. Mr McKibben provided the committee with a brief overview of the findings and advised that this was a higher-level review across a number of processes which demonstrated a strong performance and that everything operates efficiently.</p> <div data-bbox="127 1736 1276 1848" style="border: 1px solid black; padding: 5px;"> <p>Action Point: The Chair requested if GT could include any recommendations under the relevant headings in a text box on the summary page</p> </div>
7.	<p><u>Summary of Actions taken in Response to External & Internal Audit recommendations:</u></p> <p>The CFO confirmed the one outstanding recommendation relates to the Audit Committee Terms of Reference which should be closed by the next meeting in March as per the committee’s earlier discussion under agenda item 1e.</p>

8.	<p><u>Fraud Update</u></p> <p>The CFO asked members to note since the last meeting there was one suspected fraud; which was around claiming payment for worked hours. During the investigation it was found that whilst some policies had been broken there was no actual fraud. The CFO confirmed that the case has been closed and DfE have been made aware. This case had been discovered through normal controls put in place by the finance department.</p>
9.	<p>Any other notified business</p> <p>No other business was discussed.</p>
10.	<p>Date and time of next meeting</p> <p>The next meeting is scheduled be held on 1st March, 5pm, Bangor Campus</p> <p>The meeting concluded at 20.31pm</p>
11.	<p>Confidential Business</p> <p>A separate minute was taken for this item.</p>