



SOUTH EASTERN REGIONAL COLLEGE

Governing Body – Audit Committee

Minutes of the meeting of the Governing Body Audit Committee held on Tuesday 20th June 2017
at 6.00 p.m. in the Bangor Campus.

<p>1.</p>	<p>Attendance and Apologies</p> <p><u>Present:</u> Mr G Hetherington (Chair), Ms C Meharg, Mr N Bodger , Mrs C King, Mr J Mackell Ms S Corbett</p> <p><u>In attendance:</u> Mr T Martin (Chief Finance Officer), Mr W Smyth (DfE), Ms Catherine O’Hagan (NIAO), Mr Bernard O’Hara (KPMG), Mr D. Sagar (Chair of Governing Body), Mr K Webb (Principal & Chief Executive), Mrs C Williamson (Secretary to the Governing Body), Mr W Greer (Chief Training and Contracts Officer) Items 1-8a only</p> <p><u>Apologies:</u> Mr S Pollard</p> <p><u>In the Chair:</u> Mr G Hetherington.</p> <p>The Chair welcomed everyone to the meeting and thanked them for accommodating the change to the original start time.</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.</p> <p>No perceived conflicts were declared.</p>

<p>3.</p>	<p>Minutes of the meeting held on 4th April 2017.</p> <p>The Chair invited members to review the minutes from the previous meeting.</p> <p>The Chair requested that more detail was included on page 7 of the minutes in reference to External Audit specifically the last bullet point relating to the Chair’s comments on the figures included for error reporting threshold and the quantitative materiality threshold.</p> <p>The Chair read a prepared extract to include in this section and with members approval agreed to send to the Secretary for inclusion in the minutes.</p> <p>The committee agreed the suggested changes and the minutes were accepted as a true and accurate record.</p> <p>Proposer: Claire Meharg Seconder: Gareth Hetherington</p>
<p>4.</p>	<p>Matters arising</p> <p>The Chair reviewed the action points from the previous meeting and advised members the letter from DfE outlining the proposed changes to mandated audit items has been received and this can be used when developing the audit strategy for next year.</p> <p>Mr O’Hara highlighted that one or two areas of mandated items can be covered in the course of a 3-year cycle.</p>
<p>5.</p>	<p>Chairman’s Business</p> <p>a) Audit Committee Self-Assessment</p> <p>The Chair directed members to the National Audit Office Self Evaluation form provided and advised that it is good practice for an audit committee to perform this exercise in order to improve the work of the committee. The Chair requested all members to complete the form and return it to the secretary; results will be assimilated and presented to members at the next meeting in September.</p> <div style="border: 1px solid black; background-color: #e0e0e0; padding: 5px; margin-top: 10px;"> <p>Action Point: The Chair requested members to return their completed self-evaluation forms to the Secretary</p> </div>

	<p>b) Annual Cycle of Work</p> <p>The Chair advised members that the proposed schedule of meetings for 2017/18 has reduced the number of committee meetings to four per annum with the flexibility to hold additional meetings if required. The Chair advised that he has discussed the proposed schedule with the Chief Finance Officer to ensure that all areas the committee need to review have been plotted across the four meetings. The Chair highlighted that this is not a set agenda for each meeting, but rather highlights the “standing” items.</p> <p>The Chief Finance Officer has confirmed in the plan presented that each of the timing of meetings is sufficient to meet both external and internal deadlines. The CFO highlighted the gap between the February and June meetings but noted that an additional meeting could be called if required.</p> <p>Ms O’Hagan highlighted that February may be too early to produce a draft External Audit Strategy as set out in the plan of work. She suggested the June meeting would receive the full plan.</p>
6.	<p>Correspondence:</p> <p>Members were asked to note the correspondence provided detailing the FE Returns Timetable, the CFO confirmed after reviewing this correspondence there are no cause for concern in terms of reporting.</p> <p>The Chair directed members to the information received from FE Governance setting out the Code of Good Practice.</p> <p>The Chief Finance Officer directed members to the two pieces of correspondence from DfE on the utilization project.</p>
7.	<p>For Approval:</p> <p>No items were taken.</p>
8.	<p>Risk Management Report</p> <p>a. Operational Risk Summary</p>

The Chief Training and Contracts Officer attended the meeting and presented a high level summary of the operational risks in the areas of Business Services and the Training Organisation, a brief discussion took place and the following points were noted:

- The Chair thanked the CT&CO for his presentation and recognised the significant and increasing contribution his team is making to the College.
- In response to a query how risks are addressed the CT&CO provided a detailed overview of how risks are addressed with individuals in Training for Success how this feeds into the overall risk management review at monthly IMPMS meetings. The CT&CO highlighted that at the IMPMS everything can be reviewed and the six weekly case management meetings allows immediate action with individual students to be taken to minimise the risks in terms of loss of income.
- The CT&CO advised there are just under 800 students receiving payments through the Tfs programme and highlighted the risk in processing these payments as it is an inefficient process and time consuming for both College staff and DfE. The CFO echoed these comments and emphasized the complexity of managing the claims process. He confirmed that DfE are very much aware of the issue as it had been highlighted a number of times, including by internal audit a few years ago. The CFO advised this is an ongoing sector issue with concerns being actively discussed with DfE.

b) Strategic 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 CFO highlighted an additional risk has been added to the register to highlight the issues the College is facing using Properties Division (PD) for all estates related procurement. The CFO advised members there are significant concerns around the fees being charged for this service, the College is not getting value for money on the services procured and PD are not meeting requirements in a timely manner thus leading to maintenance deadlines being missed.

The CFO advised that these concerns have been raised in several platforms with DfE and the College Management Team felt that with no progress being made it should be escalated to the risk register and closely monitored. Mr Smyth confirmed that DfE are aware of this issue, his colleague Chris Andrews is meeting with PD and holding workshops for them to gain more knowledge of what the sector requires. Mr Smyth confirmed that even with this one to one interaction no progress has been made so far on improving the situation.

The Chair of the Governing Body suggested the committee could ask DfE for a written response setting out the reasons why the Colleges are being mandated to use these services with Properties Division.

Action Point: The committee agreed to seek written clarification from DfE setting out the reasons why the College has been mandated to use Properties Division for procurement services

9. Internal Audit Reports

Bernard O’Hara from KPMG addressed the committee to provide an overview of the recent audits carried out in the College.

a) SERC Progress report

Mr O’Hara highlighted that the two reports on the agenda finishes the plan of work for the year. There will be some follow up work over the summer months and the annual statement of assessment will be presented to the committee at their meeting in September. Mr O’Hara also highlighted that the total amount of days should read 49 and not 55 in the document and this will be corrected.

b) Review of Corporate Governance & Risk Management

Mr O’Hara advised the committee this review looked at the framework of Governance and he noted that even though this is an area that tends to be well document it is essential to liaise with key stakeholders. The committee were directed to the written report provided and noted the report received an overall satisfactory rating. The committee also noted that one priority 3 recommendation was highlighted with regard to the Audit committee terms of reference; and one “good practice” recommendation was made with regard to the position of Vice Chair of the Governing Body.

The Chair of the Governing Body queried the information provided in the report regarding how meeting agendas are set and stated that there is no ambiguity where the responsibility lies as the meeting agenda clearly lies with the relevant Chair and how they exercise the process is up to them. Mr O’Hara agreed with the Chair of GB and highlighted that whilst the Chair is the final arbiter the report sets out the other interactions that take place to add non-routine items to the meeting agendas.

Action Point: The committee will undertake a review of their Terms of Reference and review the role of the Vice Chair as recommended in the Corporate Governance and Risk management audit review (to be completed by September 2017)

c) Review of Procurement

Mr O’Hara directed members to the written report provided and highlighted no issues were found apart from one good practice recommendation around Single Action Tender Awards which has been accepted by the College Management Team.

Mr Bodger referred to the earlier discussion regarding the risk of using Properties Division for procurement and enquired if any failings from PD would ultimately be recorded as SERC’s failings in either external or internal audits. The Chair noted this comment and advised that written confirmation from DfE; (as agreed by the committee to request under agenda item 8.B) would help protect the organisation in these circumstances. The Principal highlighted that the issue with using PD is that there no mechanism to appeal and therefore the College is unable to challenge the value for money outputs.

10	<p>External Audit</p> <p>No items were taken.</p>
11	<p>Summary of Actions taken in Response to External & Internal Audit Recommendations</p> <p>There were no recommendations outstanding to be considered.</p>
12	<p>DfE Health Check Issue 2</p> <p>The CFO asked members to note the recent DfE Health Check Issue 2.</p>

	<p>Mr Smyth from DfE provided members with a brief verbal summary of the Health Check and advised that the STS Business Case had been signed off (on 20 June) by the Permanent Secretary in the absence of the Minister. He highlighted that there is still an issue of timing as the business case now needs sign off from the Department of Finance. Members welcomed the progress that had been made in the STS project.</p> <p>Mr Smyth highlighted that the financial rations have been removed from the Health Check and advised this is because the primary focus is on “living within Budget”. The CFO highlighted that whilst there have been underspends in the sector SERC have consistently met the budget targets set and the College is now lobbying for the correct allocation for the 17/18 budget to ensure the College can operate at full capacity.</p>
<p>13</p>	<p>Any other notified business</p> <p>No other business was discussed.</p>
<p>14</p>	<p>Date and time of next meeting</p> <p>The next meeting is scheduled be held on 14th September 2017, 5pm, Lisburn Campus.</p> <p>There being no other business the meeting concluded at 20.10pm</p>