



SOUTH EASTERN REGIONAL COLLEGE

Governing Body – Audit Committee

Minutes of the meeting of the Governing Body Audit Committee held on Tuesday 4th April 2017 at
5.00 p.m. in the Bangor Campus.

1.	<p>Attendance and Apologies</p> <p><u>Present:</u> Mr G Hetherington (Chair), Ms C Meharg, Mr N Bodger (Items 4-14 only) , Mrs C King, Mr J Mackell (Items 1-3 and 8 only), Mr S Pollard</p> <p><u>In attendance:</u> Mr T Martin (Chief Finance Officer), Mr C Andrews (Items 4-14 only) (DfE), Ms Catherine O’Hagan (NIAO), Mr John Poole (KPMG), Mr M Pitt (PwC), Mr D. Sagar (Chair of Governing Body), Mr K Webb (Principal & Chief Executive), Mrs C Williamson (Secretary to the Governing Body), Dr M Malone (Director of Curriculum & Information Services)</p> <p><u>Apologies:</u> Ms S Corbett</p> <p><u>In the Chair:</u> Mr G Hetherington.</p> <p>The Chair welcomed everyone to the meeting.</p>
2.	<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 31st January 2017</p> <p>The Chair invited members to review the minutes from the previous meeting. The Chair requested that it is noted on page 7 that Mr Pollard returned to the meeting having left for a discussion where he had declared a conflict of interest.</p> <p>The committee agreed the suggested changes and the minutes were accepted as a true and accurate record.</p> <p>Proposer: Gareth Hetherington Seconder: Claire Meharg</p>
<p>4.</p>	<p>Matters arising</p> <p>There were no matters arising not included elsewhere on the agenda.</p>
<p>5.</p>	<p>Chairman’s Business</p> <p>The Chair highlighted the DfE Audit training to members and advised that those who have not yet been able to attend this training would find it a useful exercise to attend. The GB Secretary noted the members interested and advised DfE would confirm a date for late May or early June soon.</p>
<p>6.</p>	<p>Correspondence:</p> <p>The Chief Finance Officer directed members to the two pieces of correspondence from DfE on the utilization project. He advised DfE have proposed a new method for data analysis which looks at percentage usage of individual space, how rooms are booked and the number of students in a booked room. Members were asked to note that data has recently been resubmitted to DfE and it is hoped that by the next meeting of the committee some statistics will be available to share.</p> <p>The CFO directed members to the statistics table produced by DfE based on the method of metre squared per full time student. Members noted the main SERC campuses are better than the sector average and that the HUB idea currently being piloted in the Newcastle will be rolled out to other campuses if it is successful.</p>
<p>7.</p>	<p>For Approval:</p>

	No items were taken.
8.	<p>Risk Management Report</p> <p>a. Operational Risk Summary</p> <p>The Chair informed members that Dr Michael Malone was attending the meeting to give a presentation on the operational risks that he is responsible for as Director of Curriculum and Information Services, this is at the committee’s recent request to gain more exposure to and a better understanding of operational risks.</p> <p>Dr Malone presented a detailed presentation to the committee, a brief discussion took place and the following points were noted:</p> <ul style="list-style-type: none"> • Dr Malone started by informing members that CIS Directorate has both corporate and curriculum responsibilities with direct report managers in each. He provided an example of a curriculum risk that is currently categorised as a category A risk on the operational risk register; ‘The Negative Impact on external testing in Essential Skills on College Performance’. • Dr Malone explained that the format of this testing is an issue as the pass rate is too low and all colleges have raised this with DfE at the recent bilateral meetings. Dr Malone further explained that if the pass rate falls below 60% there is a risk that DfE will clawback funding from the Colleges. • The Chair enquired if DfE are sympathetic to this issue and are aware that the format is an issue for those students sitting the exams. Dr Malone advised that they are and it is within their gift to change this and noted that as an NDPB the Colleges cannot be left with these budget issues. • Mr Pollard asked if the standard set by an external provider for these exams is the issue. Dr Malone confirmed that it is the format for the tests and highlighted that DfE commissioned this approach without any input from the Colleges. • The Principal advised that he is meeting with DfE the day after this meeting and this is an item for discussion, he highlighted that students taking these exams struggled with GCSE and this is the same format, it will ultimately put older

students off the Essential Skills course if they are aware there is a written exam at the end.

- Dr Malone further explained the corporate risks that fall under his department and advised that the biggest risk for MILT is the delay in the STS project, he explained that this targets replacement of student management, human resources, and finance information systems. The former DfE Minister did not sign off the business case for the project before the collapse of the NI Assembly. Dr Malone informed the committee the current contract for the software expires on 2 June 2018 so it is critical that a new system is in place soon to allow time to support the transition process.
- Mr Pollard asked Dr Malone if in terms of digital transformation we could know how data is managed would be useful. Dr Malone advised that developers in the College are currently trying to build data cubes that can be downloaded very quickly. Work is also ongoing to enhance data analytics and integrate systems to provide better overall data analysis.
- The Chair thanked Dr Malone for a very useful and detailed presentation and for taking the time to attend the meeting. The Chair asked members, as this was the first time the committee had reviewed operational risks if they found it beneficial, they confirmed that they had and looked forward to another presentation on a different area of the business at their next 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.

9. Internal Audit Reports

John Poole from KPMG addressed the committee to provide an overview of the recent audits carried out in the College. The following points were noted:

- Mr Poole advised that in advance of this meeting he had reviewed the internal audits reports produced throughout this year by KPMG and highlighted that it is

a credit to the College that no recommendations or concerns have been raised in any area. He noted that similarly, there have been no issues raised by the NIAO or ETI in their reports so looking at the overall picture there is sound assurance in how the College is operating.

- The Chair enquired if the same audit team is used to conduct all of SERC's internal audits. Mr Poole advised that the same management team is used but that those completing the fieldwork vary. He also stressed that since the management team are looking at all six colleges it allows them to benchmark against the others.
- A brief discussion took place regarding the amount of days and areas being reviewed, the Chair noted that as a new tender process is going to be conducted in the coming months some consideration can be given to this. Mr Andrews advised that there is an issue of mandated areas and a rationale existed for inclusion of those areas to be reviewed by Internal Audit. However, Mr Andrews recognised the progress made by colleges and it would be timely to review this requirement. Mr. Andrews indicated he would write to all Colleges to seek their views on which areas should be audited and time allocated for each.
- Ms O'Hagan confirmed that the NIAO have already addressed this matter with DfE and agree that there should be mutual areas agreed to be audited from DfE's perspective as a large funder but a review is required of the mandatory areas.
- The Chair highlighted that the mandated areas have firmly established processes with clean reports and it would be sensible to review the areas that currently pose the main risks to the College as per the Risk Management report.
- The CEO advised that when reviewing the audit area we should be mindful of materiality as the audit process should still demonstrate value for money.
- Mr Poole noted the emphasis on value for money and highlighted that if there are any weak areas in a business the internal auditors should be directed to these before they make it to the risk register.
- Mr Poole informed members that as a sector, FE colleges tend to have clean reports with no recommendations, but SERC is at the higher end of the scale. He noted that the sector works well together to establish processes and good practice.

	<ul style="list-style-type: none"> The Chair enquired if the committee would have sight of the audit scope or have influence on any of the areas. Mr Poole advised it would be rare for a committee to do so and this approach is normally done through the Chair only. <p>a) Review of Curriculum Planning</p> <p>The committee noted the audit report provided and noted that an overall satisfactory rating was given with no recommendations.</p> <p>Mr Sagar enquired how the statements set out on page 5 of the report with regard to Curriculum Planning Processes are assessed. Mr Poole advised that they would have been discussion based but he would provide more detail on this after the meeting.</p> <p>b) Review of Management of Third Party Contractors (Focusing on PFI)</p> <p>The committee noted the audit report provided and noted that an overall satisfactory rating was given with no recommendations.</p> <p>c) SERC Progress report</p> <p>The committee noted the report provided and noted that it is progressing well.</p> <div style="border: 1px solid black; background-color: #f0f0f0; padding: 5px;"> <p>Action Point: Mr Andrews will seek views from all Colleges on mandated audit items and time allocated to each</p> <p>Action Point: Mr Poole will provide the committee with more detail on how statements set out on page 5 of the report ‘Review of Curriculum Planning’ are assessed</p> </div>
<p>10</p>	<p>External Audit</p> <p>Mr Pitt addressed the committee and provided a brief overview of the NIAO Audit Strategy for year 31 July 2017. A brief discussion took place and the following points were noted:</p> <ul style="list-style-type: none"> Mr Pitt asked the committee to note that as part of the strategy he had met with the College Management team to review the Risk Register. He acknowledged that the delay in the STS project is a risk but it will not cause any impact until 2018. Mr Sagar advised Mr Pitt that he was uncomfortable with the error reporting threshold (misstatements below £45k will be treated as “trivial”) and the

	<p>quantitative materiality threshold (2% of expenditure). He noted there are many lines in the budget that are less than £45k and enquired how this would be managed.</p> <ul style="list-style-type: none"> • Mr Pitt advised that all financial statements are audited to a materiality level and if this was any lower than £45k it would require more audit time and cost to the College. He advised that areas are tested and apply materiality, he noted that £45k is a reasonable figure and it does not suggest that any issues are ignored. • Ms O’Hagan informed the committee another College does have a zero tolerance policy for both reporting methods but in doing so the big issues cannot be seen as there is so much detail provided. She advised the NIAO are sensitive to the readers of audit reports and accounts like MLA’s and by focussing on the wider environment it ensures that it remains reader friendly as these are the areas people are interested in. • The CEO highlighted that the trivial misstatements can be a few items grouped together and stressed that inappropriate spend would be flagged through other methods such as internal audit. • The Chair advised that £45k is an aggregate total and does not refer to individual line items and excludes areas such as fraud which would be reported irrespective of value and therefore he would be inclined to keep materiality and reporting levels as they are. The NIAO confirmed they were content with levels stated in the audit strategy.
<p>11</p>	<p>Summary of Actions taken in Response to External & Internal Audit Recommendations</p> <p>There were no recommendations outstanding to be considered.</p>
<p>12</p>	<p>DfE Health Check Issue 1</p> <p>The CFO asked members to note the recent DfE Health Check Issue 1.</p> <p>Mr Andrews advised the committee that despite no government being formed it is the intention of DfE to issue another Health Check in April with some information on future budget allocation for 2017/18.</p>

	<p>Mr Andrews advised the committee that DfE Governance were working with NIFON in a bid to streamline the Health Check reporting format going forward</p> <p>Action Point: Mr Andrews to share the new format with sector Governing Bodies when complete</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 20th June 2017, 5pm, Lisburn Campus.</p> <p>There being no other business the meeting concluded at 19.04pm.</p>