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SOUTH EASTERN REGIONAL COLLEGE

Governing Body – Audit Committee

Minutes of the meeting of the Governing Body Audit Committee held on Tuesday 31st January 2017 at 6:35 p.m. in the Lisburn Campus.

1.	<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, Mr S Pollard</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 M Pitt (PwC), Mr D. Sagar (Chair of Governing Body), Mr K Webb (Principal & Chief Executive), Mrs Heather McKee (Director of Strategic Planning, Quality and Support) Mrs C Williamson (Secretary to the Governing Body)</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. He advised that a brief meeting between the auditors and non-staff members of the Governing Body had taken place prior to this meeting. The Chair commented that this was a useful exercise and as good practice, these</p>
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	meetings will be undertaken regularly, typically annually, but more often if the Audit Committee consider it appropriate.
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>The Chair advised the committee that Mr Pollard had previously declared a conflict of interest as his wife works in the Payroll section of the College. The Chair confirmed Mr Pollard has not received the internal audit report of Payroll from KPMG. Further to that, Mr Pollard has agreed to step out of the meeting during this discussion under agenda item 9.3.</p> <p>No other perceived conflicts were declared.</p>
3.	<p>Minutes of the meeting held on 23rd November 2016</p> <p>Mr Pollard noted that his attendance at the meeting had not been recorded.</p> <p>Mr Smyth noted a typo at paragraph 5.1.</p> <p>The Chair asked that the last sentence of paragraph 5.1 was shortened to reflect the committee's response.</p> <p>The committee agreed the suggested changes and the minutes were accepted as a true and accurate record.</p> <p>Proposer: Neil Bodger Secunder: Steve Pollard</p>
4.	<p>Matters arising</p> <p>There were no matters arising not included elsewhere on the agenda.</p>

5.	<p>Chairman’s Business</p> <p>The Chair had no other business to present to the committee.</p>
6.	<p>Correspondence:</p> <p>The committee were asked to note the Annual Theft and Fraud Report 2015/16 compiled by DfE. The Chair advised the committee that this report is reviewed annually which is good practice to ensure that the committee is aware of current issues in this area across the public sector.</p>
7.	<p>For Approval:</p> <p>7.1 Risk Management Policy</p> <p>The Chair invited the committee to review and approve the Risk Management Policy and noted that as an audit committee risk is an extremely important element of the committee’s remit. The following points were highlighted:</p> <ul style="list-style-type: none"> • The committee discussed the wording on page 7 “Assurance” relating to the reporting of operational risks to the Audit Committee. The CFO advised the committee that there are approximately 130 operational risks at any one time and assured the committee the CMT and relevant budget holders review them monthly. The Committee agreed that a “rolling” programme of operational risk reporting be introduced with individual CMT members attending Committee meetings throughout the year to present a summary of operational risks relating to each of the College’s main operational areas. • The committee briefly discussed the positive and negative outcomes of the risk management policy, Ms Meharg noted the policy in its current form does not allow any opportunity to exploit risks for a positive outcome. • Ms O’Hagan outlined the importance of risk appetite to the committee and suggested that as tolerance can move over time it is vital to ensure that it is clear who identifies the risk and assigns the risk appetite. Ms O’Hagan also suggested that a risk appetite should be assigned to every risk. The Chair agreed that this was a sensible approach and asked the CFO to note this for amendment to the

policy. The Chair advised the CFO he would provide further feedback on the policy in written form.

Action Point: The CFO noted the amendments from the committee to redraft the policy before it is presented for final approval to the Governing Body

Key Decision: The committee approved the Risk Management policy subject to the suggested amendments being made

Proposer: Gareth Hetherington

Seconder: Neil Bodger

7.2 Whistleblowing Policy

The Committee reviewed the Whistleblowing Policy for approval; a brief discussion took place and the following points were noted:

- The Chair advised the committee that the Staffing committee had also reviewed the policy and this version presented had incorporated the discussion that took place. The Chair did note that the suggestion to amend the wording at paragraph 5.4 had not been included; he stated that he felt this was an important change in order to provide any potential whistle-blowers who wish to remain anonymous confidence in the processes.
- The committee briefly debated this issue and agreed that whilst it was more difficult to process anonymous complaints, the wording would be changed to encourage people to bring forward any valid complaints.
- The CEO emphasized to the committee the Whistleblowing Policy is highlighted to all staff every term and the 'Have Your Say' system ensures that there are opportunities presented to staff to raise any issues in confidence without being penalised.

Action Point: As per the committees discussion the wording of paragraph 5.4 will be amended to ensure staff are confident all complaints will be progressed even if they wish to remain anonymous

Action Point: A direct email address for the Principal/CEO will be included in the policy rather than a generic one

Key Decision: The committee approved the Whistleblowing Policy subject to the agreed amendments being made

Proposer: Carolyn King

Secunder: Claire Meharg

8. Risk Management Report

The Chief Finance Officer referred the committee to the written report and advised that the College Management Team reviewed the strategic risk register on 17th January, he provided a brief overview of each of the risks identified, the following points were highlighted:

- The CFO firstly asked the committee to note that the formatting of how this report is presented will change for the next meeting in April in order to streamline the risk management process to ensure it is functioning effectively.
- R074 - Managing the financial viability of the College-The CFO advised the negative year-to-date variance highlighted in this risk summary is a profiling issue as £1 million additional funding relating to the PPP contracts is not yet recognised in the Income & Expenditure account
- R075 – Failure to manage the level of sickness absence within the College-The CFO asked the committee to note that this risk was upgraded to a Category A risk since much of the staff absence relates to direct teaching staff, which in turn has a direct financial impact since cover is required for these roles. The CFO emphasized that most of these absences are due to long-term serious illnesses and that no work related sickness trends are evident.
- R077 - Ability to manage impact of financial cuts- The CFO highlighted that this risk relates to the possibility of sector wide cuts. It was noted that the College has

	<p>not yet had sight of next year's budget yet and will assume until then that it will remain static.</p> <ul style="list-style-type: none"> • R081 - The Ability to Manage College Enrolments- The overall enrolment picture was discussed. In particular, it was noted that intake for the Traineeship Pilot programme for 2017/18 has been reduced and that only the second year of these programmes will take place in the next academic year. This will eliminate in part the transfer of students from FLU to pilot programmes. • R082 - The Ability to efficiently utilise existing College Estate-The CFO provided the committee with an update on the sector wide benchmarking project that is progressing with DfE. The Committee were advised that a draft paper on the information obtained in 2015/16 will be presented at the next Committee meeting but noted it is difficult to benchmark with this information as it is in draft form and therefore limited in its use at the moment. • The committee briefly discussed the utilisation of the Newcastle campus, the CEO advised the committee that a report on this project would be presented at the next Education committee on 7th February. • The Chair commented that DfE had previously suggested government facilities could be shared by more than one organisation and taking a much broader approach to utilisation by incorporating another community facility within existing buildings. • Mr Mackell enquired why there was a sudden increase in sickness and what measures were applied to upgrade the Risk 075. The CFO advised that the categorisation of each risk was a matter for the Risk Management Team and that although assessment of risk is in many ways judgemental, he hoped the new risk management policy would introduce a more systematic methodology for assessment. He went on to say that although there is no apparent pattern to sickness absences, a summary of staff costs and the impact of staff absences would be provided to the Governing Body at their next meeting.
<p>9.</p>	<p>Internal Audit Reports</p> <p>9.1 Progress Report Against Internal Audit Plan 2016/17.</p>

	<p>Mr O’Hara directed the committee to the full programme of work and advised that it is progressing well. He advised that two reports are presented this evening and a number of others have just ended, there are no control issues to report for any of these reports. The Chair noted that Corporate Governance and Risk Management will be reviewed in June 2017 and added that tonight’s discussion would hopefully inform this report.</p> <p>9.2 Review of Mechanisms to Monitor Student Retention & Achievement</p> <p>Mr O’Hara directed the committee to the report and highlighted that an overall satisfactory rating was given. He noted that there are sector wide issues in this area but the College have a clear accountability framework and intervention process to retain students. Mr Sagar enquired why students were not met as part of the process or a representative of the Students Union as they could have provide invaluable insight into this area. Mr O’Hara advised that it was not discussed in the scoping exercise but he would bear it in mind for future reviews.</p> <p>9.3 Review of Payroll (including associated HR controls)</p> <p>Mr Pollard left the meeting for this part of the discussion.</p> <p>Mr O’Hara directed the committee to the report highlighted the only area he would have concern about for future reviews is the current software that is being used is outdated however he has noted that this is being addressed by the STS Collaboration project. The committee noted there were no control issues and an overall satisfactory rating was given.</p> <p>Mr Pollard returned to the meeting when this discussion concluded.</p>
<p>10</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>11</p>	<p>Any other notified business</p>

12	Date and time of next meeting The next meeting is scheduled be held on 4 th April 2017 at 6pm, Bangor Campus There being no other business the meeting concluded at 19.50pm.