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SOUTH EASTERN REGIONAL COLLEGE

Governing Body – Audit Committee

Minutes of the meeting of the Governing Body Audit Committee held on Monday 26th March 2018 at
5.05p.m. in the Lisburn Campus.

1. a) Attendance and Apologies

Present: Mr G Hetherington (Chair), Mr N Bodger, Mrs C King, Mr J Mackell **Items 2C-8 only**, Mr S Pollard

In attendance: Mr D McCullough (Financial Controller), Mr A McKibben (Grant Thornton), Mr N Taylor (Grant Thornton) Mrs C Williamson (Secretary to the Governing Body, , Ms K Doey (NIAO), Mr M Pitt (PWC) **Items 1-5a only**, Mr W Smyth (DfE), Mrs A Hamilton (Boardroom Apprentice), Dr M Malone (Director of Curriculum and Information Services) **Items 1-4 only** , Mr J Cunningham (Head of ICT Infrastructure) **Items 1-4 only**, Mr K Webb (Principal) **Items 5 and 7 only**

Apologies: Ms R Heaney, Ms S Corbett

Not present: Mr D Sagar (Chair of the Governing Body)

In the Chair: Mr G Hetherington.

The Chair welcomed everyone to the meeting and extended a special welcome to Mr Taylor and Ms Doey as it was their first time at the Audit committee meeting. The Chair asked everyone present to introduce themselves.

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 23rd November 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

Secunder: Carolyn King

d) Matters arising

Two specific action points from the last meeting were discussed. All other issues were addressed elsewhere on the agenda.

The Financial Controller advised the committee that internal processes had been reviewed at a high level in light of the guidance circulated 'Managing the risk of Bribery and Corruption Good Practice Guide' and management are content all processes are robust, but a checklist is being developed to review operational sections within the College to ensure completeness.

In response to the committee's request at the last meeting to be provided with an estimate of the financial impact of the Driver Certificate of Professional Competence the FC informed the committee that it will cost the College £900 per person to complete the training. 15 staff members are currently being trained and there are plans to tender for another 55 staff to be trained which will cost approximately £60k, the FC acknowledged that due to volume the market may submit tenders that are lower than the current quote of £900 per person. The Chair noted the financial impact this issue is having on the College and highlighted that there is also a quality aspect in terms of the delivery of service to students.

e) Audit Committee members 1 to 1 meetings with Audit Committee Chair

The Chair advised members that as per the feedback received from members he will be arranging one to one meetings with each member shortly.

Action Point: The committee Chair agreed to email members to arrange a suitable date for a one to one meeting

2. Correspondence:

a) SERC Report to Those Charged with Governance for the Year Ended 31st July 2017 NIAO Letter 041217

Mr Pitt presented the RTTCWG to members and advised that this is the final version, the only change that has been made since it was last reviewed by the committee in November is that the Comptroller and Auditor General has signed the Audit Certificate on page 14 (Signed on 28th November). The Chair said he had received a query by email from a Governor to ask if the College had any financial assets or liabilities off-balance sheet. The FC and auditor confirmed this was not the case for the College.

b) NIAO Director and Management Responsibilities 071217

The Chair asked the committee to note the change in personnel in the NIAO set out in the enclosed letter. The Chair stated that he looked forward to working together with Ms Doey and Mr Wilkinson in their new roles.

c) FE Finance Internal Audit 151217

The Chair asked members to note the correspondence enclosed from FE Finance in which a request has been made for the College to review Hardship Fund, ASF and Care to Learn as part of the 3-year audit plan. The Chair advised that when he had first learned of the Department's decision to disband the FAST team, the Colleges would have to incorporate this work into their own internal audit plans. He emphasized that he is always willing to work with the Department around areas of risk especially around expenditure, but he is concerned that the College is being asked to use its internal audit days for activity that had previously been funded by the Department. Mr Smyth advised the FAST team had been allocated to other duties, he advised that as these areas have not been reviewed in 3 years assurance is needed. Mr. Smyth also advised that colleges had little scope but to comply with this request.

The Chair enquired if this was a Sector wide concern, the FC confirmed that it is and concerns were discussed at the NIFON meeting. Mr Smyth further advised that he had attended 4 other Audit committee's in the Sector recently and they did not raise concerns.

The Chair stated that he would consider this, but he felt it was also important the Department understand the committee's frustration at this request.

Action Point: The Chair asked the College finance team to look at the internal audit scheduling to assess the impact this DfE request would have on other allocated projects and the number of days required (perhaps from unallocated days), to include a review of the Hardship Fund, ASF and Care to Learn within the 3 year audit plan.

d) DfE ASF Audit Outcome 020118

The committee were asked to note the enclosed correspondence. The Chair asked Mr Smyth if he was aware if the formal review of ASF had been conducted as stated in the letter, Mr Smyth advised there was typo in the letter and should read 2018-19 as the review has not yet taken place.

e) DoF Annual Theft & Fraud Report 201617

The Chair advised this would be reviewed under agenda item 7.

The Chair tabled two letters from Beverly Harrison and Trevor Rea in which the issue of the use of Properties Division was raised. The committee noted that after reviewing the significant risks to the Sector the Director of FE has confirmed that a robust business case should be developed examining the viable options and detailed costs associated with

a revised delivery method for those responsibilities currently undertaken by PD on behalf of the FE sector. The Chair noted that this is a welcome development, but PD would have to be used in the interim.

3. For Discussion:

a) IT Resilience

The Chair advised the Committee that the Governing Body had asked the Audit Committee to take IT Resilience under its remit, therefore the Director of Curriculum and Information Services had been asked to present a programme for the year, so that the committee can assure itself that appropriate measures are in place to manage any risks.

The Director of C&IS presented an overview of the assets in the College, what is protected, the types of threats facing IT and what measures are in place to protect against these types of risks.

Mr Mackell enquired if any College data was held outside the UK. He asked that if this was the case (for example use of data centres in the EU), were there any implications arising from Brexit.

The Chair advised that from the perspective of the Audit Committee, assurance is needed that everything we are doing as a College is in line with good or best practice. He noted that it is important that all areas of IT resilience would benefit from ongoing monitoring and review. Mr Pollard agreed and said that of all the risks this is the one that poses the biggest concerns for him because of its potential impact.

Action Point: The committee requested that IT Resilience should be a standing item at Audit Committee meetings going forward to ensure it is given specific attention.

Action Point: The Head of ICT Infrastructure will confirm if any data centres are outside the UK.

b) Cyber Security and information risk guidance for Audit Committees

The Director of Curriculum and Information Services informed members that this guidance received has not highlighted anything that has not already been addressed by the recent audits. He informed the committee that in terms of access there are several areas that need to be looked at in terms of potential weakness such as access through other sites.

The Chair advised members that these checklists are helpful to give the committee questions they should be asking the senior executive team and he would therefore encourage members to study it.

4. For Information:

a. Operational Risk Summary

The Director of C&IS presented a detailed presentation on some of the strategic and operational risks that fall within his areas of responsibilities, the following points were noted:

- The Director provided an example of a curriculum risk that is currently categorised as a category A risk on the operational risk register; 'The Negative Impact of end testing in Essential Skills on College Performance'. He asked the committee to note that as part of this new process the success rate has fallen from mid-70% to 39%, the issues around end testing was flagged to both ETI and DfE, specifically the speed in which this has been introduced which has ultimately led to this being an issue across the sector with a negative impact on all Colleges.
- The Chair enquired if the Director was aware how other education providers have dealt with this matter, the Director confirmed that some schools have gone back to GCSE Maths and English instead of using Essential Skills.
- The Director highlighted that an operational risk for him is the difficulty in recruiting staff, the main factor is that salaries are much higher in industry. The Committee enquired if there was a potential to develop corporate partnerships that would allow staff to be released to the College for a few hours per month which would benefit the College but also allow the individuals to develop themselves.
- The committee were presented with a brief overview of risks in the areas of MILT and ICT Infrastructure. The Director informed the committee the Head of ICT Infrastructure was leaving the College this week and to mitigate any risk and ensure there is a smooth transition a series of handover meetings has taken place with Andrew Emmett, Principal Systems, Technology & Services Officer MILT, who will be taking over this area of responsibility.

b. Risk Management Report

The FC directed the committee to the recent Risk Management Report and advised that the number of risks and categorisations remain the same since the last update was presented to the committee. The FC provided a high-level summary of the risks and advised the committee that a new risk has been identified and will be scored at the next Risk Management meeting. The Chair asked members to note that this report was produced for the scheduled meeting on 1st March which was rescheduled to this date due to the adverse weather conditions so there have been some development since.

The FC advised on the risk “Maintaining current levels of Higher Education provision” in line with SERC’s delivery targets due to:

- Limits placed by DfE on range of awarding bodies that SERC can use to accredit provision reducing the flexibility in meeting industry and learner needs and may lead to failing to achieve allocated MaSN.
- Limited options permitted by DfE in the provision of HLA qualifications which may lead to failure to meet delivery targets.

Mr Pollard declared a conflict of interest on this risk and left the meeting for the duration of the discussion.

Action Point: Management to consider developing partnerships with employers to explore if industry personnel could be released to deliver teaching on hard to recruit courses.

Action Point: The Chair requested if more detail could be added to the update column in the report to include the current status of the risk as well as what actions are in place to give a sense of any issues

Action Point: The committee requested if the compliments in the College feedback could be split between internal and external when reporting

5. Internal Audit:

a) Review of Health & Safety

Mr McKibben presented the internal audit review of Health and Safety and advised that a Satisfactory assurance was provided in relation to the appropriateness and effectiveness of the processes and controls in place relating to Health and Safety. The audit found there was an effective system in place within SERC in respect of the areas reviewed and that controls were generally operating effectively. Internal Audit identified a small number of findings which, if implemented, would strengthen the control environment and improve the processes in place. Each of the four findings were rated as Priority 3

Mr McKibben provided a brief overview of each of the findings. He advised that management had accepted recommendation 1, part-accepted recommendation 2, accepted recommendation 3 and actioned recommendation 4 by considering the reporting of health and safety matters. Recommendation 2 related to the fire and evacuation assessments: management did not accept the risk that fire evacuations were not appropriately managed, but acknowledged the need to assess the appropriateness of the current format of the Fire & Evacuation Observation report. A detailed discussion took place and the following points were noted:

- Members enquired what the purpose of the observation forms were in relation to Fire & Evacuation. Mr McKibben confirmed that staff members are allocated areas during a fire evacuation, they complete an observation form and then report back to the Head of Health and Safety. Mr Mackell acknowledged that whilst the Head of H&S will be present during the drill he cannot be in all areas at once and therefore if the forms are not filled out there is risk as the Head of H&S will not be in a position to confirm the accuracy. Mr McKibben

advised that the form does not clearly detail that some of the parts may not be applicable but that this should still be populated to state why.

- The FC stated that management did not accept the risk that fire evacuations were not appropriately managed as the Head of Health & Safety is present at the evacuations and independently reviews their management and effectiveness. The CHRO advised that the Head of H&S speaks to all bib holders during and after the fire drill or evacuation and that he assesses, monitors and times the evacuation.
- Mr Mackell noted that management have not accepted the risk associated with Fire and Evacuation Assessments (Finding 2), but stressed the importance of writing up the Fire and Evacuation Observation Reports as accurately and completely as possible. Mr Pollard supported this point around an audit trail and further highlighted the need to follow the SOP in place. The management response acknowledged the need to assess the appropriateness of the current format of the observation report to ensure it captures the assessment of fire evacuations in the most effective manner. The Principal replied that staff have always completed the forms, but will be redesigned to ensure that no part of the form is left blank.
- Mr McKibben referred the Committee to Finding 4 (Reporting of Health and Safety matters) which recommended that management should consider the level of detail provided annually to the Health & Safety Committee should also be provided at the quarterly briefings to the internal Health & Safety Committees. Management response noted that it had followed the recommendation and considered the level of detail provided to the H&S Committee and deemed it appropriate.
- The Chair enquired how much extra resource would be required to provide the additional information as suggested, the CHRO confirmed it would not be significant. The Principal reiterated that the recommendation was for management 'to consider' and management had 'considered' the recommendation and deemed no further information should be included in the quarterly reports.
- Members advised they would support this recommendation since it would not require any additional resource, they highlighted that it would become part of a process to continually reduce risk.
- Mr McKibben referred the Committee to a second recommendation within Finding 4 – to include further detail in the Health & Safety Briefing report provided to the Finance & General Purposes Committee. Management indicated that it was not clear what was meant by "further detail". Mr McKibben agreed to provide clearer guidance on the additional information which should be included in the report to F&GP.
- The FC noted that the annual Health and Safety Briefing to the Finance & General Purposes Committee provides summary details on numbers, outcomes and priorities and the level of detail provided was considered appropriate with further operational detail not deemed necessary. The FC stated that management will discuss the content of the briefings with the Chair of Finance & General Purposes Committee and take any relevant views into consideration.
- A discussion followed on the use of "consider" within a recommendation. The Principal asked for clarification relating to the language used in the report regarding "consider" and "recommend".

- The Chair and the management team agreed that the Chair of F&GP would decide on the level of information that Committee should receive. The CHRO stated that management feel the reporting process in place is appropriate.
- The FC advised that the dates included in the report were incorrect and that fieldwork was only conducted in December 2017 and not January 2018 as stated. Mr McKibben confirmed that their audit team were only on site in December, but further work went into January off site, he agreed to clarify this in the report.
- The Principal enquired why it had taken a further two months since the field work was completed for the management team to receive the report. He advised that management would take action when any issues are brought to their attention straight away and would have allowed for more timely review. The Chair confirmed it is the committee's expectation that issues are brought to management's attention as quickly as possible.
- The Principal asked for clarification on the definition of Priority Ratings. The Principal noted that the definition of Priority 3 was "Failure to implement the recommendation could lead to an increase risk exposure" and asked Internal Audit for an explanation of the increased risk exposure.
- The Chair stated that members clearly feel that recommendations as intended in the report should be implemented but that the report would be considered draft and should come back to the June audit committee. Management and Internal Audit both needed to review and agree the report and the recommendations.

Action Point: Grant Thornton agreed to provide internal audit findings to management within a reasonable period of time to allow for findings to discussed and agreed.

Action Point: Management and Grant Thornton to work together and agree the final wording around risks and recommendations in this report.

Action Point: Grant Thornton agreed to set out in detail what level of reporting/detail the Finance and General Purposes Committee should be provided with in order to mitigate this risk

Action Point: Grant Thornton agreed to update the dates contained within the Health and Safety report to ensure there is clarity on when they were 'on-site' conducting field work and will provide clarity on what 'consideration and recommendation' are defined as when referring to findings

Action Point: Grant Thornton agreed to provide their definition of risk for a priority 3 recommendation

b) Review of Staff Sickness and Wellbeing

The Chair provided an overview of why the request was made to review Staff Sickness and Well Being, he confirmed that from an audit committee perspective staff sickness levels are higher than they are comfortable with and had wanted a report that would help reduce the levels, the presented report has reviewed policies and procedures.

Mr Mackell asked the internal auditors if there it is a common policy across the public sector that an employee does not require a sick line until the 8th consecutive day of absence. Mr McKibben replied that this is a common policy and there is no real concern as it is a rolling period. The Chief Human Resources Officer confirmed that the College does have two trigger points in the policy that are monitored by HR, the first at 12 working days and the second at 4 weeks. In response to a query around the review of a policy implemented in January 2018 Mr McKibben advised members that an audit will always look at a point in time and a new policy can be tested further down the line again.

The Chair noted that the Audit committee can take assurances the HR team have robust policies in place and these are being followed.

Action Point: Grant Thornton to correct the text relating to 'trigger points' in their report to reflect the position in the College.

Action Point: The committee agreed to share the Staff Sickness and Wellbeing Report with the Staffing Committee and ask them to consider an appropriate next step.

c) ToR-Review of Staff Sickness and Wellbeing

The Chair informed members that at the last meeting a request had been made by members to review the terms of reference of the Staff Sickness and Well Being review before commencement of fieldwork. It was recognised that this was atypical, but the committee wanted to identify ways to improve staff sickness levels. However, the field work started without members having sight of the ToR, the Chair highlighted that members have been advised of this by email before this meeting. The Chair stressed the importance of Internal Audit having the ability to liaise directly with the committee and not only through the management team, he said that it is healthy for an audit committee to deal directly with its internal auditors.

Mr Taylor apologised for the error on behalf of Grant Thornton and noted it is a learning curve for everyone with a new contract and he and his team would take this learning on board going forward.

d) Internal Update Progress Report Feb 2018

The committee were asked to note the progress report for 2017/18 and the planned reviews for the next quarter. Mr McKibben advised that NIFON have requested the 2017/18 Sector Wide Review is a review of the use of Properties Division - specifically looking at a Health & Safety and Estates Management perspective. The Chair noted that given the

	<p>recent letter from the Director of FE (reviewed under item 3) on PD he would ask that the FC speak with NIFON again to ask what extent the review is relevant given the proposal to set out a business case to move away from PD. The FC confirmed that he will liaise with NIFON on this point and further advised that it is worthwhile to conduct this review as it will provide evidence for the business case.</p> <p>Action Point: The committee agreed they were content to proceed with the NIFON request to include Properties Division in the Sector Wide review for 2017/18, this agreement is subject to NIFON confirming the review is still relevant alongside the proposed business case for the Sector to move away from PD</p>
6.	<p>Summary of Actions taken in Response to External & Internal Audit recommendations:</p> <p>a) Corporate Governance</p> <p>b) Key Financial Controls</p> <p>The Chair asked the committee to note the written reports provided and that both recommendations have been actioned and are complete.</p>
7.	<p>Fraud Update</p> <p>The Chair asked the committee to note the Department of Finance Fraud report for noting.</p> <p>The FC advised the committee that the internal Fraud report is a standing item on the agenda now and there is nothing further to report to the committee since the November meeting.</p> <p>Action Point: The Chair asked the FC to update the Fraud Report to reflect that the investigation had now been completed.</p>
8.	<p>Any other notified business</p> <p>No other business was discussed.</p>
	<p>Date and time of next meeting</p> <p>The next meeting is scheduled be held on 21st June, 5pm, Lisburn Campus.</p> <p>The meeting concluded at 19.51pm</p>