



INSPIRING. TRANSFORMING. ENRICHING.

SOUTH EASTERN REGIONAL COLLEGE

Governing Body – Audit Committee

Minutes of the meeting of the Governing Body Audit Committee held on Thursday 13th September at
5.10p.m. in the Bangor Campus.

<p>1.</p>	<p>Resignation of Audit Committee Chair and Appointment of Audit Committee Chair</p> <p>The Chair advised that the meeting was not quorate, and he had intended during this item to resign his role as Committee Chair and for the Committee to appoint a new Chair. He explained that as Vice Chair of the Governing Body he will be chairing the next Governing Body meeting and it would not be appropriate for him to continue in this dual role. The Chair informed members that Steve Pollard has agreed to chair this meeting and a new Chair will be appointed in due course.</p> <p>The Chair noted that whilst the committee cannot approve any of the items during this meeting they can be reviewed and the policies on the agenda can be presented to the Governing Body on 17th September for approval.</p>
<p>2.</p>	<p>a) Attendance and Apologies</p> <p><u>Present:</u> Mr G Hetherington (Chair of the Audit committee/Vice Chair of the Governing Body), Mr J Mackell, Mr S Pollard</p> <p><u>In attendance:</u> Mr T. Martin (Chief Finance Officer), Mr A McKibben (Grant Thornton), Mrs C Williamson (Secretary to the Governing Body, Mr M Cardwell (DfE), Dr M Malone (Director of Curriculum and Information Services) Mr A Emmet (Principal Systems, Technology & Services Officer, MILT) Mr K Webb (Principal), Mrs H McKee (Director of Strategic Planning, Quality & Support), Mr J. McCallion (PWC), Mr N. Taylor (Grant Thornton)</p> <p><u>Apologies:</u> Mrs C King, Mr N. Bodger</p> <p><u>In the Chair:</u> Mr Pollard, Mr J. Mackell (Item 7a only)</p> <p>The Chair welcomed everyone to the meeting and noted the apologies.</p> <p>b) 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. The Chair advised that he had a potential conflict with agenda item 7a (Internal Audit Follow Up Report) in which finance matters are discussed, the Chair advised his wife works for the College payroll team.</p>

c) Minutes of the meeting held on 21st June 2018

The Chair invited members to review the minutes from the previous meeting. As the meeting was not quorate, it was agreed to add the minutes to the agenda of the next scheduled meeting for approval.

Action Point: The minutes from the meeting on 21st June 2018 will be added to the next agenda for approval

d) Matters arising

The Chair reviewed the action points from the previous meetings and advised that they were complete or addressed elsewhere on the agenda. At this juncture the Chief Finance Officer directed members to the paper setting out the follow up that was undertaken in relation to the action point on the Whistleblowing Policy and the amended policy that reflects the review. The committee were asked to note that two specific amendments were requested by the previous Chair of the Governing Body at the June meeting, how the register of whistleblowing is processed, and that policy does not set out a practical way for staff to report confidentially. The CFO highlighted that the register is reported to both DfE and Audit committee and section 6:1 has been reworded to ensure it is clear that staff can report confidentially to the Chair of the Audit committee if they cannot raise it with their line manager.

The committee were also advised that there are implications for seeking advice from Public Concern at Work as suggested by the previous Chair of the GB, firstly this would be considered as external consultancy and would therefore require the approval of the Permanent Secretary. The CFO highlighted that the Whistleblowing Policy is legally reviewed for best practice which provides assurance to the committee and the suggestion that the policy review was overdue during the last meeting was incorrect. The CFO asked that it was noted the Governing Body last approved the policy in February 2017 recorded a scheduled review date of January 2019

Mr Hetherington suggested some drafting amendments to the CFO specifically to ensure that more than one option is provided in terms of disclosure.

Action Point: The CFO agreed to amend the Whistleblowing policy to include the changes suggested by the Audit committee and present this amended version to the Governing Body at their meeting on 17th September for approval

Action Point: The committee agreed that as the Whistleblowing Policy was under their remit they would formally approve and recommend the policy at their next meeting in November when the meeting is quorate

3. Correspondence

a) The National Fraud Initiative: Northern Ireland

The committee were asked to note the enclosed correspondence.

b) Information Commissioner's Officer response to Cyber attack

The Chair asked members to note the enclosed correspondence and noted that it was a pleasing letter from the ICO in response to the recent data breach the College experienced. A brief discussion took place and the following points were noted:

- The Principal set out the four phases to the College's response to the breach, the first phase was the initial response, second was reporting the incident to the ICO and the PSNI Investigation, the third is the setting up of the data security group and the last is bringing together the lessons learned from the incident and dissemination. The Principal advised the committee that as the police investigation was still ongoing we are still in the second phase and third phases, he also highlighted that the ICO have an option to launch their own investigation while they had chosen not to do so at this time.
- The Director of Curriculum & Information Services advised that the recommendations (such as two-factor authentication) set out in the ICO letter had been planned by the ICT and have since been implemented quite quickly and over the coming months all staff and students will be made aware of issues that are prevalent in protecting passwords and other areas of cyber security.
- The Principal Systems, Technology & Services Officer asked the committee to note that the College's IT defence systems did perform their function and the issue was in gaining a user's credentials. In response to a query from a member he further advised that the breach had exposed the College for a week and the IT team could see this in review of the logs where the hacker had logged in over this period to check if the College had responded to the initial email they had sent. He further informed the committee that staff had not been made aware of the ICO response and this will be done once the police investigation has finished.

4. Draft Annual Report & Financial Statements (including Governance Statement)

The Chief Finance Officer asked members to note the draft Annual Report and Financial Statements for information, he provided a brief overview of how the accounts are compiled and the timeline before the final accounts are signed and represented to this committee in November for review and approval.

The CFO provided a high-level summary of the accounts and asked members to note the change to the new funding model this year and that the target is to deliver the Resource Requirement, he further advised that the management accounts delivered £32,236k with a further improvement of £94K in the financial statement mainly due to DfE reclassifying part of the income.

Members were advised that the shortfall this year is in commercial income, Training for Success and non-staff insurance. There is a higher cash balance than intended and the CFO advised that this should not be of concern to the Governing Body as DfE are planning a new draw down for cash which should see all Colleges sitting at 10%. Finally, the CFO advised members that there was no significant change in the accounting policy this year and one event after the reporting date is the recent resignation of the Chair of the Governing Body.

Mr Hetherington noted that the shortfall for commercial income last year is £143k against the final forecast and he advised that he was conscious of setting aggressive targets again this year for commercial income considering this. The CFO reminded the committee that whilst this target had not been met commercial income has increased by £500k since the previous year and overall business services is continuing to perform strongly. He further advised that part of this income is through Innovate Us and Skills Focus which are part of the business services development plan and are within Grant in Aid funding and the College does not receive additional funding. The Chair highlighted that it is worth noting across the committees that the College receives a significantly higher share in these programmes in the Sector.

5. For Information:

a. Operational Risk Summary

The Director of Strategic Planning, Quality and Support presented a sample of operational risks from the areas of the directorate she is responsible for. The Director of SQPS provided a high-level summary of the types of risks across the Students Union, Careers Service and Learning Support. The committee were provided with a detailed presentation on the impact risks can have in the department and the actions taken to address these. In response to a query regarding criminal convictions the Director advised that in terms of what action is taken it depends what the conviction is. She advised that in some cases a risk management plan is put in place to provide support to students and staff.

b. Risk Management Report

The CFO presented a high-level summary of the risk management report, a brief discussion took place and the following points were noted:

- The CFO informed members that with regard to the risk utilising the College estate a recent summary published by DfE indicates that the College is the best performer in the Sector however the smaller campuses at Ballynahinch and Newcastle perform poorly in terms of the metric used to calculate this as it does not consider the community usage in these campuses.
- The CFO informed the committee the Finance and General Purposes Committee recently reviewed the PFI contracts in the College and it was agreed that there is little cost benefit to the College in trying to end these contracts. The CFO further advised that the upcoming Tribal Report will produce action plans for each College and the Sector in this area.
- The CFO informed the committee that there had been no new risks presented at the recent risk management meeting and that it had been agreed during this meeting to close the risk on Essential Skills end testing as it has been realised.

- The committee were asked to note that since the risk management meeting a new risk has been identified in 'Curriculum reform implementation negatively affecting enrolments.' The Principal provided the committee with the background to this issue and advised them that the implementation to review Level 0 and 1, the development of HLAs and Traineeships and the uncertainty around the extension of ApprenticeNI and TFS contracts has led to more confusion on what was an already complex offering. He highlighted that the risk to the College is the impact it will have on the timeliness and promotion of the College's curriculum offer and it has therefore been scored as red risk and the actions to address the risk will be reviewed and added to on a regular basis. In response to queries from members on the extension of TFS and tendering for different contracts the Principal informed members that if the contract has already ceased there is no authority to retender and another issue is that private training organisations also cannot deliver these programs if the contracts have stopped.
- In response to questions from the committee on the use of the smaller campuses The Director of SQPS advised that practical steps are being taken to address the utilisation of both and she regularly reports this to the FGP committee. She further advised that the community hubs have been very successful and every room in Newcastle in the mornings are full but unfortunately this is not recorded as part of the FTE measure.
- The committee welcomed the update in relation to risk R77 (Managing the impact of Financial Cuts), specifically the feedback from the Head of Civil Service to focus on an 'in sector' approach for Further Education in relation to the Public Sector Shared Services Programme. The CFO advised that in taking this approach savings will be realised within the Sector and that the FE sector's approach to collaboration had been recognised and it was agreed that the STS Programme is the preferred vehicle within the FE sector to progress Shared Services.
- The Director of Curriculum & Information Services addressed the committee to provide an update on the enrolment figures detailed in risk R081 (Managing the College's Enrolments). He asked members to note that the figures will change again as the month of September sees students coming into the College late and leaving to go back to school. He highlighted that the Higher Education numbers are down 43 from this time last year and this was the biggest concern to the College. The biggest growth will be in Apprentice NI, strong growth is predicted across the College where a product is unique.

c. **IT Resilience**

The Director of C&IS addressed the committee and reminded them that the guidance on ICT from the National Audit Office highlights the need to ensure the level of risk is commensurate with the College as well as ensuring there are sufficient resources to carry out the work and reviewing the programme of work itself. The Director advised that the College want to go beyond the recommendations to procure an external expert to test the systems in order to provide high security for the ICT systems.

	<p>The Principal Systems, Technology & Services Officer, MILT, confirmed that there are no outstanding recommendations from the ICO letter in regard to the recent data breach and that these actions had been previously planned and therefore urgently brought forward in response to the breach. He asked the committee to note he has been in touch with a company of ethical hackers and he would prefer to wait to procure these services to get the systems ready to ensure this exercise is useful and doesn't show up issues that would be expected.</p> <p>The committee enquired if this issue should be escalated to the strategic risk register and after a brief discussion agreed that as it is a standing item on the agenda it is sufficient to ensure that the committee are briefed regularly, and the appropriate time is given to this matter during committee discussions.</p> <p>In response to a query regarding the private Governing Body Teamsite the Principal Systems, Technology & Services Officer, MILT advised that he had tasked his team with cleaning up the users of TeamSites and in error the Governing Body group had been removed. He highlighted that there was no opening of information during this time and it was more a restriction of information and access had been restored to all members.</p> <p>The Chair highlighted for users that do not use SERC equipment there is an issue around encrypted documents, the PST&SO advised he was aware of the issue and this will be a large piece of work in which he would ask affected users for their patience until it is completed.</p>
<p>6.</p>	<p><u>Policy for Approval</u></p> <p>The Director of C&IS presented the ICT Acceptable Use policy to the committee for approval and highlighted there had been one minor change to highlight that engaging in criminal activity such as phishing or ransomware was unacceptable use of the College's ICT systems. The committee advised they had no objections to the policy and to ensure it is put in place ASAP they would recommend its adoption to the Governing Body and formally approve it at the next quorate committee meeting in November.</p> <p>Action Point: The committee asked that the ICT Acceptable Use Policy is presented at the November meeting for approval when the committee is quorate</p>
<p>7.</p>	<p><u>Internal Audit (For discussion and information):</u></p> <p>a) Internal Audit Follow-Up Report 2017/18</p> <p>The Chair asked Mr Mackell to Chair this item on the agenda as he has a possible conflict of interest (see agenda item 2B) and left the meeting for this item. Mr McKibbin presented the summary of the year and the summary of progress. Mr Hetherington noted that there is a lot of work planned for the month of September and asked if the audit team would consider using the term 'in progress' instead of 'not due yet'.</p> <p>Action Point: Grant Thornton agreed to amend the heading used in the summary table to 'in progress'.</p>

b) FE Sector Review of use of Properties Division (draft report for information)

Mr Pollard re-joined the meeting at this juncture to Chair the meeting.

Mr McKibbin provided a brief overview on the audit report and advised that with regard to the use of Properties Division the audit has focussed on policies and procedures and how that was managed. The committee noted the key issues identified across the Sector and the recommendations to rectify some of the issues found. Mr McKibbin highlighted that as this was an independent review it will support the Sector business case going forward.

The CFO advised members that NIFON had an early draft of the business case prepared and this can hopefully be shared with the committee at the next meeting in November. In response to a question from a member on whether legal advice on the contracts has been taken the CFO advised that as the College is an arm lengths body and the use of PD is mandatory they are unable to seek legal advice, however with the development of the business case the Sector is moving to a much more constructive approach to PD.

c) Internal Audit review of Data Protection (GDPR)

Mr McKibbin advised members this report was carried out as an advisory piece and was to ensure that the College is compliant with the new GDPR regulations. Members enquired if there is a timeframe in place to ensure that the College is fully complaint and are not in breach of GDPR, Mr Taylor advised that as yet, no timeframe has been set and a reasonableness test will apply, therefore as time passes the threshold will increase.

d) Internal audit Annual Assurance Report 2017/18

Mr Taylor presented the Annual Assurance Report and, in the overview, he noted that the College has a strong operating framework which is demonstrated across the Sector. Mr Taylor highlighted that the report sets out some KPI's for Grant Thornton to meet and some of these had been missed this year. Mr Mackell asked Mr Taylor if he could provide assurances that the reports will be received on time this year as this was a red flag in the KPI table. In response Mr Taylor advised that his team were aware there had been some issues with timing for example trying to report on more than one report at the same time had led to delays but that lessons had been learned. Mr Mackell disagreed that this was the sole issue and asked how the committee could take assurances that the KPI's will all be met next year. Mr Taylor advised that there was a lot of work conducted in a short period of time since their appointment in September through to December and now the team have been with the Sector for a year these timing issues have been addressed. Mr Mackell informed the audit team that providing reports late to the committee doesn't allow members much time to review the reports ahead of the meeting and by not agreeing terms of reference ahead of reports it creates unnecessary problems and delays.

e) SERC Internal Audit Strategy September 2018

Members were asked to note the Audit Strategy.

f) SERC 2018/19 Annual Internal Audit Plan

Members were asked to note the Annual Internal Audit Plan.

8. Summary of Actions taken in Response to External & Internal Audit recommendations:

	<p>The CFO advised members that a cross reference exercise is undertaken at this time of year to ensure there are no outstanding actions of which there are none.</p>
9.	<p>Fraud Update</p> <p>The Chair asked the committee to note the Department of Finance Fraud Report. The CFO advised that the recent data breach has been reported to DfE and this will be added to the report for the next committee.</p>
10	<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 Thursday 15th November 2018, 5pm, Lisburn Campus</p> <p>The meeting concluded at 19.01pm</p>