



INSPIRING. TRANSFORMING. ENRICHING.

SOUTH EASTERN REGIONAL COLLEGE

Governing Body – Audit Committee

Minutes of the meeting of the Governing Body Audit Committee held on Wednesday 22nd January 2020 at 5.40pm in the Lisburn Campus

1. Chair's Business:

a) Attendance and Apologies

Present: Mrs C King, Mr N. Bodger, Mr S Pollard, Mr J Mackell, Mr D Stanley

In attendance: Mr T. Martin (Chief Finance Officer), Mrs C Williamson (Secretary to the Governing Body), Mr G Hetherington (Temporary Chair of the Governing Body), Mr K Webb (Principal), Mr A Emmett (Chief Technology Officer), Mr A McKibbin (Grant Thornton) Mr N Parfitt (Boardroom Apprentice), Mr W Smyth (DfE Representative) **Items 2-9 only**

Apologies: None

In the Chair: Mr Bodger

b) Declarations of conflicts of interest

The Chair asked if any member had an actual, potential or perceived conflict of interest with any item on the agenda. No conflicts were declared.

c) Minutes of the meeting held on 13th November 2019

The Chair invited members to review the minutes from the previous meetings, the minutes were accepted as a true and accurate record of the meetings.

Agreed: The minutes of the 13th November 2019 were proposed by Mr Pollard and seconded by Mrs King

d) Matters arising

| | |
|------------------|--|
| | <p>The Chair enquired if Grant Thornton had confirmed a date to conduct a standalone follow-up review of Data Protection and GDPR as per the committee’s request. Mr McKibbin advised it was his colleagues understanding that a standalone review was not required. Mr Mackell highlighted that the committee had requested the follow-up review as a standalone as an assurance piece.</p> <p>Action Point: Grant Thornton will liaise with their internal IT team to conduct a standalone follow-up review of GDPR and data protection and advise the Governing Body Secretary of the confirmed date</p> <p>e) Request for register of interest in Committee Chair role post April 2019</p> <p>The Chair advised members that his term will finish at the end of April 2020 and therefore if any current members would like to register an interest in the Chair’s position to contact the Secretary, members were reminded that only those appointed under category 5A of the Articles of Government are eligible to apply.</p> <p>Action Point: Members wishing to register an interest in the role of Committee Chair should advise the Secretary ASAP</p> |
| <p>2.</p> | <p>Correspondence</p> <p>a) Internal Audit Contract-Letter from Grant Thornton 12 December 2019</p> <p>Correspondence confirming that Grant Thornton did not wish to extend their internal audit contract was discussed. Mr McKibbin advised that Grant Thornton had reviewed their internal audit arrangements for the Sector and felt that due to the increasing demands around GDPR and IT they would be unable to deliver on those particular aspects, as their resources are being increasingly stretched in these areas. The Chair enquired when Grant Thornton’s contract would come to an end, Mr McKibbin advised that each College will have a different date due subject to committee dates but that all work will be completed by the end of June 2020.</p> <p>The CFO advised that the Sector have started on a collaborative procurement contract, which will be led by NRC and it is hoped a new contract will be in place for the beginning of the academic year. In response to a question from a member the CFO confirmed the increased demand in GDPR and IT will be included in the contract, however, he noted that this was a general point for anyone involved in audit as the workload has increased across the board.</p> |
| <p>3.</p> | <p>Partnership Working</p> |

a) Partnership Agreement Template

b) Guidance on Proportionate Autonomy for Arm's Length Bodies

The CFO advised members that the template and guidance provided on the new Partnership agreement was for noting, he advised that this has been designed to replace the MSFM and will apply to all ALBs. The agreement aims to move away from a compliance-based relationship and one much more focussed on proportionate trust. He asked members to note that FE Governance are working on a draft document for the Sector and the Department have recognised this will be a weighty process in developing an agreement and so it is unlikely it will be ready for 1st April.

The Temporary Chair advised members that he had attended a workshop at the Department and it was indicated that the level of autonomy for individual Governing Body's and ALB's will vary and this will be based on delivery and a previous track record, the level of proportionate autonomy will mirror the level of assurance the Governing Body can provide to the Department. He advised that there is still a lot of work outstanding and for the moment we should assume that the level of autonomy will vary across the Colleges. Mr Mackell highlighted that there would also be a requirement to test what this would look like in practice and he would assume SERC will be regarded as a relatively strong entity as regards compliance and governance.

4. For Information:

a. Operational Risk Summary

The CFO presented an operational risk register on behalf of the Director of Curriculum and Information Services. He highlighted both curriculum and corporate risks for the Directorate.

Members noted the curriculum risk provided around staffing in the Computing and Engineering school and how this is managed. In response to a question from the Chair the CFO advised that these areas are difficult to recruit into because the College cannot compete with the salaries being offered in industry, however, the College has been recruiting interns and developing people in these areas.

The CFO then drew attention to the corporate risk example of delivering the STS Project, members noted that this risk is substantially reviewed through the strategic risk register.

b) Risk Management Report

The CFO presented the most recent risk report to the committee and presented a high-level summary of the risks currently on the risk register, during discussion the following points were noted:

- Risk 085-Risk in using Properties Division: The CFO Advised that the Department of Finance have approved the Sector business case to withdraw from PD, the target is to have a FE Estates procurement framework in place by April 2021 and to recruit a specialist procurement manager to lead the Sector in establishing this framework. Interviews for this post will be held shortly and SERCs CFO will sit on the interview panel, the CFO advised that the individual will be reporting to the CFO at NRC (as Chair of NIFON).
- Risk 086: Maintaining current levels of Higher Education provision-The CFO highlighted that the update on this risk is around the review of the HE provisions. The DfE working group is yet to meet and the ToR have not been agreed and SERC have continued to promote HE.
- Risk 075 Managing the College's Sickness Absence-The CFO advised that absence levels are still quite high, there has been a slight reduction in long term sick however it is still an increase on this period last year. From a financial perspective the impact has been managed well, the CFO advised that some staff are currently on no or half pay, and the associated cost of backfilling is estimated at c. £120k.
- R081: Managing the College's Enrolments-The CFO advised the College management team had agreed to close this risk down for the 2019/20 year and it will be reassessed for 2020/21. Overall enrolment targets were met with the exception of HE.

c) IT Resilience

The Chief Technology Officer presented the resilience statement and highlighted that the format remains the same as the previous report as it had been agreed by the committee at the previous meeting.

He began by drawing attention to one major incident reported, this was related to a power cut in Downpatrick on the 31/12/2019. The power failure resulted in a Core Switch failing to powerup correctly after the power supply was restored. He advised that although the incident only lasted 20 minutes it meets the criteria to be recorded as a major incident. The CTO advised that procurement for new UPS switches was being completed and he would expect these to be installed within the next month and therefore he had no major concerns regarding this.

In response to a question from Mr Mackell the CTO provided an overview of how the UPS switch works, he highlighted that on this date the College was closed, and the switch failed because of the power cut. He advised that there is a maintenance contract in place for the switches and the switch in Downpatrick was due to be replaced this year, the cost of maintaining the switches is so high it is no

| | |
|--|---|
| | <p>longer viable to continue maintenance. Mr Mackell asked if there was any assurance the CTO could give the committee the switches in the other campuses will not fail in similar circumstances - the CTO advised that the other campus had theirs replaced more recently. The CFO highlighted that the issue is around capital funding for such equipment, with the College is having to increase the replacement cycle of various categories of equipment because of unavailability of funding. He advised that the College do recognise that it is business critical and would prefer shorter replacement cycles.</p> <p>The CTO highlighted that the Microsoft Secure Score scores for the College had slipped in terms of security benchmarking. The score has dropped by 8 points over the months of December 2019 & January 2020 due to a number of false alerts raised that were not dismissed or marked as resolved in a security tool called 'Cloud App Security' These alerts have been dismissed and staff reminded of the correct procedures in relation to this tool.</p> <p>The Temporary Chair asked Mr McKibbin if this type of report was standard across audit committees. In response Mr McKibbin advised that most audit committees do not receive a report with this detail, and it is useful for the committee to continue to receive this.</p> |
| | <p>Policies for review</p> <p>There were no policies for review or approval.</p> |

6. Internal Audit (For discussion and information):

a) Employer Engagement

Mr McKibbin presented the internal audit review on Employer Engagement. He advised that a satisfactory assurance rating had been provided and that the review found there was an effective system in place in respect of Business and Employer Engagement. He highlighted that no priority 1 recommendations were given and that there was 1 priority 2 and two priority 3's. He provided a brief overview of each and the following points were noted:

- He advised that the priority 2 related to ensuring there was a legal agreement in place to outline the relationship between client organisations and business services as the current agreement is still in draft form. The CFO advised that the College has a general set of terms and conditions, however it was felt they were not fit for purpose for this use. A review had been undertaken which should be finalised in 6-8 weeks.
- The first priority 3 recommendation relates to formalising the internal procedures that are currently in place. Mr Pollard suggested that consideration should also be given to some ISO around those units. Mr McKibbin noted that managements response to develop the SOPs was very good.
- Mr Mackell noted that the second priority 3 recommendation relates to a draft Business Services Strategy Document, he enquired why it is still in draft form. The Principal advised that the new strategy will take account of the Governing Body's 2030 strategy that has just been approved along with the DfE strategy to ensure they are aligned.
- The committee noted the observation that formal minutes should be taken at DfE meetings and acknowledged that the SERC team's own notes cannot be accepted as a formal minute as they are not hosting the meeting.

b) Risk Management

Mr McKibbin presented the internal audit report conducted on Risk Management and advised that a satisfactory assurance rating was provided, he advised that the review looked at the structures in place and how well embedded risk management is in the College. He advised that risk management is very robust within the College and there are clear reporting lines to the Audit Committee and Governing Body.

The committee noted two priority 3 recommendations were raised, the first highlighted that the College's risk appetite is not formally defined. The Temporary Chair advised that agreeing a definition would require discussion at Governing Body level and noted that the Governing Body may be prepared

to adopt a different level of risk across the business. The CFO advised that as an NDPB the College is risk adverse; the Temporary Chair advised that if the College has plans to grow areas such as commercial income then we may be open to risk.

The Chair asked Mr McKibbin if they were satisfied with the grid matrix that is used in risk scoring, Mr McKibbin advised that across organisations different matrix's are used and many use the grid matrix which is an effective tool.

Action Point: Grant Thornton will provide some definitions around risk appetite

Action Point: The CFO agreed to raise risk appetite as a discussion point at NIFON and the College's next risk management meeting

c) Internal Audit Progress Report

Mr McKibbin advised the committee that internal audit is making good progress in line with the agreed timetable. He informed members that the Sector Wide review has not yet been agreed, if no agreement is reached the days allocated for it will be utilised elsewhere. The CFO advised that it was agreed it was not appropriate for internal audit to review the funding model and NIFON are still debating the topic for the review.

Mr Mackell enquired how many days of the 50 allocated are used for administrative purposes and how many are used for attendance and field work. Mr McKibbin advised that days used to agree terms of reference would not be included in the audit timetable and agreed to make these visible going forward. Mr Mackell highlighted that the committee have requested a standalone follow-up review of the GDPR recommendations three times and therefore requested that this was also included in the timetable. Mr McKibbin confirmed he was clear on what the committee required and would make the necessary amendments to the progress report.

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

The CFO directed members to the report outlining the summary of actions taken for internal audit recommendations. He advised that ten recommendations had been carried over from the previous year and there are currently 4 outstanding and he is confident three of these will be completed imminently, he provided members with an update on each and advised that some are out of the College's control and they have been actioned as far as possible. For example, the Data Retention and Disposal Schedule is currently sitting with PRONI and it will only become live in the sector once it is

| | |
|-----------|--|
| | laid before the Northern Ireland Assembly. Mr Mackell thanked the CFO for the update and advised the committee do appreciate the efforts made to close off these recommendations. |
| 8. | <p><u>Fraud Update</u></p> <p>a) Fraud Report November 2019</p> <p>The Chair asked the committee to note the SERC Fraud Report and that there are no fraud cases to report.</p> |
| 9. | <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 Wednesday 8th April 2020, 5.30pm, Lisburn Campus</p> <p>The meeting concluded at 7.11pm</p> |