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SOUTH EASTERN REGIONAL COLLEGE

Governing Body – Audit Committee

Minutes of the meeting of the Governing Body Audit Committee held on Thursday 20th June 2019
at 5.00pm in the Bangor Campus

1. Confidential session for members only

A separate note was taken for this agenda item.

Chair's Business:

2. a) Attendance and Apologies

Present: Mrs C King, Mr N. Bodger, Mr S Pollard, Ms A Gallagher, Mr J Mackell, Ms C Goodwin

In attendance: Mr T. Martin (Chief Finance Officer), Mr G Hetherington (Temporary Chair of the Governing Body) Mrs C Williamson (Secretary to the Governing Body), Dr M Malone (Director of Curriculum and Information Services) Mr K Webb (Principal), Mr A Emmett (Chief Technology Officer), Mr J. McCallion (PWC), Ms L Paterson (PWC), Mr N Taylor (Grant Thornton), Mr L Ovadia (DfE), Mrs S Kerr (Boardroom Apprentice), Ms K Doey (NIAO)

Apologies: None

In the Chair: Mr Bodger

The Chair welcomed everyone to the meeting and asked everyone to introduce themselves as there were so many new attendees to the meeting.

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. Mr Pollard highlighted a possible conflict of interest in relation to item 6E where a review of Payroll was scheduled in the draft 2019/20 internal audit plan, Mr Pollard asked that it is noted his wife works in Payroll.

c) Minutes of the meeting held on 28th February

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 28th February 2019 were proposed by Mr Pollard and seconded by Mrs King

d) Matters arising

The Chair confirmed that all actions from the previous meeting had been completed, he advised members that all Governors would have received the link to complete the e-Safety Training module.

3. Correspondence

a) NIAO Strategy 2019/20

Ms Patterson, PWC, addressed the committee to present the 2019/20 Strategy on behalf of the NIAO, the following points were highlighted:

- Ms Patterson took the meeting through the Strategy for the Audit of the 2018/19 Financial Statements during which she drew particular attention to the risk factor and the three significant audit risks identified, the materiality and error reporting thresholds to be applied, the areas treated as material regardless of value, the established processes to manage personal data, the sectoral matter of funding pressures and the recognition of payable pay awards. Other areas of interest that were highlighted to the Committee included the use of Central Procurement Directorate/Properties Division. She also highlighted the audit timetable, fees and staffing and referenced relevant value for money reports.
- In response to a question from the Chair Ms Patterson advised that in terms of CPD the audit will not look for value for money but will instead focus on irregularities.
- Ms Doey advised the committee that any concerns raised during the audit will be raised and advised that the NIAO are aware of issues with CPD and are planning to conduct a study into this area within the next year.

b) Partnerships Between Departments and Arm's Length Bodies: NI Code of Good Practice (enc)

The Chair asked members to note the enclosed letter and guide, during a brief discussion the Temporary Chair of the Governing Body enquired if there are any indications how this code will manifest itself across ALB's to change behaviours and working relationships. The Chief Finance Officer (CFO) said his understanding was that on the back of this new guide DfE plan to review the MSFM which will be the first outworking of the guide. The Principal noted that DfE have not yet spoken to the Principals Group about

the review and he would expect that this will shape the approach that is taken regarding a review and how much the Sector can contribute to it.

The Principal further advised that during recent Governance Training for the Principals; Stuart Stevenson from the Department of Finance had attended, and it provided the Principals with an opportunity to discuss this document and how it can be taken forward.

c) FE Returns Timetable August 2019 to July 2020

The CFO asked members to note the FE Returns Timetable for 2019/20 and highlighted some of the key dates, he advised that the Governing Body meeting schedule for 2019/20 is in line with the timetable as is the NIAO Strategy that Ms Patterson had presented earlier to the committee.

4. For Information:

a. Operational Risk Summary

The CFO presented the Operational Risk Summary on behalf of the Chief Training & Contracts Officer for the areas of Business Service and the Training Organisation, during a brief discussion the following points were highlighted:

- The CFO began by advising that there are two types of risks in this area, financial and contractual. He advised that the income streams can be very variable and so the CT&CO has to try to control costs and outputs which can be very difficult.
- The CFO gave the committee a detailed overview of the risks set out in the presentation and drew attention to the risk that the Business Service income target will not be met. He highlighted that the College had further demand and capacity last year to deliver more for Skills Focus and Innovate. He emphasized that SERC had delivered more than half of these programs over the Sector but DfE had limited SERCS allocation to £824k, he asked members to note that discussions are continuing with DfE as the College could have delivered an additional 25% of what it actually did.
- In response to a question from a member the CFO advised that the College received an additional allocation of c. £83k over and above its initial allocation of £740k. He advised that the funding for these programs is ring fenced but it is DfE's decision on how to allocate the funding across the Colleges, he commented that if the Sector as a whole were overdelivering there would be an issue for the Department to seek additional funding but this is merely about allocation.
- The Chair noted that it seems DfE have restricted their delivery to employability.

- In response to members questions the Principal confirmed the College has a waiting list to deliver more in this area, and that to open it up would not be a sustainable approach for the College unless a commitment was given to provide additional funding as it would incur additional staffing costs.
- The Director of C&IS highlighted that partnerships are important to the College; the more contacts the College can make in industry the College will perform stronger and meet the needs of the public. Members commented that we should try to encourage the Department to make more money available as it is clearly an initiative that is delivering.
- The CFO advised that DfE's position is that with the new funding model this is a transitional year and there are lessons to be learned. However we are already in a new Departmental financial year, and little seems to be changing in their approach. He also asked members to note that in the area of Higher Education the College recently had their budget cut because targets weren't met but in this area where the College is exceeding targets, additional funding has not been provided so there seems little consistency in the approach.

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 drew attention to the grading of the risks that have changed, for example the downgrading of the sickness absence risk from red to amber.
- In presenting the risks set out in R074 'Managing the financial viability of the College' the CFO provided an overview of the College's current financial position and advised members that the College was made aware on 5th June of the 2019/20 Budget allocation, He noted that whilst he appreciates DfE's efforts to secure additional funding for the sector it can be difficult to manage fundamental changes or challenges two months into the departmental year or when constructing an operational budget to the College's own timeline.
- The CFO gave the committee an overview of the issues with Properties Division when presenting the risk which has been coded red. He advised that the current position is that the development of the Sector business case will run alongside liaison with Properties Division at the request of DfE. The Sector has been asked to allow time for a change in senior personnel to make an impact on the services provided by PD. The Committee were advised that two capital projects are currently outstanding at the Professional Skills Centre at Nutts Corner and the Hollywood campus. The CFO highlighted that the costs for the work at PSC had been estimated at £80k and

are currently sitting at £220k because of the delays with PD. He advised that this risk is “almost beyond a red risk” now as it is costing the College both time and money; and is raising serious health and safety issues. The Principal further highlighted that it is impacting on the services the College provides to the economy as the PSC is currently maxed out and there is direct impact on the level of service that can be provided without the required work being carried out.

- In response to a question from a member the CFO confirmed that there is a risk that some projects will become outdated and the College will fail to meet statutory and legal obligations because of the undue delays. The CFO advised the committee that the use of PD is mandatory and, by way of an anecdotal illustration of the issues, advised that the Newtownards campus has a leak in the campus roof which was reported to PD in March, but which the College has been told will be dealt with in August. The CFO asked members to note that if the College were able to appoint their own subcontractor this damage would have been repaired immediately and instead it will be much worse by August and there is a serious health and safety risk with that.
- In response to a member’s query the CFO advised that the sector business case has not yet been presented to the Permanent Secretary, Noel Lavery, however he is very much aware of the issue and the proposed business case. The Principal informed members that the issue has also been raised with Kieran Donnelly, Comptroller and Auditor General at the NIAO and he has advised that they plan to review the issue in the future.
- Mr Pollard informed the meeting that as a Governor he felt duty bound to say that the Governing Body should put something in writing as a minimum as the delays caused by PD and reviews planned for a few years’ time will not help the College address the very serious issues facing them in terms of health and safety and meeting legal/statutory obligations.
- The Chair suggested that there may be benefit in writing to the Chair of the DfE Audit Committee to highlight the gravity this issue is having on the Sector. The CFO advised that he would welcome this input from the committee and noted that the Sector business case is the solution.
- After a brief discussion the committee agreed that it would also be of benefit to write to the Permanent Secretary to convey the urgency of this issue.
- Mr Ovadia enquired what the College are hoping to get from the planned meeting with Gareth Brown at PD. The CFO advised that the meeting and relationship can only be positive if Mr Brown can accept the issues and begin working with the Sector on an improvement plan.

- The Temporary Chair of the Governing Body highlighted that at the recent Finance & General Purposes Committee these issues had been discussed and that it had been suggested if the business case was progressed the College could also work with PD on some pilot projects so that they could demonstrate the improvements to the service. The CFO further advised that if this scenario was progressed and if PD were able to demonstrate they could deliver the College would not have a need for commercial partners in the longer term.
- In concluding the risk management report the CFO gave a brief overview of the remaining risks on the register and advised the committee that the risk relating to the College's sickness absence has been downgraded to amber as there has been a significant improvement in this area. The current rate is sitting at 3% which is the lowest rate recorded for this time of year.

Action Point: The Audit Committee will write to the Chair of the DfE Audit Committee and the Permanent Secretary to highlight the risk to the College if they continue to use Properties Division appointed suppliers

c. IT Resilience

The Director of C&IS and the Chief Technology Officer addressed the committee to present an overview of the structured approach the College has taken to cyber security both in response to the internal audit carried out last year and in respect of the National Audit Office guidance on cyber security.

The committee were provided with a detailed overview of how the College decides on what is a risk to cyber IT and how it is managed; of the four themes set out in the NAO guidance that demonstrate both the Boards and organisation's understanding of risk, how it is proactively managed, how the College are involved Sector wide in sharing information to improve its understanding of risks and the overall approach to cyber risks the organisation has taken.

The Chief Technology Officer gave the committee a detailed overview of each theme and in concluding reminded members that the biggest weakness any organisation has to cyber security is its staff and he advised that staff training and awareness remains a huge focus for his team. The Director of C&IS confirmed the College is doing all it can to follow best practice in this area.

5. Policy for Approval

a) Acceptable ICT Use Policy

The policy was approved on the proposal of Mr Pollard and seconded by Mr Mackell.

b) E-Safety Policy

The policy was approved on the proposal of Mr Mackell and seconded by Mrs King.

c) ICT Security Policy

The policy was approved on the proposal of Mr Pollard and seconded by Mr Mackell.

d) Information Systems (Electronic) Incident Management Policy

The policy was approved on the proposal of Mr Mackell and seconded by Mrs King.

e) Whistleblowing Policy

The policy was approved on the proposal of Mr Pollard and seconded by Mr Mackell.

6. Internal Audit (For discussion and information):

Mr Taylor from Grant Thornton addressed the committee to present the recent internal audit reports, the progress report and the draft audit plan for 2019/20.

a) Corporate Governance Review

Mr Taylor highlighted that the audit focussed on core governance structures and had also considered that a separate more detailed governance review was also being conducted by the Governing Body. He drew attention to the satisfactory rating provided and noted that three priority 3 recommendations were made.

The Chair highlighted that the Standing Orders had not been presented to this committee as detailed in the report and would not be approved in time for the June Governing Body, Mr Taylor confirmed he would amend these details and send a revised report through.

The committee noted that the internal audit report, Governance review conducted by Stephen Mungavin and the review of the Standing Orders dovetail together and requested that Mr Mungavin is provided with a copy of the other reports.

Action Point: The Secretary will provide Mr Mungavin with a copy of the Corporate Governance internal audit report and the review document of the Standing Orders

b) Data Protection (GDPR) Review

Mr Taylor advised that an assurance piece was carried out this year on GDPR and the findings had been consistent with the other Colleges, he emphasized that as this is a new area for all organisations it is unclear how the regulator would enforce any regulations. He advised that the College had achieved a

	<p>satisfactory rating for the review and three priority 2 recommendations had been made that he was satisfied would be implemented within a reasonable timeframe.</p> <p>In response to a member’s question Mr Taylor confirmed that he is satisfied with the review and the College had performed well, he further advised that GDPR will be reviewed again as a part of the follow up and will be reported to the committee through the recommendations report.</p> <p>To conclude the CFO asked members to note that the definitions of priority 2 and 3 are different to a normal audit report and this is why management have been confident to put a tight timeframe on the recommendations.</p> <p>c) Sector Wide Review – Use of Hardship, Care to Learn and ASF Funds</p> <p>Mr Taylor presented the report and the committee noted no issues had been identified in SERC and some minor points across the Sector had been identified.</p> <p>d) Progress Report 18/19</p> <p>Mr Taylor asked the committee to note the progress report and that all areas have been completed with a final follow up review conducted over the Summer.</p> <p>e) Draft 2019/20 Plan</p> <p>Mr Taylor asked the committee to note the Draft plan for 2019/20 and advised that he will be meeting with the management team to further refine it over the Summer and the final plan will be presented to the Committee at their next meeting in September. He advised that the planned review to look at the Funding Model may be more appropriate as a Sector Review.</p> <p>Mr Ovadia enquired if the review of the Funding Model had been in the three-year plan as he noted the model is still relatively new and was unsure how much value for money it might provide. Mr Taylor confirmed that it had been included in the three-year plan and advised because it is a new model there is benefit in looking at it. Mr Ovadia noted that some of the recommendations from the report will be for DfE rather than individual Colleges.</p>
7.	<p><u>Summary of Actions taken in Response to External & Internal Audit recommendations:</u></p> <p>The CFO directed members to the report outlining the summary of actions taken for internal audit recommendations.</p>
8.	<p><u>Fraud Update</u></p> <p>The Chair asked the committee to note the SERC Fraud Report.</p>
9.	<p>Any other notified business</p>

	<p>The Chair asked members to review the cycle of business for 2019/20 and advise if they would like to include any other areas of work before September.</p> <p>Action Point: Members were asked to feedback any suggestions for the Cycle of Business to the Secretary before September</p>
	<p>Date and time of next meeting</p> <p>The next meeting is scheduled be held on Wednesday 18th September 2019, 5.30pm, Bangor Campus</p> <p>The meeting concluded at 6.56pm</p>