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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 15th November
at 5.15p.m. in the Lisburn Campus.

1. Chair's Business:

a) Attendance and Apologies

Present: Mrs C King, Mr N. Bodger, Mr S Pollard, Ms A Gallagher, Mr J Mackell Items 1C-F,3 4A, 4B, 4D-F,5-9 Only, Ms C Goodwin 1C-F,3 4A, 4B, 4D- F,5-9 Only

In attendance: Mr T. Martin (Chief Finance Officer), Mrs C Williamson (Secretary to the Governing Body, Dr M Malone (Director of Curriculum and Information Services) Items 1A,1B and 4C only, Mr K Webb (Principal), Mr P Smyth (Chief Human Resources Officer), Mr J. McCallion (PWC) Items 1A-B, 4C,2 and 3 only, Ms L Patterson (PWC) Items 1A-B, 4C,2 and 3 only, Mr N Taylor (Grant Thornton), Mr L Ovadia (DfE),

Apologies: None

In the Chair: Mr Bodger

The Chair welcomed everyone to the meeting and noted that there may be some late attendees due to the traffic, he advised that therefore the agenda items would not be taken in the order presented on the agenda to accommodate the late arrivals.

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. Mr Pollard highlighted that he has declared a conflict as his wife works in the payroll department of the College and this is taken as a standing conflict.

c) Minutes of the meeting held on 21st June 2018 and 13th September 2018.

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 21st June 2018 were proposed by Mr Pollard and seconded by Mr Mackell

Agreed: The minutes of the 13th September 2018 were proposed by Mr Pollard and seconded by Mr Mackell

d) Matters arising

The Chair confirmed that all actions from the previous meeting had been completed.

e) Audit and Risk Committee Terms of Reference

The committee confirmed that they had reviewed the proposed terms of reference for the committee and agreed that they were accurately reflected the committee's role and responsibility within the Governing Body.

Agreed: The Audit committee Terms of Reference were approved by the Committee and recommended to the Governing Body for adoption

Proposer: John Mackell

Secunder: Steve Pollard

f) Audit Committee Annual Report 2017-18

The Chair asked members to consider the draft Audit Committee Annual Report 2017-18 for approval. Mr Taylor from Grant Thornton addressed the committee and advised he was disappointed with the comment on page 5 regarding Grant Thornton. Mr Taylor asked if the committee would consider rewording this as the committee have had discussions with GT and accepted that any missed KPI's were due to timeliness and that there was no issue with the quality of the work provided.

Action Point: The Chair advised the Audit Committee Annual Report would be reworded (on page 5) to reflect the comments from Grant Thornton. The report will be circulated to members by email for approval to ensure that it can be presented to the Governing Body on 26th November.

2. Correspondence

Updated Management Statement/Financial Memorandum

The Chair invited the CFO to provide the committee with an overview of the updated MS/FM that had been issued by the Department for the Economy in October. The CFO highlighted that the MS/FM formalises and outlines the Governance framework for the College as an NDBP. He directed members to the cover letter supplied by DfE which outlines the changes made to the document since its last issue and further confirmed the College has returned a signed copy by the Principal (as Accounting Officer) as had been requested in the cover letter attached.

3. Items for Approval:

a) Draft Annual Report & Financial Statements (including Governance Statement)

The CFO presented the Draft Annual Report & Financial Statements to the committee and advised that there had been two changes (one relating to accrued pay awards and one relating to valuation of some assets) made since the committee had reviewed them at their last meeting in September. The CFO provided a brief overview of the process of how the financial statements had been prepared and directed members to the cover sheet provided that highlighted a summary of the accounts.

The CFO asked members to consider a sentence that will be included in the Governance Statement within the Annual Report that reflects the analysis received from DfE on the recent self-assessment exercise the Governing Body undertook. He advised the statement had been agreed by the Finance & General Purposes Committee at their recent meeting, the committee agreed the statement was a fair and transparent insertion. Mr Pollard noted that the overall report was excellent, and the level of transparency was to be commended.

Key Decision: The Audit committee approved the Annual Report & Financial Statements 2017/18 (including Governance Statement) and recommended them for adoption by the Governing Body

Proposer: Steve Pollard

Seconder: John Mackell

b) Report to Those Charged with Governance

Ms Patterson from Price Waterhouse Coopers presented the Report to Those Charged with Governance 2017/18 to the committee and highlighted the following points:

- Ms Patterson thanked the CFO and his team for their help and cooperation throughout the audit process.
- Ms Patterson highlighted the proposed audit opinion and advised the committee that the audit was completed in accordance with the agreed audit strategy and she advised members that the areas of risk that were reviewed are standard risks that are reviewed in all organisations.
- An issue was raised in relation to outstanding pay remits, with the NIAO agreeing that this should not be accrued for in the 2017-18 financial statements.
- Mr Pollard enquired if DfE had been consulted on the pay remit status and if it was their view that a provision was not required in the financial statements. Ms Dooley from the Northern Ireland

Audit Office confirmed that a team in the NIAO had met with DfE to discuss this pay remit issue and they had confirmed it was appropriate that it was not included. She further advised members that the Comptroller & Auditor General will review the work conducted by PWC and that they are content with the RTTTCG report.

- In response to a query around the adjustment of the valuation of land and buildings, the CFO advised members that assets are revalued every year on the back of either a full Land & Property Services (LPS) review or on the back of indices provided by LPS. The 2017/18 revaluation was on the basis of indices, with a “specialized building” index having to be applied to some buildings which had been originally been revalued with a “general use” index in the draft financial statements. The CFO confirmed this had no effect on the College’s financial performance or results.
- Ms Patterson confirmed to the committee that she found nothing to report when members asked if there were any control or other weaknesses to report.

4. For Information:

a. Operational Risk Summary

The Chief Finance Officer presented a summary of operational risks for the finance and estates departments, the following points were noted:

- The CFO highlighted that there is an amber risk relating to Supplier Payment days, members noted that whilst this was not a strategic risk they enquired if there was a way to prioritise payments especially for smaller suppliers. The CFO advised that due to limited resources in the finance department this is very challenging, but he stressed that it is an operational focus for the finance department this year.

The Chief Human Resources Officer presented a summary of operational risks for the Human Resources department, the Learning Academy and Health and Safety, the following points were noted during discussion:

- The CHRO highlighted that there is a red risk relating to the absence figures with mental health cited as the main cause. He advised the committee that a focus on mental health initiatives is in place which is a prevention measure to coincide with the established support services already in place within the College.

- The Chair asked if there was a split in the number of corporate and academic staff absence due to mental health, the CHRO advised that the figures aren't skewed to one group of staff.
- At this juncture the Principal asked the committee to note that there are concerns that if a flu pandemic was to break out he has undertaken to close the College if advised to do so by the Chief Medical Officer despite there being no legislation in place.
- In response to queries from members on the risk Failure to engage General Study Support Workers, the CHRO confirmed that support workers have been cleared for employment through the normal recruitment processes and the extent of the issue is in issuing a contract and alerting payroll. Measures have been put in place to the current engagement process with GSSW and review GSSW contracts.

Action Point: The Chair agreed to liaise with the Education committee to review the levels of absence amongst academic staff due to mental health

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 advised members that some of the secondary LMS STS implementation target dates are coming under pressure, but that the committee can take assurance that this will not have a significant impact on the College as the College has its own online enrolment system that will continue to be used if necessary.
- The CFO highlighted that the risk management team have proposed to downgrade the risk on the utilisation of the College estate from strategic to operational since it is now categorised as a "green" risk. This is due to the fact that: SERC's overall estate performance remains the best in the sector in the square metre per FTE summary produced by DfE (@ 8.5 m²/FTE against a sector average of 10.7); the campuses outside the college average are smaller in scale and the impact therefore not material; and there are operational plans being progressed to address these targeted areas.
- The CFO advised that the risk on managing enrolments remains red but that the numbers are holding up quite well despite the demographic risks. The Principal informed members that where the College can offer a unique product the numbers have increased but in areas such as

FE where the College has direct competition from schools the enrolment numbers have decreased.

- The CFO suggested that this is an area that the GB may want to focus on at the next Strategy Day, in terms of what the College wants to strategically offer.

c. IT Resilience

The Director of C&IS addressed the committee and presented a detailed overview of how the internal audit recommendations in relation to IT and Business Continuity are being taken forward, the following points were noted:

- The Director informed members that a cyber security group had been set up from data different data repositories in the College to ensure that all relevant departments get to feed in into it.
- In response to the recommendation around Security and Vulnerability Assessment a number of external companies have been approached to carry out vulnerability testing and internally the security has been enhanced to allow the ICT team to analyse the threats coming in. A formal operations log has been established and new grading system of attacks in being used. The Director stressed that there will never be absolute security against these types of threats, but the College will always strive to improve its level of security.
- The Director informed the committee an incident management report will be presented to this committee going forward to ensure there is complete oversight of any incidents that occur.
- The Director further advised that staff training is a critical part of improving security and a staff training module will be launched to ensure that all staff are aware of their personal reasonability when handling data and to highlight all aspects of ICT security.
- In response to a question from the Chair, the Director confirmed that students will also use the E Safety training module to highlight issues like password security to them and how they can protect their accounts from any potential threats. Members were asked to note that two factor authentications will be rolled out to all students in the next few weeks.
- The Chair enquired if any awareness training is provided to students on how their online behaviour can potentially affect future employment opportunities. The Director confirmed that the College have been addressing and this is part of the Safety training that is being launched for students.

d. Direct Award Contracts 2017/18

	<p>The CFO asked members to note the list of Direct Award contracts (without competition) which is provided to the committee annually.</p> <p>e. National Fraud Initiative</p> <p>The CFO asked members to note the timetable set out in the National Fraud Initiative and advised that the College will take part in a data matching exercise and any relevant matches will be reported to the committee in 2019.</p>
<p>5.</p>	<p><u>Policy for Approval</u></p> <p>The committee noted that the ICT Policy and Whistleblowing Policy had been reviewed by the committee in September (approval was not completed at the September meeting as the committee was not quorate) and subsequently approved by the Governing Body at its meeting on 17th September.</p> <p>a) ICT Policy</p> <p>Proposed: John Mackell Seconded: Steve Pollard</p> <p>b) Whistleblowing Policy</p> <p>Proposed: John Mackell Seconded: Steve Pollard</p> <p>c) Risk Management Policy</p> <p>The CFO presented the policy for review and asked members to note that the original review in June was delayed as DfE had indicated a sector wide review of risk management processes would take place in August 2018. However this has been further delayed pending a wider NICS review. The CFO asked members to note that the policy was reviewed last year and was substantially rewritten at that time, therefore there are no changes presented.</p>
<p>6.</p>	<p><u>Internal Audit (For discussion and information):</u></p> <p>Mr Taylor from Grant Thornton addressed the committee to present the recent internal audit reports and the audit plan for 2018/19.</p> <p>a) Annual Plan 2018/19</p> <p>Mr Taylor asked members to note that the dates within the annual plan had been agreed with management. In response to questions from members Mr Taylor advised that the terms of reference for the reviews ongoing at the moment have been agreed. In a further discussion around terms of reference for the reviews the committee noted that when reviews are presented to the committee with</p>

	<p>management responses the committee have the freedom to request more information if they feel it is appropriate.</p> <p>b) Sector Wide Plan of Properties Division</p> <p>Mr Taylor highlighted that the 6 issues found in the audit had not changed from the interim report and that all Colleges were affected by the issues; this will form part of the Sector’s business case to move away from the mandatory use of PD.</p> <p>c) Sector Wide Review of the Hardship Fund, Additional Support Fund & care to Learn (interim report)</p> <p>Mr Taylor presented the interim report to the committee and provided a brief overview of the scope used for the report and advised that the full report will be presented to the committee again for review. The CFO advised that the missing piece of documentation noted in the report was rectified.</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, he asked members to note that the DCI&S addressed the recommendations for ICT under item 4C earlier in the meeting.</p>
8.	<p><u>Fraud Update</u></p> <p>The Chair asked the committee to note the SERC Fraud Report. The CFO confirmed that both cases of suspected fraud set out in the report are currently being investigated and that the committee will receive an update once the investigations are complete. In response to a question from a member the CFO confirmed that fraud is reported to DfE directly by the CFO or the Financial Controller.</p>
9.	<p>Any other notified business</p> <p>A sperate note was taken for this item of confidential business.</p>
	<p>Date and time of next meeting</p> <p>The next meeting is scheduled be held on Thursday 28th February 2018,. 5pm, Bangor Campus</p> <p>The meeting concluded at 19.18pm</p>