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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 28th February 2019 at 5.00pm in the Bangor 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, Ms C Goodwin Items 3A-9 only

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), Mr N Taylor (Grant Thornton), Mr M Cardwell (DfE)

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

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 15th November 2018 were proposed by Mr Mackell and seconded by Mrs King

	<p>d) Matters arising</p> <p>The Chair confirmed that all actions from the previous meeting had been completed, he advised members that the Education committee have committed to a piece of work on reducing staff absence levels</p>
2.	<p>Correspondence</p> <p>SERC Report to Those Charged with Governance for the Year Ended 31st July 2018 NIAO Letter 141218</p> <p>The Chief Finance Officer advised members that the enclosed correspondence confirmed the College's financial statements for the year ended 31 July 2018 have been completed with the external auditors giving an unqualified opinion.</p>
4.	<p>For Information:</p> <p>a. Operational Risk Summary</p> <p>The Director of Curriculum & Information Services presented a summary of some of the operational risks that fall within his directorate. The following points were noted:</p> <ul style="list-style-type: none"> • The Director highlighted that there is a risk for the College due to the delays in the Systems Technology & Services project for the Sector. This risk is an example of an operational risk which has been escalated by the Risk Management Team and placed on the strategic risk register. Members were advised how the risk is being managed by the College and noted that a further delay is now expected due to the change in key personnel within the project. <i>Ms Goodwin joined the meeting at this juncture.</i> • In response to a question from the Temporary Chair of the Governing Body the Director confirmed that there will be no direct impact on the College if other Colleges experience issues with the project because the current systems are not the same across the sector. • The Chair enquired if there will be an impact on funding because of the project's delays, the Director advised that the funding for the project is top sliced from DfE and therefore there is no time limit on when the funding can be drawn down. <p>b. Risk Management Report</p>

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 provided a detailed overview of each of the risks within the report that were amber or red. In reference to risk R074: Managing the Financial Viability of the College, the CFO advised members that no formal confirmation for the 2019/20 Budget has yet been received, but that the working assumption is that the sector budget overall will be “flat.”
- In discussing the risk of managing the impact of financial cuts and in response to questions from members the CFO gave a brief overview of the new funding model. He asked members to note that there is a distinction between the budget and the cash drawn down process; with the new draw down process essentially meaning the College will have an agreed cash balance in the bank to cover working capital requirements. He explained that while the budget time horizon remains 12 months, a 24-month budget would be the College’s preference to enable a commitment to longer term projects.
- The CFO advised that with regard to the risk on Properties Division the sector business case is now with DfE for consideration and once they have confirmed they are content with it this can be shared with the Governing Body.
- The CFO explained that the risk relating to staff absence was red however there have been signs of improvement in this area in comparison to this time last year. He added that as this was a difficult area to predict it has not been downgraded based on the improved figures and it will be reviewed at the next Risk Management meeting in April.
- The CFO advised that the Risk Management Team have decided to include an “amber” risk on the strategic risk register regarding the impact EU exit may have on the College. He explained that up until now it had been considered an operational risk since the College is quite insulated from most of the potential impacts; but that the scenario of a No Deal Brexit increases the risk to the College due to the level of uncertainty that surrounds it. The CFO advised that the College is working with the sector on this and if there is anything substantial to report it will be reported directly to the Temporary Chair of the Governing Body and the Chair of the Audit committee.

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; a brief discussion took place and the following points were noted:

- The Director began his presentation by reminding members that there are no guarantees with IT security and advised that the College has however implemented a formal regime to ensure that there is a structured organisational approach to cyber security. The Chief Technology Officer provided a detailed overview of the 5 key objectives in the regime that have been set out in guidance provided by the National Audit Office. Members were taken through each objective and provided with an overview of the work the College has already completed in these areas and the further plans in place to continue to address cyber risks.
- In response to a question regarding the impact of Brexit the CTO confirmed that the College moved to Microsoft UK Data Centres in 2017 which provides an extra layer of assurance if there are any complications post Brexit.
- The Temporary Chair enquired if the data breach case from July 2018 was now closed completely. The Director of C&IS advised that whilst the police have closed their investigation there a requirement to provide a formal update to the sector and DfE on lessons learned. However, both the CTO and Records Manager have been informally feeding back lessons learned to their counterparts in the sector through working groups.
- The CTO explained how the Learning Engine worked in response to a member's question on how any learning is disseminated to staff. Members noted that the modules on the Learning Engine app are compulsory for all staff and the CTO advised it would be of benefit for all Governors to complete the E-Safety module that has been rolled out to staff.

Action Point: Members of the Governing Body will complete the E-Safety Module through the Learning Engine App

d. SERC Accountability Meeting January 2019

The Temporary Chair of the Governing Body addressed the meeting and provided a brief overview of the Accountability Meeting with DfE he had attended in January along with the Principal and CFO. He advised members that it is an important meeting and in terms of the governance structure it is an assurance statement that the College Accounting Officer is required to make to the sponsor.

In response to a member's query on the innovation schemes set up in the presentation the Principal advised that during the meeting the College had been lobbying for additional resource for Skills Focus and Innovate Us as both programmes were exceptional value for money. He explained that the College

	<p>had taken 45% of the sector funding for these programmes in 2017/18 and last year the College received less funding and over delivered. The Principal advised that DfE were very supportive of what the College had delivered, and members noted that the issue around funding is partly due to the new funding model which aimed to standardise the allocation to each College. In conclusion the Temporary Chair informed members that the meeting had been extremely positive.</p>
<p>5.</p>	<p><u>Policy for Approval</u></p> <p>The CFO advised that a recommendation from the Internal Audit report on Business Continuity was to improve the IT Section of the Business Continuity Plan and rather than make a few targeted improvements the policy and SOP have both been rewritten. The CTO answered questions from members to confirm that a communications plan is included in the SOP and that all staff who are listed in the SOP are fully aware of their roles should a disaster take place. Members noted that the policy was very comprehensive.</p> <p>Agreed: The committee approved the policy on the proposal of Mr Pollard and seconded by Mr Mackell, the policy will be presented to the Governing Body for adoption at their next meeting on 11th March</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) Estates Management</p> <p>Mr Taylor referred members to the findings in the report and highlighted that the use of Properties Division factored into some of the recommendations. In response to a query from a member on the two measures for utilisation set out in the report the CFO explained the distinctions while advising that the more established metric of m2 per FTE is more accepted as a standardised benchmark; and that SERC performs first in the sector in this metric. The Chair commented that whilst these measures are useful it is also important to factor in student experience and success rate. The Director of C&IS agreed and informed members that the College performance has come out top in the sector for the highest achievement rate.</p> <p>In response to a member’s question on the second recommendation in the report relating to spot checks on PPM works the CFO confirmed that these are much more routinely planned and fully documented now, with a specific member of staff in place to manage.</p>

In concluding his presentation of the report Mr Taylor added that a satisfactory assurance rating had been awarded.

b) College Development Plan

Mr Taylor presented the audit report and began by commenting on the context and scope of the report and advised that no recommendations had been made, members noted that a satisfactory level of assurance had been awarded.

In response to a query from a member Mr Taylor confirmed that academic staff appraisals would not have been subject to this review. The Director of C&IS advised that the academic staff appraisals are agreed across the sector through Trade Unions and the College has put additional measures (for example the staff mentoring scheme) in place to ensure that continuous improvement amongst staff is continuous throughout the year. Mr Pollard commented that as a member of the Education committee he could confirm that he assured through various layers of quality assurance including the Whole College Quality Improvement Plan on the performance of staff.

c) Procurement, Use of Business Cases & management of Contracts

Mr Taylor began by advising that two priority 3 recommendations had been identified in the report and gave members an overview of the findings.

In response to a question from the DfE representative on the use of business cases for non-capital expenditure, the CFO advised that while the College ensures that a business case is in place for all “new policy” expenditure decisions, no business cases are completed for “business as usual” recurrent spend items e.g. salaries, rates, utilities, consumables etc. since these are approved within the College Business Planning process.

Action Point: The Principal advised that he will raise the query on the use of business cases for non-capital expenditure at Accounting Officer level and report back to the committee

d) Progress against Annual Plan

Mr Taylor directed members to the paper detailing the progress of the internal audit work and the planned audits for the next quarter. He advised that he will liaise with the Chair of the Audit Committee and the Temporary Chair of the Governing Body when producing the terms of reference for the planned Corporate Governance review to ensure that it is correct.

The Chair commended the College Staff on the three satisfactory assurances received in the recent reports.

	<p>The Temporary Chair enquired if the timeliness issues that had been experienced at the beginning of the year been resolved. The CFO confirmed that he has met periodically with Mr Taylor throughout the year and there are no issues of timeliness and the work is progressing well.</p>
<p>7.</p>	<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. In response to a query from a member the CFO advised that a priority 2 recommendation was still in progress, he explained that workload had been reprioritised due to restructuring in the College and the work priorities relating to the data breach. The CFO confirmed that all recommendations will be completed for the next meeting of the committee in June.</p>
<p>8.</p>	<p><u>Fraud Update</u></p> <p>The Chair asked the committee to note the SERC Fraud Report. He advised that there is one suspected case of fraud which remains live and is progressing.</p>
<p>9.</p>	<p>Any other notified business</p> <p>A separate 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 20th June, 5pm, Lisburn Campus</p> <p>The meeting concluded at 19.12pm</p>