

SOUTH EASTERN REGIONAL COLLEGE

Governing Body – Audit Committee

Minutes of the meeting of the Governing Body Audit Committee held on Wednesday 13th
November 2019 at 5.30pm in the Lisburn Campus

<p>1.</p>	<p><u>Chair's Business:</u></p> <p>a) Attendance and Apologies</p> <p><u>Present:</u> Mrs C King, Mr N. Bodger, Mr S Pollard, Mr J Mackell, Ms C Goodwin, Mr D Stanley</p> <p><u>In attendance:</u> Mr T. Martin (Chief Finance Officer), Mrs C Williamson (Secretary to the Governing Body), Mr G Hetherington (Temporary Chair of the Governing Body), Dr M Malone (Director of Curriculum and Information Services), Mr K Webb (Principal), Mr A Emmett (Chief Technology Officer), Mr P Smyth (Chief Human Resources Officer), Ms L Patterson (PWC), Mr C McCavana (Grant Thornton) Mr N Parfitt (Boardroom Apprentice), Ms H Sampson (DfE Representative), Mr A Jarman (NIAO)</p> <p><u>Apologies:</u> None</p> <p><u>In the Chair:</u> Mr Bodger</p> <p>The Chair welcomed everyone to the meeting and asked everyone to introduce themselves for the benefit of Mr Parfitt as it was his meeting with the College.</p> <p>b) Declarations of conflicts of interest</p> <p>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.</p> <p>c) Minutes of the meeting held on 18th September 2019</p> <p>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.</p> <p>Agreed: The minutes of the 18th September 2019 were proposed by Mr Pollard and seconded by Mr Mackell</p>
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d) Matters arising

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

e) Audit and Risk Committee Annual Report 2018/19

The committee reviewed the Audit Committee Annual report and agreed that no changes were required before it was presented to the Governing Body for adoption.

Agreed: The Audit Committee Annual Report 2018/19 recommended for adoption by the Governing Body on the proposal of Mr Mackell and seconded by Mrs King

2. Correspondence

Nothing to note.

3. For Approval

a) Final Annual Report & Financial Statements

The CFO presented the Final Annual Report and Financial Statements for review and approval by the committee, he gave a brief overview on the preparation process of the accounts and the relevant accounting policies that had been used in drafting them.

As regards financial performance, the CFO highlighted to members that although the financial statements display a deficit for the year, the College's primary financial performance target as an NDPB is to meet its Resource Requirement target as set out by DfE. He advised that the College does not receive Grant-in-Aid funding from the Department to cover non-cash items such as depreciation or actuarial pension costs, both of which are highlighted as reconciling items in the attached reconciliation from financial statements total deficit to year-end Resource Requirement. The CFO advised that the deficit in terms of Resource Requirement was 0.27% (£92k). He went on to emphasise that this variance at the College year-end can be made up in time to meet the Department's March year-end target.

The CFO went on to highlight that the new cash drawn process introduced by the Department has had an effect on the cash balance which is down by £2,623k to £3,995k. Members were asked to note that there is no concern and the College would expect to retain a working capital balance in line with the Department's guidance of approximately 7.5% of turnover. In response to a question from the Chair the CFO advised that he is unaware how the College compares in the Sector in terms of performance against target. The Chair further enquired if the CFO is content with the new cash drawn down

process and specifically that there are no gaps in timing, the CFO confirmed that the process is working well; he informed members that the Department had consulted with NIFON during the initial stages of the new process to ensure there were no operational delays in draw-down and that so far there had not been. The CFO confirmed that there is also an emergency facility in place to enable the Department to issue cash urgently, however the College had not had to make use of this.

Agreed: The committee agreed to recommend the Final Annual Report & Financial Statements for the year ended 31 July 2018 to the Governing Body for adoption

Proposer: Steve Pollard

Seconder: Carolyn King

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 audit is now complete and it is proposed the Comptroller and Auditor General (C&AG) will certify the 2018-19 financial statements with an unqualified audit opinion, without modification. She further highlighted that there were no adjusted or unadjusted misstatements which is a very positive result for the College.
- Ms Patterson gave members a detailed synopsis of the audit scope and the risks highlighted in the audit plan. Other risks that were considered included funding pressures, with members being reminded of the challenging financial environment across the public sector which could have an impact on financial reporting.
- The Temporary Chair noted that in terms of funding pressures it has been reported that the College has seen its income and expenditure reserves continue to reduce going from £6,376,000 at 31 July 2018 to £4,389,000 as at 31 July 2019, a position that is “not sustainable in the longer term”. Ms Patterson assured the committee that this is not included to raise a concern to the committee but rather to highlight a potential funding issue for the Sector as a whole.

	<ul style="list-style-type: none"> • Ms Paterson concluded by acknowledging that the concerns surrounding CPD had been noted and advised members that a review in this area will be conducted by the NIAO at the end of 2020. • Member commended the finance team on an excellent result and the Chair asked the CFO to pass thanks to everyone involved in the finance team on behalf of the committee.
4.	<p>For Information:</p> <p>a. Operational Risk Summary</p> <p>The Chief Finance Officer presented a summary of operational risks in his directorate, the following points were noted:</p> <ul style="list-style-type: none"> • The CFO began his presentation by informing the new attendees at the meeting that the CMT present operational risks to the committee in a cycle and these risks underpin the Strategic risks that are reported to the committee at every meeting. • The CFO presented risks across finance and estates, he highlighted that the risk relating to PSD has been downgraded from red to amber as the Sector business case (and potential solution) is progressing well. • Ms Goodwin enquired if a risk needed to be added around missed targets for Commercial Income and in response the CFO advised that there is a risk that covers this on the Chief Training & Contracts Officer operational risk register under the remit of Business Services. He went on to provide detail of how this risk is monitored by the CT&CO and asked members to note that internal audit has been asked to conduct a review on forecasting to try and improve the projections for commercial income. • In response to Ms Goodwin’s question the CFO advised that the committee would review this risk if it was escalated to the strategic risk register, he provided an overview of how risks are reviewed during the IMPMS process and during the risk management team meetings. He advised this particular risk has never been escalated to a red risk because other income streams have exceeded their targets and so it has been managed through monthly and quarterly monitoring. • The Chair noted that a reduction in income that could not be mitigated would be reported to the FGP committee. • Mr Mackell enquired if the £2m plus VAT identified to complete the condition surveys conducted by PSD was all for essential works and if the College continue to use PSD will the 5-

year target be met. The CFO advised that is the total cost identified, and that it had been further subdivided into different priorities. He advised that, due to budget constraints, the College will not be able to complete everything on the list from PSD, but that the priority work will be completed by reprioritising existing work plans.

At this juncture the Principal and Director of Curriculum & Information Services left the meeting.

The Chief Human Resources Officer addressed the committee to present the risks for Human Resources, the Learning Academy and Health and Safety, the following points were noted during discussion:

- Mr Mackell enquired what the statutory obligation for first aiders was. The CHRO advised that the legislation does not specify a specific number but the current risk to the College is a shortage of trained staff to cover the rota especially in the Lisburn campus. He advised that there are currently 8 or 9 trained staff in each site with one on duty at a time but at times they are having to double up the shifts.
- Mr Pollard highlighted the risk around sickness and noted that mental health was a contributing factor to the current number of staff off sick and enquired if this is something that needs to be reviewed further. The CHRO advised that the FGP committee received a detailed report at their recent committee on long term absence and constantly monitor the progress and receive updates on initiatives put in place to address the issue.

At this juncture the Principal and Director of Curriculum & Information Services returned to the meeting.

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:

- The CFO advised that risk R85 'Risk in using Properties Division appointed suppliers – achieving value for money and maintaining an appropriate (and statutorily compliant) learning environment' has been downgraded to an amber risk as the Sector business case to move away from PSD is progressing well. He advised that a temporary procurement manager will be recruited by the Sector to develop a procurement framework with the aim the move will be completed by April 2021.

- The CFO highlighted that while risk R81 'Enrolments' has been downgraded to amber because overall enrolments were above target, risk R86 'Maintaining the College's HE Provision' has been assigned a red status. This is in response to a Departmental review of HE in FE starting in 2020 which will take 2 years to complete. Until the review is completed the College are unable to make any changes and current pressures and challenges around, HE will remain.
- Risk 83 Delivering the STS Project remains amber but is progressing. The Director of C&IS advised that there had been issues around staffing with the project but that the system went live on 4th November. Other work around data sharing agreements and SLAs has also been progressing well.
- The CFO advised the committee that the risk on managing the impact of financial cuts had been closed as any impact of financial cuts will sit under the financial viability risk. In response to a question from the Chair the CFO advised that no further communication had been received from the Department after they had previously indicated that cuts would be made if the Sector moved away from using PSD. He highlighted that the Sector have responded outlining that their position is to use the savings more efficiently to carry out more work not less.
- In response to a question from Mr Mackell, the Principal agreed to provide further information on the complaint raised by an MLA on behalf of a student but highlighted that the complaint had been resolved.

Action Point: The committee requested further information on the complaint raised by an MLA on behalf of a student

c) Direct Award Contracts (DAC)

The CFO directed members to the report and highlighted that any contracts over £5k must be approved by the Accounting Officer and legal advice is sought along with advice from CPD. He asked members to note that this report is presented annually to the committee as per the internal policy however DAC details are also submitted quarterly to the Department.

d) IT Resilience

The Director of Curriculum & Information Services presented the IT Resilience statement, he advised that the purpose of this report had been to flesh out the detail of what had been reported to the

	<p>committee over the last three meetings on IT resilience within the College. The Director advised members that the Cyber Security Committee meet regularly which is detailed in the report, he highlighted that the number of incidents are categorised for the committee to view and have been broken down into minor, major and disaster.</p> <p>The Director reminded the committee that staff training has been at the crux of this issue and a learning opportunity was identified after a false phishing email had been circulated to staff, the purpose of the training for those staff who failed to recognise that the email was not genuine is to improve behaviours, and on a positive note a lot of other staff reported the email to IT and demonstrated that they have a good awareness.</p> <p>The Chief Technology Officer informed members that data information protection training was being rolled out to staff and corporate staff will have been trained by the end of December. Along with this encryption on emails and files will be rolled out to staff to continue building more levels of security.</p> <p>The CTO enquired if members felt the detail was useful in the report and asked if they have any feedback on the report to feedback through the Secretary. Members agreed that the detail is the correct amount and it had worked well in informing the committee of the scope of work.</p>
5.	Policies for review <p>The committee were asked to note the ITS Disaster Recovery SOP for information as part of the wider GB SOP Review. The Temporary Chair advised that the Secretary will be working to introduce a dedicated area on the GB TeamSite to store this information including a summary of each SOP to aid Governors understanding.</p>

6. Internal Audit (For discussion and information):

- a) Review of online enrolments and performance management
- b) Internal Audit Progress Report

Mr McCavana from Grant Thornton presented the recent internal audit report and progress report. He advised that one audit had been conducted so far this year in the area of online enrolments and performance management which had returned a clean report with a satisfactory assurance rating, he asked members to note that audits in risk management and business employer engagement are planned for December and will be presented to the committee at the next scheduled meeting in January.

In response to a query from Mr Mackell, Mr McCavana advised that some of the 50 days planned for the year included preparatory meetings to agree terms of reference for audits and 5 days are allocated to the Sector review. In a brief discussion regarding the follow up review for GDPR members requested that a standalone review was conducted to ensure that all outstanding recommendations are completed, and the College is compliant with GDPR legislation. The Chair noted that this had been previously discussed with Grant Thornton and a follow up review had been planned but agreed with members suggestion that a stand-alone review would be more useful.

Action Point: Grant Thornton agreed to conduct a stand-alone review to follow up the recent GDPR audit, the audit plan for 2019/20 will be amended accordingly

At this juncture the Director of Curriculum & Information Services left the meeting.

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 four of the recommendations are complete and in summary of the others he advised members that the recommendations relating to data privacy notices, processing and the data audits will be completed by the end of November and so the report will be updated when next presented to the committee. The committee noted that two of the recommendations will remain outstanding as they are outside of the College's control, specifically-transfers to third countries which could be impacted by a no deal Brexit and Data Retention and Disposal Schedule which requires approval from the Northern Ireland Assembly.

8.	<p><u>Fraud Update</u></p> <p>b) 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> <p>c) National Fraud Initiative 2018/19</p> <p>The CFO gave an overview of the 2018/19 data matching scheme, he advised that the College follows the NFI advice and investigates identified matches with a medium/high risk score, the results of which are fed back to the NIAO.</p>
9.	<p><u>Gifts and Hospitality Register</u></p> <p>The Chair presented an annual review of the Governing Body Gifts and Hospitality Register. The Chair Advised that no information had been recorded for the year 2018/19.</p>
10.	<p>Any other notified business</p> <p>No other business was discussed.</p>
11.	<p>Confidential Business</p>
	<p>Date and time of next meeting</p> <p>The next meeting is scheduled be held on Wednesday 22nd January 2020, 5.30pm, Bangor Campus</p> <p>The meeting concluded at 7.13pm</p>