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SOUTH EASTERN REGIONAL COLLEGE

**Minutes of a Meeting of the Audit Committee of the Governing Body (the "Committee")
held on 8th April 2020 at 17:30 via Skype Teleconference**

1.

Chair's Business:

a) Attendance and Apologies

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

In Attendance: Mr T Martin (Chief Finance Officer)(the "CFO"), Ms S Woods (Temporary Secretary to the Governing Body), Mr G Hetherington (Temporary Chair of the Governing Body), Mr K Webb (Principal), Dr M Malone (Director of Curriculum and Information Systems (the "Director of C&IS") Mr A McKibbin (Grant Thornton) Mr N Parfitt (Boardroom Apprentice), Mr J Lee

Apologies: It was noted that Mr Andrew Emmet was unable to participate in the meeting and his apologies were duly conveyed to the Committee.

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. Mr Pollard noted his standing conflict, in relation to his wife's employment in the College's finance department. No further conflicts were declared.

c) Minutes of the meeting held on 22nd January 2020

The Chair invited members to review the minutes from the previous meeting. Following due consideration, the Committee agreed the minutes were a true and accurate record of the meeting.

Agreed: That the Committee approved the minutes of the meeting held on 22nd January 2020, and that the minutes be tabled for approval at the meeting of the Governing Body to be held on 27th April 2020.

Proposed by: John Mackell

Seconded by: Carolyn King

d) Matters Arising

It was noted that all Action Points had either been completed or would be addressed during the course of the meeting.

e) Formal Recommendation for Approval of new Committee Chair

The Chair noted that one expression of interest had been received, from Mr Mackell, with regard to taking on the role of Committee Chair. The Chair advised members that he would be stepping down with effect from the close of the meeting and that the appointment of the new Chair would take effect at that time. He recommended

	<p>that the Committee consider the matter and, if satisfied with Mr Mackell becoming the new Committee Chair, approve same.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Agreed: Following due consideration it was agreed that Mr Mackell would be the right choice to replace the current Chair and that his appointment take effect from the close of the meeting.</p> <p>Proposed by: Steve Pollard</p> <p>Seconded by: Carolyn King</p> </div>
<p>2.</p>	<p>Correspondence</p> <p>It was noted that there were no items of correspondence to bring to the Committee’s attention.</p>
<p>3.</p>	<p>Partnership Working</p> <p>a) Update from Chief Financial Officer on Partnership Agreement</p> <p>At the Chair’s invitation, the CFO provided the Committee with an update regarding the progress on the Partnership Agreement. He commenced by noting that the last time the Committee had met, it was after the DfE had held a workshop and the only progress since that time had been the DfE FE Governance risk assessment across all the arms-length bodies. He observed that this was tied into the notion of proportionate autonomy and based on the risk associated with each organisation. He indicated that the College had submitted its suggested scores against the risk matrix which had been provided by DfE and DfE had then assessed the College’s comments, had made some changes, and had shared their final score with SERC. He explained that the College did not have a signoff responsibility on this matter and that College had received a score of 368 out of a maximum of 378. He remarked that SERC’s self-score had been 372. He noted that the score was still very high and that the areas where lower scores were awarded were primarily, in DfE’s words, sectoral matters.</p> <p>Mr Mackell asked if there was an indicative timeframe for the Partnership Agreement to be rolled out. The CFO replied that it was not a top priority in the current environment. The Temporary Chair indicated that a discussion needed to take place with the DfE with regard to the College’s implementation of Mr Mungavin’s recommendations. He noted that Mr Mackell had developed a plan to tackle implementation of those recommendations and that, in the absence of the Covid-19 pandemic, these issues would have been addressed during the current academic year.</p> <p>The Chair indicated his concern that the Partnership Agreement would be put aside as the Government and Departments worked through the impact and implications of Covid-19.</p>
<p>4.</p>	<p>For Information:</p> <p>a. Risk Report – Coronavirus & Business Continuity</p> <p>At the Chair’s invitation, the CFO presented his report on Operational Risk. He commenced by noting that the standard strategic risk review which was usually conducted on a quarterly basis had been postponed due to the pandemic and that the Critical Incident Response Team had been meeting in relation to the pandemic itself. He indicated that there was no normal strategic risk management review for the current meeting. He observed that there were a number of appendices included for the Committee’s review, which would provide significant additional detail.</p>

The CFO indicated that there had been two phases related to Business Continuity with respect to the pandemic. He reported that the first phase had begun in mid-February when the issue of Coronavirus had become evident and had increased in importance. He observed that this phase had been managed by the Risk Management Team. He stated that a critical incident phase had started with effect from 13th March onwards.

With respect to the risk management phase, the CFO indicated that the Risk Management Team had begun to meet from 25th February and had sent out guidance to all staff, highlighting UK Government advice. Thereafter, the Risk Management Team had begun to meet daily. He informed the meeting that the initial focus had been in relation to managing international travel plans, which had been restricted. He remarked that guidance regarding hygiene had been provided after that and the specification of cleaning in the College's campuses had been increased. He remarked that subsequently all travel, including inter-campus travel and external visits to College campuses had been stopped where possible and staff had been encouraged to use online communication such as Microsoft Teams or Skype for holding meetings instead. He noted that the other significant matter at the time was that the sector had written to the DfE concerning critical workstreams and that the matters highlighted had included virtual curriculum delivery, payroll, supply chain payment processing and administration and management of the funded programmes such as TfS and Apprenticeship NI.

Turning to March 2020, the CFO informed the meeting that the College had taken a significant step up in relation to how it was planning for business continuity. He indicated that on 13th March SERC had begun to trial remote-working initiatives. He explained that twelve key staff across Finance and ILT, who were deemed critical, had been moved offsite to test the online functionality. He noted that, simultaneously, a lot of work was being undertaken in the College to set up Microsoft Team sites for each course and to lay the groundwork for delivering curriculum online. He remarked that the idea had been to implement a large-scale trial of online classes for two days, namely the 18th and 19th of March. However, the Covid-19 situation had accelerated quickly and on 13th March a critical incident was declared, and the Risk Management Team handed over to the Critical Incident Response Team in line with the business continuity plan. He remarked that plans had been stepped-up in relation to online curriculum delivery at that point and the trial was extended to cover all curriculum areas, where possible. Simultaneously, plans were accelerated to move all staff offsite once they had the appropriate equipment and work plans agreed with their line managers. He indicated that, at this point, the College was working towards moving to full online delivery and operations as soon as possible.

The CFO indicated that there was a communication sent to all students on 17th March to indicate that the College was moving to online delivery. He noted that on 19th March all staff had been contacted to advise that it was expected that by Monday, 23rd March all delivery would be online. He observed that the two-day trial had already taken place and had been highly successful and he noted that it was planned to close all college campus buildings to the general public with effect from 23rd March. He remarked that all college campuses had been fully closed by lunchtime on Tuesday, 24th March and had remained closed since that date. He noted that it was still possible for staff to get access to the College, on a limited basis and only where necessary, and subject to authorisation, and that cleaning and maintenance was also continuing, also on a limited basis.

The CFO reported that payments were being made to the facilities management partners and further payments were being made twice a week to suppliers. He indicated that payroll was being completed online, successfully and on time, and that detailed cashflow requirements had been submitted to the DfE. He noted that all budget-holders were continuing to report into CMT and that the Critical Incident Response Team was meeting at least three times a week.

With respect the impact of Coronavirus on staff, the CFO indicated that there were currently 66 staff self-isolating, with 52 of these individuals being in the high-risk category. He noted that approximately 170 students had advised they were self-isolating but that the College had no confirmed cases of Covid-19 as yet.

The CFO remarked that the single biggest issue was in relation to the lack of clarity around vocational qualifications. He indicated that the College was working to progress the matter and that Dr Malone had been

appointed to sit on the sectoral Task and Finish group to identify the best approach to ensure that FE students were not academically disadvantaged as a result of the pandemic.

Mrs King observed that, as a member of staff, she had been informed each step of the way and she noted the difficulty in contacting DfE as many of its staff had no equipment at home and were having to rely on personal equipment. Mr Mackell queried if there had been any substantive developments in relation to vocational qualifications. The Director of C&IS replied that a ministerial statement was due to be released that day, indicating that vocational students would not be taking exams during the summer and that work was underway to identify a fair way to award students grades and qualifications. He noted that the Task and Finish group had been established a week earlier and had met for the first time earlier that day. He reported that a number of options had been discussed at that meeting and it was hoped a suitable approach would be identified and agreed in the near future.

Mr Mackell remarked that there had been positive news stories regarding PPE which had been made and delivered by students and staff of the College. He commended management for ensuring classes were continuing to be delivered and that the College continued to support the community at the same time. The Principal remarked that the FE sector was at least a month behind in relation to examination and qualification decisions, as arrangements had been put in place for GCSE, AS and A-Level qualifications almost a month previously. He informed the meeting that the Principals' Group had written to the DfE and that the Chairs' Group had written to the Minister, Diane Dodds. He remarked that it was encouraging to finally have a statement from the Minister addressing the sector's concerns. He commented that the next Task and Finish group meeting was not due until 20th April and that there were only six weeks remaining prior to the end of the academic year. He observed that the Principals' expectation of the Task and Finish group, the DfE as policy makers and CCEA as the Regulator, was that they make advances and to implement a solution as quickly as possible. He commented that a programme of work was required and that the programme needed to be completed in a timely manner to ensure equality of treatment for vocational students. The Temporary Chair noted that the Minister's statement had now been posted on the DfE website.

Mr Pollard agreed that the vocational qualifications were a significant issue and would build anxiety for students, as well as the risk of reputational damage for the FE college sector. He commented that the continuing payments to the College's suppliers was a very positive matter. The Chair concurred with Mr Pollard's comments on payments to suppliers, noting that small businesses were likely to suffer disproportionately from the lockdown as they would not necessarily be able to access monies from the government scheme for some time. In relation to the vocational qualifications he agreed that it was vital to ensure students obtained their qualifications and that the matter be addressed as soon as possible. The CFO noted that the College was aware of the positive impact ongoing payments would make to suppliers and that the Principal had communicated to staff very early in the process that they would continue to be paid, including overtime hours, up to the end of June. He remarked that SERC had led the sector in relation to contracts with facilities management providers, ensuring written agreements were in place that their staff would continue to receive full salaries, on time, and would not be furloughed.

b) IT Resilience Statement

At the Chair's invitation the Director of C&IS presented the IT Resilience Statement. He commenced by noting the paper which had been produced by the STS project group. He remarked that Covid -19 had impacted significantly on the project and that the suppliers had produced an options paper. He informed the meeting that option 2 regarding the technology project had been approved. He explained that this would result in a potential delay until January for parts of the system and that a review would take place every four weeks, as it was unclear how the lockdown might impact on the start of the new academic year. He indicated that some parts of the system would be operational from September 2020, but other parts would not be available until January 2021 at the earliest and could slip to September 2021 if the suppliers were impacted further by the

lockdown. He noted that it was not within the sector's control. Mr Mackell asked if it was proposed that there would be a roll-out of the new system in parallel with the existing system. The Director of C&IS confirmed this to be the case. He indicated that, while the facility was available within the new system to track students at module level, the basic underlying information wasn't there. However, the College had been building its own system over a number of years, which was fully functional.

The Director of C&IS noted the two other areas undergoing work: the finance and HR systems. He remarked that the main consideration for these areas was in relation to keeping and paying for upgrades to systems. He observed that the project plans would continue as normal, but the College would need to re-procure some of the upgrades to the system.

Turning to risk, the Director of C&IS remarked that the situation around Covid-19 was a significant test in relation to the risk around the College's IT resilience. He observed that SERC had been contacted by the lead inspector from the ETI Inspectorate team who had asked how the College was dealing with the major changes and then asked to write a case study for the Department for Education, for possible transmission to the DfE, regarding how a college should cope with the disruption and move online. He noted that the College had started working on remote working and online teaching quite a while before the pandemic and lockdown, on the basis that there was always a risk of a campus not being accessible or other potential other issues. He commented that the College had wanted to ensure maximum IT resilience in the face of potential risks.

The Director of C&IS provided the Committee with an overview of the equipment which had been provided to students and staff, including laptops, headsets and dongles. Mr Mackell asked what would happen with apprentices, noting that of the 80 students involved, 63 were receiving 80% pay and were, presumably furloughed. He asked if furloughed students would still obtain their qualifications. The Director of C&IS confirmed this to be the case. He remarked that if there was a significant hiatus in a student's learning, the chances of them completing their course was significantly reduced, which was a situation the college wished to avoid. Mr Mackell queried if the project-based learning would continue online. The Director of C&IS confirmed that project-based learning had not been drastically affected by the move online and that, while there were challenges, they were being adapted to.

Mr Pollard remarked that the students, staff and governors were fortunate to be in a position to have encountered such a significant situation and to still be able to work and study. He thanked the CMT on behalf of the Governing Body for all the work that had been undertaken to ensure students and staff were not disadvantaged by the current extreme and exceptional circumstances.

In response to a question posed by the Chair the Principal noted that the idea of furloughing staff was unique and that one of the weaknesses of the training contract was that if an apprentice lost employment, even through no fault of their own, they were removed as an apprentice and, in the past, could not complete their course. However, with furloughing, businesses were not making people redundant and as a result, the apprentices could legitimately continue their studies. He observed that the Business Services department was also developing a range of courses that could be done online, which would be offered to businesses and furloughed employees and which would not cost them anything and would not affect their eligibility for furlough payments.

c) Minutes of SERC Accountability Meeting

The Principal informed the meeting that twice a year, the Accounting Officer was required to submit an assurance statement and complete an interview process. He indicated that Ms Heather Cousins was responsible for carrying out the interviews for the FE sector. He reported that the most recent interview had been positive for the College. Mr Mackell remarked that from the minutes it had come across as a positive meeting. The Temporary Chair advised that he had been at the interview and concurred that it had been a positive experience, noting that it showed the good working relationship between senior management of the College and the DfE.

5.	<p>Policies for review</p> <p>It was noted that there were no policies for review or approval.</p>
6.	<p>Internal Audit (For discussion and information):</p> <p>a) Budget Management and Financial Planning</p> <p>Mr McKibbin presented the Internal Audit review on Budget Management and Financial Planning. He commenced by noting that, overall, Grant Thornton could provide satisfactory assurance. He observed that the full budget process was reviewed, end to end, and looked at the various responsibilities within the process, monitoring, scrutiny and the reporting processes in place. He remarked that there were good processes in place and that they were operating effectively. He observed that there was a very clear budget policy and SOP in place and that there were monthly budget-holder meetings, at which everything was reviewed in detail. He noted that clear management accounts were maintained and various forms of analysis were carried out. He commented that forecasts were observed and updated regularly.</p> <p>Mr McKibbin remarked that only one point had been raised, which was a Priority 3 (low risk) finding, highlighted on page 14 of the report together with Grant Thornton’s recommendation. He observed that the point related to longer term financial planning. He indicated that there would historically have been a need for a three-year forecast or financial plan. However, given recent budget constraints from DfE the situation had changed and now only required a one-year forecast. He noted that, informally, there were a lot of longer- term forecasts carried out by the College, but they would not necessarily be seen in a longer-term financial plan, as it was not currently required by the DfE. He indicated that there was a minor risk related to not having that document and it was recommended that the College engage with the DfE to encourage reinstatement of the requirement for longer term financial planning and forecasting to be formally documented. He remarked this was something that had been seen, not just across the colleges but across other businesses.</p> <p>The Chair remarked that it was difficult to plan ahead when the sponsoring department was only giving a one-year agreement, although there had been efforts made to implement a longer-term formula. He noted that the College should continue to look forward, based on best estimates for the following two years.</p> <p>b) Progress Against Annual Plan</p> <p>Mr McKibbin drew the Committee’s attention to page 6 of the Progress Report. He informed the meeting that the table reflected very good progress had been made and that there was not a significant amount of work which needed to be completed prior to the June meeting. He observed that the payroll audit would be completed in early May and that it could be done remotely if the lockdown continued. He indicated that the other items to be completed were the normal follow-up and the GDPR review work which had been requested by the Committee. He noted that this work would also be completed in advance of the June Audit Committee meeting.</p> <p>The Chair remarked that the audit work appeared to be on track and that, if the audits went ahead as in previous years, he saw no reason to think that the College would not get a satisfactory result.</p>
7.	<p>Summary of Actions taken in Response to External & Internal Audit recommendations:</p> <p>a) Data Protection and GDPR</p> <p>The CFO commenced his report by noting that there were three different reviews underway in response to the recommendation of the Internal and External Audit teams. He observed that, with respect to GDPR, at the previous meeting it had been reported that the number of outstanding items had been reduced to four. He</p>

reported that there was one Priority 2 issue, around the data retention and disposal schedule, which was awaiting review by the Assembly. He noted that there was a Priority 3 issue, regarding finalisation of a procedure to go along with a subject rights request log. He indicated that there was an issue without an assigned priority level, relating to a training module and a further issue relating to updating a SOP regarding international transfer of data in light of Brexit. He informed the Committee that he had hoped all issues, with exception of the item awaiting review by the Assembly, would be resolved in advance of the meeting, however, the Data Protection Officer had been on leave for an extended period of time. He remarked that she was currently on a phased return to work and he was confident all matters would be addressed in short order. He commented that upon completion, he would arrange for Grant Thornton to review them and would provide an update at the next Audit Committee meeting.

b) Employer Engagement

The CFO confirmed that there were two recommendations not yet completed, one relating to the completion of SOPs and one relating to completion of the unit’s strategy. Both are rated as Priority 3. He indicated that both work streams would be completed before the next committee meeting.

c) Risk Management

The CFO observed that, at the previous Committee meeting, there had been two recommendations in relation to risk management, one of which was regarding risk appetite and the other around amending the risk assessment templates to highlight inherent risk and residual risks. He indicated that these matters had been scheduled to be discussed at the Risk Management Team meeting prior to the Committee meeting, however, it had not been possible to do so in the current circumstances. He informed the meeting that the topics would be addressed once the Risk Management Team was in a position to return to its normal meeting agenda.

Mr Mackell noted that Grant Thornton had been scheduled to return to the College for one further day to review the outstanding GDPR recommendations. He asked, now that the Data Protection Officer was back at work, if the College was ready for the audit. The CFO replied that there was not a significant amount of work left to do and that there was a period of two months for it to be completed and for Grant Thornton to complete the audit. Mr Mackell asked if there was anything else the College could do in relation to the Priority 2 issue before it was laid before the Assembly. The CFO replied that there was nothing more that could be done.

The Chair asked if the College looked at the risk tolerance within an individual risk while adhering to the overall risk appetite. The CFO remarked that there was the possibility for the risk appetite to apply at different levels in different areas of the business. He reiterated that there had been no opportunity for the matter to be discussed by the Risk Management Team as yet but that it was intended to use Grant Thornton’s risk categorisations to agree a corporate level, and to discuss those categories each time the Risk Management Team met, for individual strategic risks and whether they were valid for that risk or not.

The Chair noted that the Covid-19 pandemic had brought the whole concept of risk acceleration analysis into view. He remarked that this could be an issue for the Committee and the College to consider for the future.

8. Fraud Update

a) Fraud Report April 2020

The CFO informed the Committee that there were no live fraud cases to report.

9.	Any Other Business Mr Mackell noted that it was the last Audit Committee meeting for both the Chair and Mrs King. He thanked them both for their work and their contribution to the Committee. He noted, in particular, that the Chair had provided a steady hand to the Committee during his tenure and that it was very much appreciated. The Chair thanked Mrs King for her contribution to the Committee and noted that she would be greatly missed.
	Date and time of next meeting It was noted that the next meeting of the Audit Committee was scheduled to be held on Wednesday, 17 th June 2020 at 17:30, via Skype Teleconference.

The Chair declared the meeting closed at 18:53