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SOUTH EASTERN REGIONAL COLLEGE

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

<b>1.</b>	<p><b>Chair's Business:</b></p> <p><b>a) Attendance and Apologies:</b></p> <p><b>Present:</b> Mr J Mackell, Mr S Pollard, Mr J Lee, Mr D Stanley, Mrs K Fraser</p> <p><b>In Attendance:</b> 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), Mr N Parfitt (Boardroom Apprentice), Dr M Malone (Director of Curriculum and Information Systems (the "Director of C&amp;IS")), Mr A Emmett (Chief Technology Officer (the "CTO")) Mr N Taylor (Grant Thornton), Ms Lindsey Paterson (PwC), Ms H Sampson (DfE)</p> <p><b>Apologies:</b> It was noted that there were no apologies and that all members of the Committee were in attendance.</p> <p><b>In the Chair:</b> Mr Mackell</p> <p><b>b) Declarations of Conflicts of Interest:</b></p> <p>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. He indicated that he would withdraw from the meeting for the Internal Audit Payroll review. No further conflicts were declared.</p> <p><b>c) Minutes of the meeting held on 8<sup>th</sup> April 2020:</b></p> <p>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.</p> <div style="border: 1px solid black; padding: 5px;"><p><b>Agreed:</b> That the Committee approved the minutes of the meeting held on 8<sup>th</sup> April 2020, and that the minutes be tabled for approval at the meeting of the Governing Body to be held on 29<sup>th</sup> June 2020.</p><p><b>Proposed by:</b> Steve Pollard</p><p><b>Seconded by:</b> Dillon Stanley</p></div> <p><b>d) Matters Arising:</b></p> <p>It was noted that there had been no Action Points arising from the previous meeting.</p> <p><b>e) Expressions of Interest in the role of Vice-Chair of the Audit Committee:</b></p> <p>The Chair noted that there was a vacancy for the role of Vice-Chair of the Committee. He invited Committee members to consider the role and to contact either himself or the Temporary Secretary if they were interested in being appointed to the position.</p>
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2.	<p><b>Correspondence:</b></p> <p><b>a) FE Returns Timetable for the Year ended 31<sup>st</sup> July 2020:</b> The CFO observed that the timetable was issued at the same time each year and contained the dates for completing various returns, including the amended date for submission of the College Development Plan. The Committee noted the timetable and the dates shown thereon.</p>
3.	<p><b>Partnership Working:</b></p> <p><b>a) Verbal Update:</b> The CFO informed the meeting that there had been no progress in relation to the matter since the previous Committee meeting. Mrs Sampson noted that central government was planning to conduct a review but that it was unclear whether it would be carried out during the current year.</p>
4.	<p><b>For Information:</b></p> <p><b>a) Strategic Risk Management Report:</b> At the Chair’s invitation, the CFO presented his report. He noted that, due to the exceptional circumstances at the time of the previous Committee meeting, the report had been suspended. He observed that the current environment was more stable and that the Risk Management Team had been able to meet to discuss risks other than those related to the pandemic and lockdown.</p> <p>The CFO informed the meeting that the period 10 accounts had been completed and, although performance in the year-to-date was better than anticipated, the College would still be negative against target at year-end due to the financial impact of the pandemic. He observed that the current forecast for the 31<sup>st</sup> July year-end was that the College would miss its resource target by £741k. He indicated that the 2020/2021 baseline budget had been completed and had been approved by the F&amp;GP Committee the previous day, and pointed out that the pandemic could also lead to an additional £750k pressure in that period. He remarked that the final version of the budget would be tabled at the next F&amp;GP Committee meeting in September 2020.</p> <p>With respect to property matters, the CFO observed that the project to replace PSD was proceeding well and appeared to be on target for April 2021. He noted that there had been no further development in relation to HE provision and that work on curriculum reform and implementation of Traineeships had been postponed for a year. Turning to sickness absences, he indicated that the absence rate for the year to date was 3.5% and expected to decrease to 3.2% or 3.3% by the end of July. He noted that risks related to Brexit were the continuing potential for a ‘no deal’ scenario, and that the impact of this for the College was primarily in relation to mobility and payments related to Erasmus programmes. However, he commented that even if the European Erasmus programmes ceased to be available, there would still be domestic opportunities which could be explored.</p> <p>The CFO reported that the CIRT continued to meet at least once a week in relation to the pandemic, with the two key focuses of completing work for the current academic year and planning for the next academic year. He provided the meeting with an overview of the actions which had been taken in relation to moving online and ensuring students and staff had all required supports and equipment in place. He noted that planning regarding return to campuses was ongoing and that all campuses were being audited to ensure required social distancing</p>

could be implemented. He commented that it was likely that there would be a 50% reduction in headcount on-site at any one time for the next academic year and that the curriculum would be taught both online and face-to-face. He noted that the College was working to produce signage and screens internally and that a sectoral Advisory and Oversight group had been established, which was focusing on obtaining more funding and ensuring that guidelines regarding social distancing were adhered to. He commented that there was still a significant amount of work to be completed before the next academic year.

The CFO invited the Director of C&IS to comment with regard to the ongoing issues in relation to awarding of qualifications in the FE sector. The Director of C&IS noted that there had been little support or guidance from the Regulator or the awarding bodies. He remarked that City and Guilds had furloughed all of its Northern Ireland-based staff and that it was proving impossible to get information on calculation of grades for students. He noted that academic staff members were continuing to work diligently on supporting students and that an enormous amount of effort was going into this. He provided the Committee with an overview of the work being undertaken to ensure students, particularly those who required adapted assessments, would receive their qualifications and would not be disadvantaged. In light of the issues encountered by the FE sector, he noted that it had been proposed to the 6 college principals that the colleges have their own awarding organisation status, and he believed the support of the governors of the 6 colleges would be important in progressing the matter.

The CFO concluded his report by noting that the DfE had confirmed it had been successful in obtaining funding which would, in part, be used to reimburse the College for the £125k it had spent on purchasing laptops and ancillary equipment at the start of lockdown, to ensure that students could continue their studies online.

**b) IT Resilience Statement:**

The CTO provided the Committee with an overview of the report, noting that there had been no incidents to report during the period, although an increase in attempted hacking had been observed. He noted that security benchmarking was now shown as a percentage, whereas it had previously been score-based. He commented that the scores were positive, particularly in comparison with similar organisations. He indicated that the College used large organisations for comparison, as larger organisations tended to have more robust security, and that the outcome was still very positive.

Turning to security exercises during the period under review, the CTO noted that the security exercise – a fake HR email requesting personal details – had been reported to IT immediately. With respect to projects, he reported that the data migration project, moving data from Primus to the cloud, had been completed for most operational business. He remarked that work on the switch infrastructure had begun prior to lockdown and would be completed over the summer months.

With regard to the impact of the pandemic, the CTO observed that the move online had gone well, with all students and staff receiving any required equipment and support. He indicated that 331 computers had been loaned to students and that they were beginning to be returned as students completed their courses. He noted that it was anticipated a similar level of equipment would be loaned to students for the new academic year. The Director of C&IS noted that an assessment on student requirements would be carried out when the students came into the College and that course content would be available online from the first week of the new term. The CTO noted that work for the next academic year would also include adding further server capacity and increasing IT capability for specialist software.

5.	<p><b>For Discussion:</b></p> <p><b>a) Audit Committee Cycle of Business/Programme of Work for 2020/2021:</b> The Committee noted the Cycle of Business for the Audit Committee for 2020/2021. It was noted that there were no requests for amendment.</p> <p><b>b) Audit Committee Schedule of Meetings for 2020/2021:</b> The Committee noted the Schedule of Meetings for 2020/2021. It was noted that there were no requests for amendment and that the dates appeared to be in order.</p>
6.	<p><b>Policies:</b></p> <p><b>a) ITS Disaster Recovery Policy:</b> The CTO provided the Committee with an overview of the amendments to the ITS Disaster Recovery Policy. The Committee duly noted the changes.</p> <p><b>b) Information Systems (Electronic) Incident Management Policy:</b> The CTO provided the Committee with an overview of the amendments to the Information Systems (Electronic) Incident Management Policy. The Committee duly noted the changes.</p> <p><b>c) Acceptable ICT Use Policy:</b> The CTO provided the Committee with an overview of the amendments to the Acceptable ICT Use Policy. The Committee duly noted the changes.</p> <p><b>d) ICT Security Policy:</b> The ICT Security Policy was duly noted by the Committee and taken as read.</p> <p><b>e) E Safety Policy:</b> The CTO provided the Committee with an overview of the amendments to the E Safety Policy. The Committee duly noted the changes.</p> <p><b>f) Information Governance Policy:</b> The Information Governance Policy was duly noted by the Committee and taken as read.</p> <div data-bbox="148 1529 1487 1736" style="border: 1px solid black; padding: 5px;"> <p><b>Agreed:</b> That the ITS Disaster Recovery Policy, the Information Systems (Electronic) Incident Management Policy, the Acceptable ICT Use Policy and the E Safety Policy be approved and tabled for consideration and approval at the Governing Body meeting on 29<sup>th</sup> June 2020. <b>Proposed by:</b> Karen Fraser <b>Seconded by:</b> James Lee</p> </div> <p><b>g) Conflicts of Interest Policy:</b> The CFO informed the meeting that the Conflicts of Interest Policy was new and had been developed as a standalone policy, in discussion with the DfE and based on NIAO guidance. He noted that there had always been controls in place and any potential or actual conflicts had been covered and the policy was purely to formalise the existing approach.</p>

The Temporary Chair asked if there would be a change to the Declaration of Interests form. The CFO confirmed this to be the case. He noted that the current form was being revised by the Financial Controller and the Temporary Secretary and would be tabled for approval by the Governing Body as soon as possible. Mrs Sampson noted that a review in relation to conflicts of interest by the DfE was planned, but there was currently no clarity as to when this would take place.

**Agreed:** That the Conflicts of Interest Policy be approved and tabled for consideration and approval at the Governing Body meeting on 29<sup>th</sup> June 2020.

**Proposed by:** Karen Fraser

**Seconded by:** James Lee

**h) Anti-Bribery Policy:**

The CFO provided the Committee with an overview of the amendments to the Anti-Bribery Policy. The Committee duly noted the changes.

**i) Anti-Fraud Policy:**

The CFO provided the Committee with an overview of the amendments to the Anti-Fraud Policy. The Committee duly noted the changes.

**j) Hospitality and Gifts Policy:**

The CFO provided the Committee with an overview of the amendments to the Hospitality and Gifts Policy. The Committee duly noted the changes.

**k) Use of College Name, Seal and Logo Policy:**

The Use of College Name, Seal and Logo Policy was duly noted by the Committee and taken as read.

**l) Budget Policy:**

The Budget Policy was duly noted by the Committee and taken as read.

**m) Risk Management Policy:**

The CFO provided the Committee with an overview of the amendments to the Risk Management Policy. The Committee duly noted the changes.

**n) Financial Governance Policy:**

The CFO provided the Committee with an overview of the amendments to the Financial Governance Policy. The Committee duly noted the changes.

**Agreed:** That the Anti-Bribery Policy, the Anti-Fraud Policy, the Hospitality and Gifts Policy, the Risk Management Policy and the Financial Governance Policy be approved and tabled for consideration and approval at the Governing Body meeting on 29<sup>th</sup> June 2020.

**Proposed by:** Karen Fraser

**Seconded by:** James Lee

**Action:** The frequency and timing of policy reviews to be reviewed, with a view to allocating the reviews more evenly throughout the year.

	<p>At this juncture, Mr Pollard withdrew from the meeting. [18:50]</p>
<p>7.</p>	<p><b>Internal Audit (For discussion and information):</b></p> <p><b>a) Payroll:</b>  At the Chair’s invitation, Mr Taylor presented his report to the Committee. He indicated that the review had taken place remotely and had comprised 7.5 or 8-days’ work. He informed the meeting that there had been no findings to raise. He observed that the payroll process was well controlled, and that the outcome of the Internal Audit review had been satisfactory, with no action required.</p> <p>At this juncture, Mr Pollard re-joined the meeting. [19:10]</p> <p><b>b) Progress Against Annual Plan:</b>  Mr Taylor informed the Committee that all points had been addressed satisfactorily, with none being carried forward to the next year. He remarked that the College was to be commended, as it was only the second time he had encountered this situation. He noted that all recommendations had been fully implemented. He indicated that there was one remaining item, which was to issue the Annual Assurance Report. He indicated that, given the satisfactory result of the reviews carried out by Grant Thornton, there were no significant issues and no outstanding issues, and he believed SERC was in a good place regarding its controls and systems.</p> <p>The Chair noted that this was the last meeting which Grant Thornton was expected to attend as their term of appointment was ending. He thanked Mr Taylor and his team for their engagement with the College over the past three years.</p>
<p>8.</p>	<p><b>External Audit:</b></p> <p><b>a) External Audit Strategy (Final):</b>  At the Chair’s invitation, Ms Paterson presented the External Audit Strategy. She commenced by noting that the key messages related to planning of the audit, particularly significant risks, timetabling, fees and auditing standards. She provided the Committee with an overview of materiality, omissions and misstatements – whether by value or nature – and she explained the calculation of materiality, which would be based on 2% of expenditure. She noted that the audit would be carried out using risk-based audit techniques and would involve the review of accounting systems and controls.</p> <p>Ms Paterson confirmed PwC’s independence and its compliance with FRC ethical standards. She noted that the audit would involve access to personal data, all of which would be held securely in encrypted audit files, which would be destroyed in accordance with audit requirements. She noted that the audit would be carried out by PwC staff, under the auspices of NIAO, and would rely on the internal audit work carried out by Grant Thornton.</p> <p>Ms Paterson noted the items which required special audit consideration including management override of controls and revenue recognition. She explained that there would be testing of journals, estimates and unusual transactions and she observed that there would also be a review of other risk factors, including the impact of Covid. She noted that working from home created challenges for staff and the audit would ensure that controls</p>

	had not lapsed. She concluded by noting the timetable for completion of the audit, the fees applicable and indicating the names of the team members who would be conducting the audit.
9.	<p><b>Summary of Actions taken in Response to External &amp; Internal Audit recommendations:</b></p> <p><b>a) Data Protection and GDPR:</b> The CFO noted that this matter had been covered during item 4a and that there were no further points to bring to the Committee’s attention.</p> <p><b>b) Employer Engagement:</b> The CFO noted that this matter had been covered during item 4a and that there were no further points to bring to the Committee’s attention.</p> <p><b>c) Risk Management:</b> The CFO noted that this matter had been covered during item 4a and that there were no further points to bring to the Committee’s attention.</p>
10.	<p><b>Fraud Update:</b></p> <p><b>a) Fraud Report May 2020:</b> The CFO informed the meeting that there were no items to bring to the Committee’s attention. The Fraud Report was taken as read.</p>
11.	<p><b>Gifts and Hospitality Register:</b></p> <p><b>a) Governing Body Gifts and Hospitality Register:</b> The CFO noted that there were no items to bring to the Committee’s attention. The Temporary Chair observed that the threshold for reporting of gifts and hospitality had been reduced to £10.00 and that it was prohibited to accept a gift of alcohol. He asked that any gifts in excess of the threshold be reported to the Secretary for recording on the register.</p>
12.	<p><b>Any Other Business:</b></p> <p>The Chair noted that the self-assessment questionnaire had been circulated. He asked that the Committee members, who had not yet completed the form, do so at the earliest opportunity and return it to the Secretary.</p>
13.	<p><b>Confidential Business:</b></p> <p><b>a) Minutes of the Confidential Session of the Audit Committee held on 8<sup>th</sup> April 2020:</b> The Chair invited members to review the minutes from the Confidential session, held on 8<sup>th</sup> April 2020. He noted that, ultimately, no confidential matters had been discussed at the meeting. Following due consideration, the Committee agreed the minutes were a true and accurate record of the meeting.</p> <p><b>Agreed:</b> That the Committee approved the minutes of the Confidential session, held on 8<sup>th</sup> April 2020, and that the minutes be tabled for approval at the meeting of the Governing Body to be held on 29<sup>th</sup> June 2020.</p>

	<p><b>Proposed by:</b> John Mackell <b>Seconded by:</b> Steve Pollard</p>
	<p><b>Date and time of next meeting:</b> It was noted that the next meeting of the Audit Committee was scheduled to be held on Wednesday, 16<sup>th</sup> September 2020 at 17:30, via Skype Teleconference or, subject to lifting of Government restrictions, at the Bangor College Campus.</p>

**The Chair declared the meeting closed at 19:48.**