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SOUTH EASTERN REGIONAL COLLEGE

**Minutes of a Meeting of the Audit Committee of the Governing Body (the "Committee")
held on 16th September 2020 at 17:30, via Skype Teleconference**

1.	<p>Chair's Business:</p> <p>a) Attendance and Apologies:</p> <p>Present: Mr J Mackell, Mr S Pollard, Mrs K Fraser</p> <p>In Attendance: Mr T Martin (Chief Finance Officer)(the "CFO"), Ms S Woods (Temporary Secretary to the Governing Body), Mr K Webb (Principal), Dr M Malone (Director of Curriculum and IT Systems (the "Director of C&IS"), Mr A Emmett (Chief Technology Officer (the "CTO")), Mr I McCartney (RSM), Ms S Mason (RSM), Ms H Kelly (PwC), Ms H Sampson (DfE)</p> <p>Apologies: It was noted that Mr Lee was unable to attend the meeting and his apologies were duly conveyed to the Committee. It was further noted that Mr Stanley was no longer enrolled as a student with SERC and was therefore not eligible to attend the meeting.</p> <p>The Chair noted that Mrs Fraser would be in attendance but had been detained at another meeting. He observed that the meeting would not be quorate until Mrs Fraser was present. As such, the members and invitees in attendance discussed the agenda items, and the meeting proper commenced upon Mrs Fraser's arrival at 17:53.</p> <p>The Chair welcomed Mr McCartney and Ms Mason to their first meeting, representing RSM as new Internal Auditors to the College and the Sector as a whole.</p> <p>In the Chair: Mr Mackell</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. Mr Pollard noted his standing conflict, in relation to his wife's employment in the College's finance department. No further conflicts were declared.</p> <p>c) Minutes of the meeting held on 16th June 2020:</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>Agreed: That the Committee approved the minutes of the meeting held on 16th June 2020, and that the minutes be tabled for approval at the meeting of the Governing Body to be held on 28th September 2020.</p><p>Proposed by: Steve Pollard</p><p>Seconded by: Karen Fraser</p></div>
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	<p>d) Matters Arising: It was noted that work remained ongoing in relation to the review of the timing of policy reviews and that the Secretary would provide an update in due course, once the review had been completed.</p> <p>e) Audit Committee Terms of Reference: The Chair noted that the Terms of Reference had been extensively reviewed during the previous academic year. It was further noted that the Terms of Reference of the Committee remained fit for purpose and that no amendment was currently required.</p> <p>f) MS/FM and Appendices: The Chair observed that the Standing Orders required the Governing Body to review the MS/FM and the appendices thereto each year. It was noted that the Committee had reviewed the MS/FM and appendices and that there were no issues to bring to the Governing Body for consideration in relation to its review of the documents at the next Governing Body meeting.</p> <p>g) Minor Amendment to Cycle of Business re Operational Risk Reporting: The Chair informed the meeting that there had been a slight change to the Cycle of Business for the Committee for the coming academic year. He noted that Operational Risk Reporting was a usually a standing agenda item but that the pandemic had necessitated an adaptive approach. As such, the topic had been temporarily deferred as an agenda item. The CFO advised that Operational Risk Reporting would recommence at the next Committee meeting, with two presentations to take place at that meeting and that the following meetings would return to the standard reporting format.</p>
2.	<p>Correspondence:</p> <p>a) NIAO Covid-19 Fraud Risks: The CFO indicated that NIAO had issued correspondence in relation to additional fraud risks arising from the pandemic, which had been previously circulated to the Committee. The correspondence was taken as read. The CFO provided the Committee with an overview of the College’s activities in relation to the points covered in the NIAO’s correspondence.</p> <p>The CFO highlighted to the Committee that there had been some deviation from normal processes in relation to procurement. He indicated that the College had prepared a paper, had spoken to the Chair on the matter, and had make a presentation to the F&GP Committee. He observed that there had been three approaches taken with respect to spending in relation to mitigation of Covid risks and requirements. The first of these was via the normal processes, and the second was via the CPD hub which had been established by DoF to access PPE. He informed the meeting that the third approach taken had been in relation to the procurement and manufacture of Perspex screens for the College. He explained that the College had followed the new EU guidelines regarding the pandemic which stated that contracts could be awarded directly, and that this was also in line with UK guidance issued by the PHA, given the urgency of the situation.</p>
3.	<p>For Approval:</p> <p>a) Draft Annual Report and Audited Financial Statements for the financial year ended 31st July 2020, including Governance Statement:</p>

The CFO informed the Committee that the process regarding the preparation of the Financial Statements was outlined on page 2. He observed that the College was currently half-way through the process and that accounts direction had been issued by DfE. He noted that the draft Financial Statements had been reviewed by himself, the Financial Controller and the relevant committees, prior to its submission to the DfE the following week. He noted that he was not seeking the Committee's view in relation to the accuracy of the detailed figures, as this would be addressed by the External Auditors.

The CFO noted that the financial performance statement highlighted a deficit; but emphasised that under the NDPB budgeting model this was to be expected, and that provided the College Resource Requirements matched the Resource Allocation awarded to the College by DfE, it was deemed that SERC had met its target. He pointed out that the resource requirement for the year had been approximately £36,000k and explained that the reconciling items from this to the financial deficit were non-cash items such as depreciation and pension costs. He reviewed the approved overspend for the academic year, noting that it had been completely due to the pandemic, lockdown and additional expenditures related thereto.

Turning to the additional financial pressures created by the pandemic, the CFO indicated that the likely pressure of £1,500k, as previously advised, was still considered to be the likely outcome. He noted that a significant IT spend had been brought forward to the period from May to July 2020, which resulted in £1,200k of the total pressure having already being incurred. He informed the meeting that DfE had obtained the funding to cover this amount and had allocated the full £1,200k to the College. He remarked that this updated funding would be reflected in the narrative in the final version of the Financial Statements at the November Committee meeting. He observed that the remaining £300k - £400k of Covid-19 related pressure was likely to be incurred between Autumn and Spring but that the exact figures would need to be refined further once enrolments were finalised. He commented that a refresh of the estimated pressure would be sought by DfE thereafter.

The CFO observed that the draft Financial Statements had been approved by the F&GP Committee on the previous evening. He noted that the Corporate Governance Statement was more relevant to the Audit Committee and required the Committee's attention.

The Committee reviewed the draft Financial Statements and the Corporate Governance Statement in detail and following due consideration it was agreed that the Draft Annual Report and Financial Statements for the financial year ended 31st July 2020 were approved.

Agreed: That the Draft Annual Report and Financial Statements for the financial year ended 31st July 2020, including the Governance Statement, be approved and recommended for approval by the Governing Body at its meeting on 28th September 2020.

Proposed by: Steve Pollard

Seconded by: Karen Fraser

4. For Information:

a) Strategic Risk Management Report:

At the Chair's invitation, the CFO presented his report. He commenced by noting that the Risk Management Team had met at the beginning of September.

In terms of SERC's financial performance, he observed that discussions regarding pressures and the budget remained ongoing. He noted that cash reserves remained on target.

Turning to amber risks, the CFO indicated that the project to replace PSD was progressing well and it was expected that it would be completed by April 2020, however, due to the scale and importance of the project it was still shown as amber.

The CFO noted that the first red risk was in relation to HE provision. He remarked that the subject had become more complex due to changes at local universities, including lowering of entry requirements and increases in the number of places available. He indicated that these changes impacted on the College's ability to attract HE students. He commented that work on the long-term future for this area remained ongoing but that there was a level of pessimism in the sector due to the decreased numbers.

Continuing with respect to the STS project, the CFO reported that it remained amber, and that it was largely progressing. He informed the Committee that there was a specific issue in relation to taking payments for enrolled students, as the interface with the College's finance system was not functioning. He noted that all the Colleges were impacted in different ways in relation to this functionality. He observed that the College was putting a manual workaround in place, which had created a substantial administrative burden, but that it was hoped the introduction of a specialist 3rd party consultant would progress resolution of the issue within the coming weeks.

The CFO reported that sickness absence was currently at 3.11%, and it remained an amber risk. He noted that the figure for the 2019/2020 academic year had ultimately been 3.13% and that, given the time of year, it was likely the absence rate would increase over Autumn and Winter.

Concluding his report, the CFO informed the Committee that the risk around the pandemic remained red. He provided the meeting with an update regarding the return to physical attendance on campus, enrolment and curriculum delivery, and delivering of qualifications. The Principal remarked that there was still no clarification from the Regulator and the awarding bodies in terms of plans for the coming year. He noted there were also significant concerns in relation to the downgrading of foundation degrees to diplomas by Ulster University.

b) IT Resilience Statement:

The Director of C&IS provided the Committee with an overview of the IT Department's work during the summer break. He noted that the pandemic had created significant pressures for IT and that it would not have been possible to deliver the high level of support to students and staff or the online educational provision without the work of the IT department. He informed the meeting that additional resources in the form of servers, computers and ancillary equipment had been sourced during the previous academic year and that computers, headsets and dongles had been loaned to students who required them. He indicated that the same programme was in place for the current academic year and it was anticipated that no student would be disadvantaged in relation to their ability to access their course online. He remarked that there had been a remarkable job done by the IT department supported by Finance's procurement staff in difficult circumstances.

The Director of C&IS observed that additional work had been carried out with respect to mitigation of risks in relation to the return to campus, and that there were online tasks for staff and students to complete in Health & Safety and other relevant training before returning to the campuses.

	<p>The CTO provided the Committee with an overview of the IT Resilience Statement. He commenced by noting that there had been 46 incidents of attempted hacking since the previous meeting but that the incidents had been small in nature and in line with expectations.</p> <p>With respect to security benchmarks, the CTO indicated that performance had stabilised over the past few months which was reassuring. He indicated that it was essential to establish a balance between security and usability and that, as an educational institution, the systems could not be locked down to the same extent as companies and other businesses could be. He observed that the College was endeavouring to maintain a position above 80% and it was anticipated that the number would increase slowly. He noted that if it was possible to improve upon this figure then it would be done but that the College was performing well in comparison with other educational establishments and against the banking sector.</p> <p>The CTO reported that the IT department had carried out some phishing exercises during the pandemic and that further exercises were scheduled for the coming weeks. He indicated that dual factor ID was being rolled out for students, having been in place for staff for quite a while, and a decision would be made as to whether it would be made mandatory for students in advance of the next Committee meeting. He reported that the electronic equipment was equally secure outside the campuses as it was on-site. He remarked that there was no specific training at present, but that staff was being provided with regular updates regarding fraud. He indicated that the E Safety would be reviewed for potential enhancement.</p> <p><i>At this juncture, Mr Emmett and Dr Malone left the meeting [18:07]</i></p>
5.	<p>Policies for Approval:</p> <p>It was noted that there were no Policies for review or approval.</p>
6.	<p>Internal Audit:</p> <p>a) Internal Audit Strategy 2020/2021 – 2022/2023 – including 2020/2021 Internal Audit Plan:</p> <p>At the Chair’s invitation, Mr McCartney provided the Committee with an overview of the Internal Audit Strategy for the next three years, together with the Audit Plan for the 2020/2021 academic year. He commenced by noting that the Audit Strategy was agile and would adapt over the three-year period. With respect to the Audit Plan for 2020/2021, he indicated that it took a view from the wider world, including educational sector regulations. He noted that key documents had been reviewed, including the corporate risk register, the College Development Plan, minutes of the Governing Body and the Audit Committee, and annual assurance statements. He indicated that there were five key areas, under a broad Covid-19 theme: HR, IT, Student Welfare and Support, Health and Safety, and Business Continuity and Disaster Recovery.</p> <p>Mr McCartney remarked that RSM would liaise with the External Auditor to ensure there was no duplication of work and he provided the Committee with an overview of the fee summary and number of days allocated for the required work.</p>
7.	<p>Summary of Actions Taken in Response to External and Internal Audit Recommendations:</p> <p>The CFO noted that there were no items currently outstanding in relation to recommendations of the Internal and External Auditors and that all previous recommendations had been completed, with nothing carried forward.</p>

8.	<p>Fraud Update:</p> <p>a) Fraud Report September 2020: 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>
9.	<p>Any Other Business:</p> <p>No further items of business were raised.</p> <p><i>At this juncture, Messrs Martin and Webb and Ms Sampson left the meeting. [19:19]</i></p>
10.	<p>Confidential Business:</p> <p>A separate note was taken for this section of the meeting.</p>
	<p>Date and time of next meeting: It was noted that the next meeting of the Audit Committee was scheduled to be held on Wednesday, 11th November 2020 at 17:30, via Teleconference.</p>

The Chair declared the meeting closed at 19:42.