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SOUTH EASTERN REGIONAL COLLEGE

**Minutes of a Meeting of the Audit Committee of the Governing Body (the "Committee")
held on Wednesday 20th January 2021 at 17:30, via Microsoft Teams Videoconference**

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| <p>1.</p> | <p>Chair's Business:</p> <p>a) Attendance and Apologies:</p> <p>Present: Mr J Mackell, Mr S Pollard, Mrs K Fraser, Mr J Lee, Miss M Richardson, Mr M Huddleston Items 2-9 only, Mr D Stewart, Mrs D O'Hare</p> <p>In Attendance: Mr G Hetherington (Temporary Chair of the Governing Body , Mr T Martin (Chief Finance Officer)(the "CFO"), Mrs C Williamson (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 H Kelly (PwC), Ms H Sampson (DfE), Mr B O'Neill (NIAO), Mrs K Cochrane (Boardroom Apprentice)</p> <p>Apologies: It was noted that all Committee members were present and there were no apologies to be conveyed to the Committee.</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 Stewart noted that he in Finance Director at Inspire which has been referenced in the internal audit reports under agenda item 6.</p> <p>c) Minutes of the meeting held on 11th November 2020:</p> <p>The Chair invited members to review the minutes from the previous meeting. The Committee agreed the minutes were a true and accurate record of the meeting.</p> <div data-bbox="146 1509 1485 1637" style="background-color: #e0e0e0; padding: 5px;"><p>Agreed: That the Committee approved the minutes of the meeting held on 16th September 2020 Proposed by: Karen Fraser Seconded by: Steve Pollard</p></div> <p>d) Matters Arising:</p> <p>It was noted that there were no matters arising from the previous meeting of the Audit Committee.</p> |
| <p>2.</p> | <p>Correspondence:</p> <p>a) NIAO Procurement Fraud Risk Guide</p> <p>The Chief Finance Officer directed members to the enclosed correspondence and gave an overview of the document, the procurement process within the College, procurement risks and he advised of the tendering process the College must adhere to as an NDPB.</p> |

The CFO summarised the completed checklist and highlighted some points to note including the fact that while the College does not use a Purchase Order for every item purchased, those payments without a PO are generally due to the type of service rather than the amount of the bill, for example, utility bills are generally paid without a PO. Nevertheless, the College is focused on promoting the importance of the PO system.

The CFO asked the committee to note that the Finance & General Purposes Committee receive a report on procurement at each meeting that details the volume of procurement activity; and that this report would be extended to formally record the steps taken by SERC to continue to combat fraud risk.

Action Point: The committee requested site of the report on procurement fraud risk for the next meeting

3.

a) Annual Report and Audited Financial Statements for the financial year ended 31st July 2020

The CFO reminded the committee that the Annual Report and Financial Statements for the year ended 31st July 2020 had been signed off by the Committee in November. At this point in the year, it would be expected that the accounts would have been certified by the NIAO and already laid before the Northern Ireland Assembly. However as reported in November, PwC have raised a technical issue in the sector which has caused a delay in finalising the NIAO certification of the accounts.

Mr O'Neil from the NIAO explained that the issue that needed to be resolved was in relation to the disposal of land and buildings. He stated that it has since been resolved and it is expected once PwC issue their report on the accounts at the end of January the Comptroller and Auditor General will sign off the Accounts in early February. Ms Kelly, from PwC, further explained that the issue raised had been around the proceeds of land and buildings and that a technical consultation had been completed, PwC will therefore submit their opinion in the next week and there will be no amendment to the accounts.

The Temporary Chair enquired how this delay impacted laying the accounts with the NI Assembly, Mr O'Neil advised there was no impact and delays have arisen across the board due to the pandemic, he advised that DfE were kept informed of the delay.

Action Point: The Chair requested a further update from The CFO on the annual accounts at the next meeting to conclude the committee's role in the process

4. **Items for Information:**

a) Strategic Risk Management Report:

For the benefit of the new committee members the Chair advised of the Committee's role in overseeing and managing the strategic risk register and that the following item was a standing item at each meeting to provide the assurance to the committee that is necessary for them to perform that function.

The CFO added that the strategic risks are written as per the risk framework set out in the risk management policy, he advised that operational risks are owned by budget holders and reviewed at monthly IMPMS meetings and at this stage a decision is taken whether a risk should be escalated to the strategic risk register. The committee were informed that the CFO chairs the internal risk management team and that during these meetings consideration is given to the categorisation of risks and if any new risks have been identified.

In beginning his report, the CFO advised the committee there are currently 4 red risks and 4 amber, he then gave a brief overview of each risk and the following points were noted:

- R074: Managing the Financial Viability of the College. The CFO explained that this risk reviews the financial performance of 2019/20 and how the forecast looks for 2020/21. He advised the committee that in 2019/20 there was an overspend against original budget of £403k. However, this was directly linked to the pandemic, and an additional budget allocation had been provided from our parent department - the College is therefore within target for its 2019/20 year.
- The CFO advised that for 2020/21 period 4 management accounts were completed in December and the actual performance in the year to date is much better than targeted, currently £671k better. However, the CFO explained that some of this is down to timing for example Training for Success income is dependent on when claims are submitted. The expected performance at year end will be worse than original budget.
- In concluding the update on this risk, the CFO informed the committee that the Department has confirmed an additional £1.9m to cover pandemic related pressures and that the forecast has been amended to reflect this. The College is therefore on target.
- R085: Risk in using Properties Services Division. For the benefit of the new members the CFO gave a brief background overview of the issues the Sector had in using PSD specifically around quality and costs. He advised that a successful business case was submitted to move away from PSD and the Sector will manage their own maintenance and contractor programme. The CFO advised that the project deadline has slipped by two weeks, however there is no concern this will impact the project overall.
- R086: Maintaining current levels of Higher Education provision. The CFO advised that HE levels across the Sector have been impacted by the pandemic and that the review of HE in FE is ongoing.
- R083: Delivering the NIFE STS Project. The CFO advised the STS has been a frustrating project for the College as it had a lot of the systems in place that are being replaced but the project brings a standard across the Sector. He went on to provide an update on the project and advised that progress has been slow, and the project board are continuing to monitor specific issues that have been raised.
- He advised the new members that some Colleges have categorised this as a red risk, but SERC have not as we had a lot of in-house developed functionality to fall back on that other Colleges didn't.
- R075: Managing the College's Sickness Absence. The CFO advised that this risk is a standing item and is focussed on the cost of absence and the impact on frontline delivery. He asked members to note that the rate has improved and is currently at 1.37% which is significantly less than where it was for the same period last year.
- R089: Coronavirus Pandemic. Due to the current lockdown the College has ensured that only essential attendance onsite is facilitated and online learning is being maximised.
- The CFO highlighted the financial impact of the pandemic stands at £1.9m and this includes the purchasing of PPE and the reduction in income.
- R090: Managing the qualification adaptations for the 20/21 academic year. The CFO informed the committee that the issues with qualifications remain unchanged and the task and finish group continue to meet. Challenges remain and this been further confused by the lack of clarity from regulators.
- R091: TfS Move from supplier relief to new TfS Operational Requirements. The CFO advised that the Chief Training and Contracts Officer is in constant discussions with the Department around this issue as we may not be currently meeting all the programme requirements due to the pandemic.

In response to a question from the Chair the CFO explained that the overspend of £403k in 2019/20 was mainly spent ensuring that all Campus's were safe for students and staff to return for the reopening in September. The

CFO advised that the £1.9m spend on Covid-19 was unlikely to rise in the next few months and he reminded members that the Department year end is 31st March. Pressures beyond March, if they arise, will have to be managed via DfE's monitoring round process.

The Chair enquired if the CFO was content with the date slippage in the PSD project and specifically that the Sector can move away from PSD for the next financial year. The CFO confirmed that the 2-week slippage would not have an impact on the overall deadline and handover meetings were planned for mid-April with the project team and PSD.

In response to a query from the Chair around the risk on Qualifications the Principal advised that in the last academic year there was no contingency plan from the regulator when the first lockdown happened and this year there is still an urgent need for a contingency plan, but it has not been provided. The Director of Curriculum & Information Services advised that in the last academic year a review should have taken place before the Summer on qualifications which had not happened. Students were advised that they did not need to complete anymore work and so they disengaged from the Colleges, this year the Sector have tried to influence this early and the DfE Minister issued a statement encouraging students to stay engaged with their studies. He advised that the timelines and decision making on this issue were very poor and there was a real disparity on how qualifications are treated, whilst other qualifications have been highlighted, vocational qualifications receive no mention in the press. The Chair noted that the Sector will be left exposed reputationally by this issue.

Mr Pollard highlighted that in terms of work based learning the College is exposed financially and asked if there was an update on this. The Principal responded that in the first lockdown there had been supplier relief where we couldn't comply with the contract, but this has not been extended and the guidelines then became contractual requirements, the Chief Training and Contracts Officer continues to work with the Department to find a solution. He advised that this does need to remain a red risk to ensure the College can continue to work through these issues, in terms of quality provision the College will prioritise the practical elements of the course. The Principal concluded that the measures taken will ensure the students get the qualifications they deserve. Mr Pollard thanked the Principal for the update and suggested that at the end of this it would be useful to complete a lesson learned review and noted that the inability to make local decisions based on local need is detrimental to our students.

Mr Stewart asked the CFO if he could provide a comparison on the number of risks in the strategic risk register with the same period last year, the CFO advised that although there was consistency in terms of the number of risks on the register (8), the balance was different with 4 red and 4 amber now compared with with 2 red and 6 amber a year ago. He advised that the register is deliberately kept quite tight in terms of overall numbers as the risks are very complex.

Mrs O'Hare enquired if any consideration had been given on the message around qualifications and trying to influence the Department and Awarding Bodies. The Director of C&IS advised this was part of the reason the Minister had been asked to issue a statement to the media, however, he advised that this has long been an issue in FE and there is a lack of empathy towards those students completing vocational qualifications. He reminded members that the BBC had covered a news story on apprenticeships in October. The Principal advised that the BBC Education Correspondent, Robbie Meredith had committed to including the vocational side of education much more, which was extremely positive, he reminded the committee that as NDPB the Sector is unable to lobby.

The Temporary Chair advised that whilst he agreed with the sentiment of promoting the issue, he cautioned that we did not want to flag how difficult it currently is for students as we want to bring as many as possible into the Colleges in the coming years.

Action Point: The Chair asked that the issue on qualifications was reviewed again by the committee, specifically a communications strategy

b) Operational Risk Reports:

The Director of Strategic, Planning Quality and Support presented an overview of some of the operational risks within her directorate, a brief discussion took place after and the following points were noted:

- The Chair enquired if the Director was content with the continual risk around Learning Support, specifically if she was content that the statutory requirements were being met. The Director advised that we could not be more exposed as it can be very expensive, she advised that the worst-case scenario for Learning Support is that a need will not be identified early on and so there is a risk of going over budget as the need will always be met.
- In response to a query from The Chair on the lack of engagement from students in the school partnerships the Director advised that she was unsure why this has become an issue, but the College is continuing to communicate with the students and are actively encouraging them to engage.

c) IT Resilience Statement:

The Director of C&IS addressed the committee to provide a background on the IT Resilience Statement, he advised it was developed to benchmark IT Security and give the College a benchmark on where we are.

The Chief Technology began by informing the new members that the statement had been developed with the Audit Committee and members had been content with the structure and the information contained within the report, but he highlighted that if any member would like more detail or a different structure, he was content to accommodate these requests.

The CTO gave a high-level review of the report and highlighted some of the main points, he advised that in terms of incidents the number is low for this time of year and this is to be expected with the pandemic.

In terms of security benchmarks, the College has a score of 80% which is above the threshold, the CTO advised that while SERC continues to score well this is not a permanent score and he feels that it is a robust score.

In reporting the projects, the committee were advised that the College currently has a lot of equipment out on loan to students so that they can engage with online learning, he advised members that the College is still able to monitor this equipment and in terms of security there is nothing of concern.

The CTO then moved on to provide an update on the Cyber Essentials project and advised that the certification exercise has been deferred as the College does not meet some of the requirements, this is mainly around older software. The CTO emphasized that the software is not unsafe to use it just does not meet the criteria for certification and the team will be evaluating how to move forward.

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| | <p>The Chair enquired if the CTO was content with the outcome of the security exercise in October. The CTO advised members that a new cohort of students will always have a surge of behaviour that needs to be addressed but the staff members who fail these tests are more concerning. He highlighted the training in place for the staff and also that there are multiple layers of defence in place in the case of a real threat.</p> <p>In concluding his report, the CTO informed the committee that the IT department have successfully completed a recruitment campaign and subject to final checks by HR the team will back to full compliment by the end of March.</p> <p>The Chair thanked the CTO for his update and acknowledged the effort and work made by his team which had been fundamental to a seamless move to online learning.</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) Student Welfare and Support</p> <p>Mr McCartney, RSM, presented the internal audit report on Student Welfare and Support and advised that a satisfactory assurance rating had been given, he noted that it was a well-controlled area.</p> <p>Mr Stewart enquired if conducting field work remotely took away any of the scope or effectiveness of the report or restrict it in any way. Mr McCartney confirmed that it had not and that all procedures had been covered, he noted had the team been onsite they may have requested to speak to students, but it had not been necessary. The Principal advised that in any of the audits conducted remotely the College can arrange to speak to students if it is required.</p> <p>The Chair thanked Mr McCartney for his update and noted that this is such an important area for the College, and it is vital the committee can take assurance that appropriate safeguarding is in place. He concluded by thanking the staff involved for returning a clean report.</p> <p>b) FE Benchmarking Report 2019-20</p> <p>The committee were asked to note the enclosed the report and to be aware when reading the report that it has been benchmarked with England and they use different assurance ratings.</p> <p>c) Internal Audit Progress Report</p> <p>The committee noted the plan for the remainder of the year, the Chair highlighted that we are at the beginning of our relationship with RSM and the committee will review the plan in June.</p> |
| 7. | <p>Summary of Actions Taken in Response to External and Internal Audit Recommendations:</p> <p>a) Recommendations from Human Resources Internal Audit Review</p> <p>The CFO highlighted that there were two outstanding recommendations from the Staff Support internal audit. Both were relating to the development of policies which had been reviewed and approved at the recent FGP meeting.</p> |

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| 9. | Fraud Update: a) Fraud Report January 2021: The CFO informed the meeting that there were no items to bring to the Committee's attention. The Fraud Report was taken as read. |
| 10. | Any Other Business: No further items of business were raised. |
| | Date and time of next meeting: It was noted that the next meeting of the Audit Committee was scheduled to be held on Wednesday, 31 st March 2021 at 17:30, via Microsoft Teams Videoconference. |

The Chair declared the meeting closed at 7.35pm