SOUTH EASTERN REGIONAL COLLEGE

Minutes of a Meeting of the Audit Committee of the Governing Body (the "Committee")

held on Wednesday 16th March 2021 at 17:30, via Microsoft Teams Videoconference

1.	**Chair's Business:** a) **Attendance and Apologies:** **Present:** Mr John Mackell Items 4-10 only, Mr Steve Pollard Items 1-4b Only , Mrs Karen Fraser, Mr James Lee, Miss Mollie Richardson, Mr Mark Huddleston, Mr Darren Stewart **In Attendance:** Mr Gareth Hetherington (Temporary Chair of the Governing Body Items 1-9 only, Mr Tommy Martin (Chief Finance Officer)(the "CFO") Items 1-9 only, Mrs Claire Williamson (Secretary to the Governing Body), Mr Ken Webb (Principal) Items 1-9 only, Dr Michael Malone (Director of Curriculum and IT Systems (the "Director of C&IS") Items 1-9 only, Mr Andrew Emmett (Chief Technology Officer (the "CTO") Items 1-9 only, Mr Ian McCartney (RSM)Items 1-9 only, Ms Heather Sampson (DfE) Items 1-9only, Ms Karen Beattie (NIAO)Items 1-9 only, Mr Gareth Parr (PWC) Items 1-9 only, Mr William Greer (Chief Training & Contracts Officer) (the "CT&CO") Items 1-4B only **Apologies:** Mrs Deborah O'Hare **In the Chair:** Mr Mackell Items 4-10, Mrs Fraser Items 1-3 In her capacity as Vice Chair Mrs Fraser began the meeting and advised that Mr Mackell was having issues with the audio on Microsoft Teams and would join the meeting when he was able to. b) **Declarations of Conflicts of Interest:** The Vice Chair asked if any member had an actual, potential, or perceived conflict of interest with any item on the agenda. Mr Pollard highlighted his standing conflict that his wife works in the SERC payroll department, and he had noted payroll is referred to in the National Fraud Initiative 2020/21 Update. c) **Minutes of the meeting held on 31st March 2021:**

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.

> **Agreed:** That the Committee approved the minutes of the meeting held on 31st March 2020
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> **Proposed by:** Steve Pollard
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> **Seconded by:** Mark Huddleston

d) Matters Arising:

It was noted that there were no outstanding actions from the previous meeting, and they had been addressed on this agenda.

e) Gifts and Hospitality Register

The Governing Body Secretary advised members that the GB Gifts and Hospitality register is presented to the committee annually as per the College Policy, members were asked to note the register and that no items have been declared by any member of the Governing Body in this academic year.

2. Correspondence:

a) Letter from FE Director COVID-19 Study Disruption Scheme Funding and Audit Requirements

On the invitation of the Vice Chair the Chief Finance Officer began the discussion on this item by providing an overview of the request from the Department, he advised that there had originally been a proposed date for the Autumn, but that discussions since had indicated NIAO considers it more urgent and had a preference for it to be completed in June/July. He confirmed that he had expected to have had sight of the terms of reference and proposed schedule ahead of this meeting.

Ms Sampson from DfE advised the committee that the Department had only just received the draft terms of reference from RSM earlier today and it would be shared with the NIAO before it is signed off by NIFON. The Vice Chair enquired if this was satisfactory for the College and the CFO reminded the Department that it is a question of timing. Ms Sampson replied that it was proposed that the review would be conducted in July with a small sample size. The CFO informed the Department that many of the payroll staff are unavailable in July as they are requested to take their annual leave at this time, however if the sample size is small then it would be possible to complete a review in July. The CFO advised he would look forward to receiving the ToR.

3. For Approval:

a) SERC Audit Strategy 2020-21

Ms Bettie, NIAO, began the discussion by advising members we are working very much in the unknown in terms of Covid restrictions, but she was hopeful that there would be less remote working and auditing.

Mr Parr from PWC addressed the committee to present the SERC Audit Strategy for 2020-21, in summary the following points were highlighted:

- Mr Parr advised that the overall account materiality is £1,113,000 and misstatements over £55k will be reported. The committee were asked to note the account materiality is based on net expenditure from the previous year.

- Mr Parr moved on to set out the audit approach and drew attention to the two main risks identified. Other risks factors identified were also highlighted to the committee and Mr Parr advised that these risks include the Coronavirus Pandemic, NILGOSC Pension and Cyber Security. None of these risks will represent a significant risk of material misstatement but it is appropriate they are considered and monitored.

- Ms Beattie directed members to page 1 of the strategy which sets out actions for the committee to consider including communication any information to relevant to the audit to the NIAO. The Temporary Chair noted that the NIAO have had sight of the Strategic Risk Register for the development of the strategy. He advised that there would not be any other information outside of this that the committee would need to bring to the auditor's attention.

- Mr Parr concluded by providing an overview of the planned audit timetable, the CFO confirmed that he was content with the proposed timetable.

At this juncture Mr Mackell joined the meeting and assumed the Chair's role, he thanked Mrs Fraser for Chairing the meeting in his absence.

4.	**For Information:**
	a) **Strategic Risk Management Report**

The CFO presented a high-level summary of the risk management report, a brief discussion took place, and the following points were noted:

- R074: Managing the Financial Viability of the College-The CFO reported that the College expects to be on target for the year end in July. He advised members that the College has drafted its Baseline Resource Budget for 21/22 which will be finalised in September. The Budget is operationally in line with the allocated funding however it contains £1.9m of Covid related pressures. The Department have been advised of the pressures, they have secured £9m additional funding for the Sector and it is expected that allocations will be made in July based on these bids.

- R085: Risk in using Properties Division-The CFO advised that the move away from using PSD is almost complete, the integrated consultancy team is now live and contract mobilisation is on 8th July. The Chair enquired if this risk would remain on the register as it is having been noted as risk in the External Audit

Strategy. The CFO advised that it should drop off after this year end, whilst Mr Parr confirmed that a test sample will be conducted on those projects procured in this financial year.

- R086: Maintaining current levels of Higher Education provision-The CFO informed members that this risk remains red. The DfE review of HE in FE is progressing. Applications for HE remains challenging, and SERC are continuing to hold open days and focussed marketing events to encourage 21/22 recruitment.

- R083: Delivering the NIFE STS Project-The CFO provided the committee with an update on the overall progress of this project. He highlighted that the Board have introduced a new methodology in order to highlight issues and progress towards solutions which should hopefully aid the progress. The Chair enquired if the project is concluding in November 2021. The CFO advised that it will likely be the end of this calendar year given some of the strand's deadlines have already been extended.

- R075: Managing the College's Sickness Absence-Members noted that the sickness absence rate is currently below the 3% target and is 2.73%. The CFO responded to a query from the Chair and confirmed that 16 members of staff are absent on full pay.

- R089: Coronavirus Pandemic-The CFO advised that this remains a red risk for the College, he provided members with an update on where the College is within the Stage 4 restrictions. This had led to an increase in onsite teaching however the College is still very much adopting a blended learning approach with a target of 50% of the College population onsite.

- He advised that the 21/22 year will continue with this approach, and that current scenario planning includes assumptions that this will be assisted with onsite testing for anyone coming into Campus. He referred members to the £1.9m covid related pressures highlighted in the Baseline Budget and advised that the full cost of mass on site testing is not wholly reflected in those numbers. The College is drafting a business case to detail the final costs around testing which will enable constructive discussions with the Department around additional funding.

- The Chair enquired if blended learning will be subject to review. The CFO advised that at this stage it is difficult to confirm as so much uncertainty still remains around the pandemic. He informed members that some Colleges are keen for a 100% return to campus, however, SERC are being prudent and starting at 50%. The Director of C&IS advised that this approach provides certainty to both students and staff, he advised that the flexibility around blended learning has been beneficial for some in terms of their own individual circumstances and so there are definite benefits from the pandemic.

- In response to a question from Mr Huddleston the Director confirmed that students who need to take practical assessments (for example hospitality and hair and beauty students) will be prioritised for a return to campus. He confirmed that these students will be able to avail of online delivery for any theory delivery and onsite for a practical element of their course.

- Mr Stewart asked the CFO if the Baseline Budget was based on the 50/50 approach and if there would be much impact financially if the approach changed to a full return. The CFO confirmed that it was

- based on this approach. He highlighted that last year the College invested heavily in IT equipment and stressed that such spending will not be repeated this year, so whilst there are savings in this area other costs such as learning materials, utilities and staff travel will increase if there are more staff and students on site. He confirmed that overall, the costs will not increase but that the detail within non-staff cost categories will look very different.

- The CFO went on to advise that there will be an investment in curriculum support staff who will support students to ensure that their skills are up to date as many have been out of a formal education setting since the beginning of the pandemic. The Principal added that student's digital literacy skills need to be improved last year and so the College made an investment in staff and student training to support this, along with loaning out IT kit. These students are now advantaged in terms of digital skills because of this investment.

- The Principal went on to highlight the issue of space and utilisation that has been discussed by the Governing Body many times in the past, he advised that with the 50/50 approach it will enable the College to accommodate additional students that would have not been possible in the past.

- He concluded that the College have been prudent with the approach for a few reasons namely from an infection point of view, to improve student's digital literacy skills and to help the College with it's accommodation issues. The Chair thanked the members of CMT for the updates and noted the importance on the level of certainty the College is providing to staff and students.

- R090: Managing the qualification adaptations for the 20/21 academic year- Members noted that good progress has been made in this area however further clarity is required around appeals and so the risk remains red. The Principal provided members with an update on the use of evidence-based assessments and advised that SERC have a robust process in place. He advised that CCEA are expecting at least a third of students to appeal their grades which will have a knock-on effect on SERC enrolments.

- R091:TfS – Move from supplier relief to new TfS- The CFO highlighted the operational requirements of TFS have been problematic. Mr Pollard enquired what concerns the Department have with the use of E-registers? The Chief Training & Contracts Officer explained that E-registers allow students to be marked late for example, and the Department need to know how late the student is as it directly impacts funding for each individual. He advised that the E-Register do not allow a detailed analysis which would require a separate database to do so.

- Mr Pollard noted the complexity of the contract involved with TFS. The Director of C&IS informed members that E-Registers are used successfully across the College and have been used for a long time, he advised that timesheets are only used for the TFS programme.

- R092: Managing the Impact of Industrial Action-The CFO advised members that this is a new risk added to the register and has been graded amber. He advised that the impact of the action is negligible mainly

because of the time of year and the staff's commitment to ensure students receive their qualifications this year, however it does have the potential to escalate again.

- In response to a query from Mr Stewart the CFO advised that a risk around Cyber Security will be added to the register. The Temporary Chair of the GB noted that the scope of the audit committee was broadened around 18 months ago to include cyber security and he believed there was certainly merit in reviewing this risk.

b)   Operational Risk Reports

On the invitation of the Chair the Chief Training and Contracts Officer presented a high-level summary of operational risks within his directorate, he highlighted the impact the pandemic has had on some aspects of his unit and advised the committee how the risks were being managed. He asked the committee to note that in relation to the risk that business services income would not met because of the viability of the unit in lockdown, the College have been resilient in their response and have been able to has secured additional funding under the Skills Intervention Programme and additional allocation for Skills Focus and InnovateUS. He advised members how the team have identified opportunities and have for example implemented an employer engagement strategy matching training programmes to growth industries and priority sectors which is critical in the recovery of the local economy.

Following on from this the CT&CO provided a review of a risk of failure to ensure quality of course delivery because of the substantial amount being delivered online, he took the committee through the actions that College have taken to ensure that the quality remains as it would have pre-pandemic and learners gain the same skills and SERC experience. In response to a query from the Chair the CT&CO explained that self-evaluation reviews enabled staff to share good practice and resources.

c)   IT Resilience Statement

The Chief Technology Officer directed members to the written report provided and provided a summary of the main points, the following points were highlighted:

- The CTO advised the committee that a serious incident one serious incident had occurred which involved a staff member. This incident involved a scam caller who explained that there was a problem with the user's internet settings and requested remote access to the device to fix. The staff member quickly became aware that this was not a genuine call and ended the call, the incident was reported to the IT team a few days later.
- The CTO advised that the staff member acted appropriately by ending the call and advising IT however they have been reminded that the incident should have been reported immediately. The CTO advised

	the committee that although there were no concerns over the security of the laptop involved the staff member was issued with a new PC as precaution.
	• The CTO advised that he communicated with staff to ensure they remain vigilant at all times. He reminded the committee that all staff must complete the E Safety Training module annually and he provided assurance on the robust measures in place in the College to prevent a scammer being successfully in penetrating the several layers of defence in place.
	• The CTO moved on to provide the committee with an update on the cyber-attack experienced by SWC earlier in the year, he advised that they have now shared some information on the attack which was a ransomware attack. In summary, there appears to have been multiple layers of failure in relation to the protection of college systems, including the lack of 2 factor Authentication, the failure to procure anti-virus software for servers, delayed updating of equipment and misconfiguration of remote access services & monitoring systems.
	• The CTO reassured the committee that the College have all these areas configured and under daily monitoring. The Chair thanked the CTO for the update and advised he was content that the College are in a strong enough position to rebuke such an attack. The Director of C&IS stressed the College is doing the absolute maximum to keep systems safe but reminded members there is no guarantee unfortunately as scammers find new and more complex ways to bypass the defence in place.
	• The CTO moved on and advised that as part of the recent audit a recommendation had been made that back ups should be recorded in this report. The CTO directed members to this section of the report and advised that this will provide assurance to the committee and give a picture of what actions are taken that contribute to the Business Continuity Plan.
	• The Chair thanked the CTO for the update and noted the information on backups is very useful he enquired if there are any planned security exercises. The CTO confirmed it will be done shortly but to keep to as genuine as possible he could not disclose any details even to the committee.
	• The Director of C&IS concluded the discussion by advising members that the CTO and his team put in a phenomenal amount of work into cyber security, he noted that they are very professional in their approach and are also providing advice to other colleges. The Chair endorsed these comments and stated it is evident that the team are working extremely hard, he asked the CTO to pass on the committees thanks to his team.
5.	**Policies for Approval:** The CFO directed members to the reports that detail the recent review of the following policies: • Anti-Bribery • Anti-Fraud

	- Conflicts of Interest - Financial Governance - Hospitality & Gifts - Risk Management - Use of College Name, Seal & Logo - ITS Disaster Recovery - ICT Security The CFO highlighted that there were no substantial changes to the policies requiring approval, however, he noted that the Financial Governance Policy is quite wide ranging and encouraged new members of the committee to review the policy for their own information.

6.	**Internal Audit:**
	
	    a) **Cyber Security Report**
	
	Mr McCartney addressed the committee to present the recent internal audit reports, the first report Cyber Security received a satisfactory assurance rating with 3 medium and 2 low priority recommendations. Mr McCartney provided the committee with an overview of the audit findings, and he noted that the College have good areas of practice and benchmark positively in comparison with the Sector. He advised that there are good policies and practices in place.
	
	The committee noted the areas of improvement set out are around penetration testing as there is no formal schedule in place and risk management as there is no specific risk on the strategic risk register around cyber security. Other recommendations included ensuring that there is a quick reaction to leavers and there were 10 individuals that had not completed the mandatory E-Safety training.
	
	In response to a query from the Chair Mr McCartney advised that penetration testing should be done by a 3rd party annually and he was content with the proposed timetable for completion.
	
	The Principal highlighted that the CTO needs a level of support in order to ensure that all documentation is current, relevant and in place and therefore the College are going to recruit a Cyber Security Compliance Officer who will be dedicated to this task. The Principal also highlighted that the NI Cyber Security Public Sector Security Working Group are aiming to implement Cyber Essentials Plus with a view this will be completed by October. The CTO confirmed that all sector IT manager have agreed to work to Cyber Essentials Certification.
	
	    b) **Internal Audit Progress Report**

	Mr McCartney asked members to note the progress report and advised that the follow up review has started and will be presented to the committee in September. The Chair asked Mr McCartney if reference to a number of policies and procedures were merely around ensuring there was a formalised framework. Mr McCartney advised this was correct and there had been no issue found of noncompliance.
	At this juncture Mr Mackell noted he had been absent for the earlier discussion regarding the terms of reference required for the request from the Department to review Covid related programmes and the administration of them. He enquired if this had been completed and if the review would take place as suggested in July, Mr McCartney confirmed that the ToR has been passed from the Department to NIAO for review and there is capacity to complete the review in July.
	Action Point: The Chair requested if RSM could include the studies and reports they have presented to the committee in the next progress report
7.	**Summary of Actions taken in Response to External & Internal Audit recommendations (enc) – For Noting:** The CFO directed members to the summary and advised that there are 2 recommendations not yet completed. They are both low priority recommendations which are not yet due. One relates to updating the Business Continuity Plan and this will be updated over the Summer. The Chair confirmed the committee are comfortable with these proposals.
8.	**Fraud Update – For Information:** a) **Fraud Report May 2021** The CFO asked members to note the report and advised that the Financial Controller has reviewed 212 matches with no instances of fraud identified. b) **Whistleblowing Disclosure Report** The CFO presented the report to the committee and advised it related to a Whistleblowing case from November 2020, the Audit Chair and DfE were notified of the case at the time. The CFO advised members that the Chief Human Resources Officer conducted an initial review of the case as per the College policy, the allegations of fraud were not upheld, and one allegation of misconduct will be dealt with under the College's grievance policy.
9.	**Any Other Business:** a) **Outcome of FE Colleges Risk Assessment**

	The Principal advised the committee the correspondence is in relation to a risk assessment the Department had requested in February 2020 as a first step towards a new partnership agreement. The correspondence confirms that the College's individual risk out come as low risk. The Principal highlighted the Sector approach to this piece of work and the proposed timeframe to complete this. The Chair noted that it is a positive step to receive a low-risk outcome and asked the Principal what his view was on the deadlines being met. The Principal advised that the 1st stage of the Sector approach (the development of agreed wording on Fraud Risk Assessments to be included in all college Anti-Fraud Policies. This should reflect a sector wide approach to the completion of Fraud Risk Assessments) piece is achievable to get a common approach and to look at materiality in terms of assessment. The CFO highlighted that there are many processes and procedures that are not written up formally as regards fraud risk assessment and that one of the challenges will be agreeing a methodology designed to decide which area merit a detailed risk assessment. The CFO noted that the sector will nevertheless work to agree a uniform methodology and that while he cannot foresee any insurmountable issues, it may take some time to get agreement. The Temporary Chair noted that the language being used around Partnership agreements has very much changed since it was first mentioned, he noted that SERC have scored a low-risk outcome and he wondered if all College's will receive the same autonomy from the Sponsor Department, or if the individual risk outcomes will be reflected in the partnership agreement. The Principal advised that it was difficult to say, and that the conclusion is a long way off yet. The Chair noted that this was a valid point as there are individual profiles with Sector approach, the CFO advised he could seek views from NIFON colleagues. In concluding the meeting, the Chair thanked everyone for their hard work in a difficult year and asked that the Committee's thanks were passed onto the staff for their efforts throughout the year.
10.	**Confidential-Members only** **a) Minutes of the confidential meeting 31st March 2021** Members agreed the minutes of the confidential session were an accurate reflection of the meeting: **Proposer: Karen Fraser** **Seconder: Mark Huddleston**
	Date and time of next meeting:

It was noted that the next meeting of the Audit Committee was scheduled to be held on Wednesday, 15th

September 2021 at 17:30, via Microsoft Teams Videoconference. (TBC)

The Chair declared the meeting closed at 7.57pm