

SOUTH EASTERN REGIONAL COLLEGE

**Minutes of a Meeting of the Audit Committee of the Governing Body (the “Committee”)
held on Wednesday 15th June 2022 at 17:30, in Meeting Room D Floor, Lisburn Campus and via Microsoft
Teams Videoconference**

1.	<p>Chair’s Business:</p> <p>a) Attendance and Apologies:</p> <p>Present: Mr John Mackell, Mr Mark Huddleston, Mr Darren Stewart, Mrs Deborah O’Hare , Mr Steve Pollard, Mr Samuel Hagen</p> <p>In Attendance: Mr Gareth Hetherington (Temporary Chair of the Governing Body) Mr Tommy Martin (Chief Finance Officer) (the “CFO”) Mr Ken Webb (Principal), Ms Veronica Healy, temporary minute taker, Mr Ian McCartney (RSM), Ms Suzanne Murphy (NIAO), Ms Heather Sampson (DfE), Mr Andrew Emmett (Chief Technology Officer), Dr Michael Malone (Director of Curriculum & Information Services), and Mr William Greer (Chief Training and Contracts Officer) (Item 4B only)</p> <p>Apologies: Mrs Karen Fraser and Ms Gemma Diamond</p> <p>In the Chair: Mr Mackell</p> <p>On behalf of the committee, the Chair sent his condolences and sympathy to Claire Williamson following a recent family bereavement.</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 declared that his wife works at the payroll department within SERC.</p> <p>c) Minutes of the meeting held on 6th April 2022:</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>
----	---

Agreed: That the Committee approved the minutes of the meeting held on

Proposed by: Sam Hagen

Seconded by: Darren Stewart

d) Action Points

2. NIAO Risk Guide – The Chair reported that this was already on the agenda for review

5a Strategic Risk Register – this has now been completed

6a – Anti-Fraud Policy – Ms Sampson informed members that Mr Conliffe has agreed to provide summary feedback at the next NIFON meeting

e) Self Assessment Fraud Risk Checklist

The Chair referred members to the enclosed checklist which was noted by members as being a good reference point. Mr Stewart asked how frequent was the Fraud Awareness Training, and the CFO confirmed that this was part of the staff mandatory online training.

f) Gifts and Hospitality Register

The Chair advised members that the GB Gifts and Hospitality register is presented to the committee annually as per the College Policy. It was noted by members that there had been one recent entry from a governing body member. The Chair agreed to check with the Secretary of the Governing Body re the arrangements for the declaration on the current register. The Principal advised members that he had received some items from the South African delegation that visited the College. He did accept these as a personal gift but more of a thank you token to the College and that these items and any such gifts received are all placed and displayed in the College's gift cabinet.

Action: The Chair to check with the Secretary of the Governing Body re the arrangements for the declaration on the current register.

2. Correspondence: Withdrawal of FE Code

The Chair referred members to the enclosed correspondence in relation to the withdrawal of the FE Audit Code and it was noted that audit and risk committees should now use the DoF manual as their primary reference guide and review their TOR at the next opportunity. Ms Murphy confirmed that she had no issues with this being withdrawn.

Mr Huddleston joined the meeting at this juncture (5.44 pm)

The Chair referred to the excellent feedback that had been received by the Open University on the College's Business Continuity Plan and highlighted to the committee how this feedback included "A great joy to read" and "this is by far the best BCP that I have ever read". The CFO reported that the College is in the process of setting up a partnership with the OU and he was delighted to have received this very positive feedback. The Chair concluded by saying how it was always good to get positive feedback and this was also echoed by members.

3. For Approval: SERC Audit Strategy 2021/22

On the invitation of the Chair, Ms Murphy, NIAO representative presented to the committee the SERC Audit Strategy for 2021/22. In summary the following key areas of the Audit Strategy were highlighted by Ms Murphy:

- Page 2 – Key Messages and the purpose of the Strategy
- Page 3 – Actions for the Audit Committee, and if there is anything that should be brought to the NIAO attention
- Page 4 – Overall Account materiality is £1,233,000 which is based on 2% of expenditure
- Page 5 – The Audit Approach which is risk-based, informed by a good understanding of the operations of SERC and an assessment of the risks associated with the financial statements and the regularity of underlying transactions
- Page 6 - Significant Risks – two risks have been included – "Management Override of Controls" and "Risk of Fraud in revenue recognition". Included is the Audit Response to these Risks.
- Page 7 – Other Risk Factors – it was noted that these were sector-wide Risk factors and not unique to the College
- Page 8 – the estimated audit fee is £27,000 (last year it was £24,000)
- Page 9 – Contact Details of the Audit Team

Ms Murphy concluded by asking members if they had any questions. Mr Stewart asked about the reporting thresholds, how materiality had increased and the reporting threshold had gone down. Ms Murphy reported that it was a standard approach and would apply across all of the audits.

The Chair asked if the Risk Factors were sector wide. Ms Murphy confirmed that these were included in all of the College Audit Strategies.

The Chair also asked about the timeframe of the Audit. Ms Murphy confirmed that their aim was that the draft report would be issued on the 1st November, and the settled report by the end of November. The CFO reiterated that he had a chat with Ms Murphy in relation to the timeline and that the finance team hoped to have the draft financial clearance by November. The CFO went on to say that this timetable would be tight, but manageable. Mr Stewart asked if the timetable was tighter than last year, and the CFO confirmed that it was. Mr Hagen enquired about the audit coming back in-house. Ms Murphy explained the reason and how PWC had withdrawn from all of the contracts for the public sector audits and that NIAO had the capacity to take the colleges back in-house.

The Chair thanked Ms Murphy for her input and overview.

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 year-to-date result was £212k better than the original target. At end of July we do expect to be under by approx. £1.2 and that we have reduced spend where possible. In relation to the 2022/23 Budget, this was covered at last evening’s F&GP meeting. The 22/23 baseline operational budget will be brought to the Governing Body, and it was noted that DfE have not yet issued a 22/23 budget allocation to any of the colleges. An indicative number was presented in February and correspondence exchanged with the DfE back then also. The CFO also reported that we have gone through the operational budget process and that we currently anticipate a pressure of £5.2m. If the indicative funding numbers discussed in February prove accurate. The CFO highlighted to members that this Risk was upgraded to a “Red” category given the indications of potential budget shortfalls for 22/23 and the level of uncertainty, and it will be kept in the “Red” category. The Chair alluded to us not having an indicative figure or a timeframe and asked when we would expect this. The CFO indicated that in correspondence from DfE in April stated that we would expect it imminently but there was still no sign of it. The CFO went on to say that the College had proactively reduced non-staff spend where possible. The Chair reported that 22/23 would likely be very challenging. The CFO indicated that management would normally ask the F&GP committee to approve the baseline budget in the context of agreed funding levels, but that this was obviously not possible this year. He indicated that the Finance team would rework the baseline budget in the late summer based on enrolments and will look at a final version of the budget in early September, hopefully alongside

confirmed funding. Mr Pollard reported the sooner we get clarity from the DfE the better as this was very challenging. Mr Stewart referred to the underspend at the Departmental year end and about trying to bring it into this year. The CFO clarified the position and reiterated that the College was actively trying to reduce spending where possible in advance of the budget allocation being confirmed. The Chair asked Ms Sampson, DfE what was being done on an operational level to get any resolution. Ms Sampson indicated how she had spoken to Grainne Sann, DfE and there had been no further movement on this and no further update that she could provide the committee with. The Chair concluded by saying that this was unsatisfactory circumstances in which to expect planning to take place.

- R086: Maintaining current levels – update noted by the committee and the CFO referred the committee to the section that referred to applications being up compared to previous years - 40% increase in 2021/22 (346) to 2022/23 (483)
- R075: Managing the College's Sickness Absence – this is an Amber Risk. Sickness absence has gone up from last year. Absence rate for 21/22 year to date (up to 30 April 2022) is 3.56%, 0.56% higher than the 3.0% target and 0.84% higher than for the same period last year.
- R083: Delivering the STS Project – the committee noted that this Risk had now been closed.
- R089: Coronavirus Pandemic – this Risk was downgraded before the last meeting. The 22/23 curriculum will include a minimum of 10% online delivery to ensure staff and student skills remain fresh. The Chair asked the CFO regarding the financial impact of the pandemic and with the mitigations in place were we comfortable with our position. The CFO confirmed he was content with our position and highlighted how the Department have been excellent in working with the College in relation to the additional funding we received which was very heavily utilised. He went on to say that our mitigations had been decreased substantially at the Easter Break, and CMT have also agreed that the signage and remaining mitigations will be assessed over the summer period with a view to the college returning to some sort of normal state. The Chair alluded to the good collaborative working with the Department and the additional funding that had been received and asked Ms Sampson to feedback to the Department the appreciation of the Committee.
- R090: Managing the qualification adaptations for the 2022 academic year – it was noted by the committee, that this Risk will most likely be closed down by the end of the summer
- R092: Managing the Impact of Industrial Action – this is still sitting in the "Amber" Zone and still an ongoing issue.
- R093: Cyber Threat – this will be covered under agenda item 4C – IT Resilience Statement

At this point, Dr M Malone, Dir: C&IS provided an update in relation to the applications. He indicated that we were slightly ahead of the last few years, although it had been difficult to benchmark against

with the covid pandemic. He reiterated that turning these applications into enrolments was key and that a huge effort had been put in and will continue over the summer period. The Chair asked if the Hybrid Delivery was still a success. Dr Malone reported that for 22/23 we are going with 10% online delivery, keeping staff and students with the digital skills that is required and also as a backup plan should restrictions have to be reimposed. Dr Malone updated members on the e portfolio and indicated that the College was still lending out computers to students. The Chair highlighted that the online delivery had been effective, and thanked Dr Malone for his input.

The Chair thanked the CFO for his comprehensive overview and how this had been useful to see.

Action Point: Ms Sampson to feedback to the Department the appreciation of the Committee for the good collaborative working and additional funding.

b) **Operational Risk Reports**

On the invitation of the Chair, the Chief Training and Contracts Officer presented a high-level summary of the operational risks within his directorate. In relation to Risk: Failure to meet income targets for TfS/Apprenticeship NI, members noted the actions that had been taken. The Chair enquired in relation to the timeline for the replacement system for the DfE Trainee Management System. The CT&CO reported that the current system will cease on the 21 June for all new activity and the new system has already been introduced. He further added that in relation to the payroll for this week, there is no system to put this on to and it was highlighted by the CT&CO that this would not be done for Wednesday's deadline and a possible chance that the trainees would not be getting paid, which was very concerning. He reported that other alternatives have been examined but that these will have complications. The CT&O added that another ongoing issue was the entering of certificates and milestones on to the new system and that could well impact on the timing of College funding. While DfE have held information sessions and demonstrations, only 3 staff from SERC have received limited hands-on training on the new system. In response to a question from the Chair in relation to the date of the old system being closed down on the 21st June, the CT&CO responded that the old TMS system contract had come to an end at the 31 March this year and it could only be extended to take live data for another 12 weeks. The Chair also asked were payments made weekly throughout the year and the CT&CO confirmed they were made 52

weeks of the year or until young people complete their programme. The Chair concluded by recognising the frustrations that the College was facing with this cumbersome process.

Mr Huddleston enquired in relation to the Risk: Failure to meet income targets on Business Services Courses, which were funded through DfE and Invest NI, whether there was a risk that of some of these programmes could disappear. The CT&CO responded that there would be a risk and that the main income stream was Skills Focus but that if such a Risk materialised SERC would put more focus on commercial training. He went on to say that there was a report published recently by DfE which showed that SERC was drawing down 30-40% of all the funding in the FE sector on Skill Focus and InnovateUs. However, it is likely that there will be less funding in the year ahead and as yet SERC have not been issued yet with a Letter of Offer from DfE.

Mr McQuillen asked about the risk around income targets and alluded to slides 3 and slides 5 of the presentation which gave the projected income and asked what is the risk around income targets. The CT&CO reported that SERC has to continually engage with businesses and recruit their staff to upskilling courses, otherwise none of the income will materialise. He went on to say that the risk is we have to proactively manage these courses and work with businesses and if we don't manage these there will be a significant shortfall on budget. He reported that this was currently graded as a low risk due to the fact that SERC had already secured additional funding for the Flexible Skills fund and on Skills Focus and InnovateUs. On the Tfs and AppNI target of £7m, the risk is if we don't retain learners and ensure that they achieve their qualifications, the funding is not realised. The majority of Tfs and AppNI funding is performance related. Mr Hagen asked if we were on track to meet our income target and if we do, do we get to keep the £0.2m, that is the amount by which the target will be exceeded. The CFO came in at this point of the presentation and explained the workings of the funding model to members.

The Chair thanked the CT&CO for attending the meeting and giving a comprehensive presentation to members. The CT&CO left the meeting at this juncture (1848)

c) IT Resilience Statement

- The Chief Technology Officer (CTO) referred members to the available written report and provided a summary of the main points, the following points were highlighted in discussion:
- There have been no significant incidents or any concerns to date.
- In terms of college IT security, this is an ongoing risk, but is actively managed. The CTO updated members in relation to the other colleges Secure Score Benchmarks, current at 82%, and indicated that the College was in a good place. Other colleges were trying to work towards our position as indicated in the resilience report, with additional information relating to SWC & NWRCs Secure Scores being released after the June Resilience statement had been submitted.

- South West College – 43% & Northern Regional College – 56%. Other colleges are not willing to share scores at present.
- Dr Malone came in at this point. He reported that the College was continuing to increase our security level all the time and that we were continuing to train staff and make them aware of their security obligations.
- The CTO informed the committee that a penetration test on college systems has been scheduled for the period 22nd June until 22nd July. In terms of scope, the test will assess the security & configuration of our external firewalls, the security of our new 802.1x implementation and a review on our user account systems. The service also includes retesting for a period of 12 months to allow any issues raised to be addressed and retested. It is hoped that this report will be available for the next meeting.

In response to a query from the Chair in relation to the Cyber Essentials Certification in relation to the impact if the College did not achieve certification, the CTO informed the Chair that it was quite challenging and that we would not be losing anything by not having the certification in the short term, but it was an expectation for any organisation to get this as a baseline and that it would remain a target for the College to work towards. The Chair asked if any of the other colleges had this already and the CTO confirmed that BMET had it.

The CTO updated members in relation to the Risk R093: Cyber Threat and his work with the sector. The CFO came in at this point and highlighted to members the work that the CTO was doing for the sector and the extra burden on him and that it could not be sustained for a long period of time. This was also echoed by the Dir: C&IS and that the other colleges need to take that ownership and recruit the right level of expertise to make that that they are getting the support within their own college and that we could not continue to sustain that in the college. The Committee recognised the sterling work that the CTO was doing, how it was a big challenge going forward, and thanked the CTO for his excellent support.

5.

Policies for Approval:

a) Financial Policy Review

The Chair highlighted that the Finance Department had undertaken its annual review of Policies, and that there had been no substantial changes to the policies requiring approval:

- Conflicts of Interest
- Treasury Management
- Use of College Name, Seal & Logo
- Financial Governance
- Risk Management
- Hospitality & Gifts – this has already been approved at the F&GP Committee
- Anti-Bribery – minor changes following review

The CFO confirmed that these were for the committee's information only and that none had required approval.

b) ITS Policy Review

The Chief IT Officer reported that these Policies had all been streamlined with no substantive changes made apart from the converted bulleted lists to numbered lists for easier referencing. These were noted by the Committee:

- Information Systems (Electronic) Incident Management Policy
- ITS Disaster Recovery Policy
- Information Governance Policy
- ICT Security Policy

Mr Stewart enquired about the review date being changed to every two years. The Chief IT Officer confirmed that there had been no changes required following the previous review and if anything changed it would be brought to the committee for approval.

c) Information Governance Policy

This was noted by the committee and no significant changes identified.

6.

Internal Audit:

a) Procurement and Contract Management Review

On the invitation of the Chair, Mr McCartney presented to the committee, the Internal Audit Report for Procurement and Contract Management. In summary the following key areas of the Report were highlighted by Mr McCartney:

- Page 2 – Executive Summary, Conclusion, overall was satisfactory.
- Page 3 – Areas of Good Practice – three areas have been identified
- Page 4 – Detailed Findings and Actions – these include a section around KPIs and the monitoring of these and no formal documentation procedures.

The Chair reported that the Findings had been accepted. The CFO reported how Contract Management was a real theme and how we welcomed the comments and accepted them. The Chair indicated how the KPIs stood out and the impact and they were included on the 'to do' list. The CFO provided an update to the committee in relation to the difficulties and challenges being faced to attract procurement staff. He went on to say that they had recruited twice for a procurement manager, interviews had taken place on two separate occasions and offers had been turned down by the successful candidates. He indicated that it was the plan to recruit more procurement apprentices as we needed more staff in this function.

The CFO reported that he was looking at a number of different options and that we had now access to the EA Procurement Frameworks. The Chair referred to the sample of 20 purchases across each procurement threshold. The CFO updated the committee in relation to this process.

The Chair concluded by saying regardless of the two low recommendations, he was satisfied that this was a sound report and that he was content with the conclusion. He asked Mr McCartney for his opinion and he

confirmed that the overall procurement and contract management were in a very good position, and there was nothing contained in the report that could not be rectified quickly.

b) Key Financial Controls Review

Mr McCartney presented to the Committee the Key Financial Controls and in summary the following key areas of the Report were highlighted:

- Page 2 – Executive Summary – Five low priority findings which were all very housekeeping issues with gaps and procedures that can be easily addressed
- Areas of Good Practice – four areas have been identified
- It was noted by the Chair that there had been five low level findings which have all been dealt with, addressed and a level of assurance taken by the committee.
- Mr McCartney indicated that all gaps and procedures can be updated and documented.

The CFO confirmed that the management recommendations had been accepted and that some of these findings were low level processes and he did not see anything that we would have any opposition to, but we would take them on board. The Chair enquired from Mr McCartney in relation to the Learner Management System Review and asked if there had been a settled report yet. Mr McCartney reported that this was part of a sector-wide review and that they were running six audits alongside each other and they were all at various stages. He confirmed that the draft report had gone out on the 7th June and they had wanted to hold back on them and send out at the same time to allow a contrast across the sector so they could benchmark and therefore add value to them. He confirmed that they would be agreed in good time for the next meeting. The Chair reiterated that he was primarily concerned about SERC and the outcomes of our report and that he was keen to see the final report and asked that it would be given priority in September.

c) Follow-up Review –

The Committee noted that this would be available at the September meeting.

d) **Internal Audit Progress Report**

The Chair asked members to note the progress report and highlighted that there had been nothing of any concern. He referred to 2.2 and highlighted to the committee that there had been no themes arising from control observations and that we would take a level of assurance in that regard.

e) **FE Benchmarking**

Mr McCartney brought to the attention of members the Thematic Overview on page 6 and “Your Organisations Management Actions” on page 7. The Chair reported that it was interesting to see the outcome of the other Colleges consistency where there were issues arising.

f) **IIA Standards and Codes of Practice –**

Mr McCartney reported that this document is published every five years to confirm our compliance standards. It had been conducted last November by an independent provider. It was noted by the committee that we had got ‘top marks’ which was a level of assurance to the college and the service that was provided. The Chair thanked the College for the work that had been done during the year.

The Chair also thanked Mr McCartney and his team and felt that it had been very useful to see the ancillary information which was extremely useful to members. He also indicated that it was interesting and helpful and good to engage with them over the year and asked Mr McCartney to pass on to the team the committee’s appreciation.

7.

Summary of Actions taken in Response to External & Internal Audit recommendations:

The CFO directed members to the two summary reports, 20-21 and 21-22 and advised the committee that there had been nothing outstanding.

The CFO confirmed:

- that the two current recommendations should be concluded in September.
- Penetration Testing will be closed down at the next meeting.
- The BCP training programme has completed for this year. This was facilitated by the Estates Manager. Any issues will be reported to the CFO and any lessons learned will be worked through and factored into the annual update of the plan.

8.	<p>Fraud Update – For Information:</p> <p>a) Fraud Report June 022</p> <p>The CFO directed members to the updated report and highlighted that an initial assessment had been carried out and the Chief HR Officer has concluded that a formal investigation is appropriate and currently in progress. The committee noted that the estimated value of the suspected fraud was approximately £1,500, and that a further update would be provided to the September meeting.</p>
9.	<p>Any Other Business:</p> <p>The Chair thanked Ms V Healy for her assistance and for stepping into the role at such short notice. Mr Pollard thanked the Chair for his input and support.</p> <p>The Chair also thanked members and wished them well for their summer break.</p> <p>No other business was discussed.</p>
10.	<p>Confidential Members Only</p> <p>a) Minutes of the confidential meeting 6th April 2022</p> <p>Members agreed the minutes of the confidential session were an accurate reflection of the meeting:</p> <p>Proposer: Mark Huddleston</p> <p>Seconder: Steve Pollard</p>
11.	<p>Date and time of next meeting:</p> <p>It was noted that the next meeting of the Audit Committee was scheduled to be held on Wednesday 14th September 2022, at 17:30, location TBC</p>

The Chair declared the meeting closed at 7.33 pm