

SOUTH EASTERN REGIONAL COLLEGE

**Minutes of a Meeting of the Audit Committee of the Governing Body (the “Committee”)
held on Wednesday 15th September 2021 at 17:30, via Microsoft Teams Videoconference**

<p>1.</p>	<p>Chair’s Business:</p> <p>a) Attendance and Apologies:</p> <p>Present: Mr John Mackell, Mr Steve Pollard, Mrs Karen Fraser, Mr James Lee, Mr Mark Huddleston, Mr Darren Stewart, Mrs Deborah O’Hare</p> <p>In Attendance: Mr Gareth Hetherington (Temporary Chair of the Governing Body), Mr Tommy Martin (Chief Finance Officer)(the “CFO”) Mrs Claire Williamson (Secretary to the Governing Body), Mr Ken Webb (Principal), Dr Michael Malone (Director of Curriculum and IT Systems (the “Director of C&IS”), Mr Andrew Emmett (Chief Technology Officer (the “CTO”), Mr Ian McCartney (RSM) Ms Heather Sampson (DfE), Ms Karen Beattie (NIAO), Ms Amy Frazer (Boardroom Apprentice), Ms Gemma Diamond (Student Governor Elect)</p> <p>Apologies: None</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 highlighted his standing conflict that his wife works in the SERC payroll department.</p> <p>c) Minutes of the meeting held on 16th June 2021:</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> <p>Agreed: That the Committee approved the minutes of the meeting held on 16th June 2021</p> <p>Proposed by: Karen Frazer</p> <p>Seconded by: Mark Huddleston</p>
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d) Matters Arising:

It was noted that there was one action from the last meeting assigned to RSM, requesting RSM include the studies and reports they have presented to the committee in the next progress report, the Chair advised this action would be discussed under agenda item 6.

e) Annual Review of Committee Terms of Reference

The Chair advised members that the Committee Terms of Reference are reviewed annually, the presented document includes an amendment that came from an internal audit review regarding the Business Continuity Management Plan. The Chair advised an amendment has been made to demonstrate that the BCMP will be reviewed annually by the committee.

Mr Stewart noted that the committee will complete a self-effectiveness exercise and enquired how often that takes place. The Chair advised that an annual exercise is completed by members however it can be done as required, sometimes a broader review or lessons learned piece will come through and the committee will engage with the Department, the auditors or management team to ensure this is actioned.

In response to a query from Mr Stewart on the committee's role in reviewing and approving the Annual Report & Financial Statements the CFO advised that from this committee's perspective it is very much looking at the governance and process of the audit, specifically the Governance Statement.

Agreed: The Committee agreed the amendment to the Terms of Reference and recommended them to the Governing Body for adoption

Proposer: Karen Fraser

Seconder: Darren Stewart

f) Audit Committee Cycle of Business

The Chair asked members to note the enclosed cycle of business, he advised that the plan of work is fluid and members can request additional items are included in response to the business needs.

2. Correspondence:

a) Guidance On NI Public Audit Process Including Pac Scrutiny Of Public Spending

b) DfE Returns Timetable 2021/22

The CFO asked members to note the two pieces of correspondence enclosed. He advised that the audit cycle of business is tied into the dates set out in the Returns timetable.

3. Items For Approval:

a) (Draft) Annual Report & Financial Statements including Governance Statement

The CFO began his presentation of the Draft Annual Report and Financial Statements by advising the committee that the FGP Committee had reviewed the accounts at their meeting the previous evening and that the external audit has started with PWC being virtually onsite to start the fieldwork. The CFO then gave an overview of the approval process in terms of the committees and the Governing Body and set out the key dates for submission.

Moving on, the CFO highlighted the financial performance to the committee. Members were asked to note that the year ended with an operational underspend of c. £800k, and that this funding will be utilised and spent before the March year end so it will not be lost. The CFO explained that the July year end is a “soft” target for the College as the Departmental year end is March and it is the spend over the Departmental year that is the College’s main financial target. The CFO also stressed that the College’s financial performance target should ensure that the resource allocation from the Department matches the resource requirement of the College. The CFO also highlighted that SERC’s initial allocation did not include the exceptional costs related to Covid and that additional funding was secured and received throughout the year.

The CFO highlighted the complexity of the funding model and that the focus isn’t on generating a surplus or deficit but on matching the Resource Requirement with the Resource Allocation. He advised members he would provide further detail to aid their understanding on the funding model at the planned finance workshop in October for the Governing Body.

Returning to the Financial Statements, the CFO confirmed that although the College is over its original budget, it is under the final allocation from the Department, as a further 5% of funding was allocated throughout the year. He also discussed the fact that, in terms of the published financial statements, the College runs a deficit and that this is a direct result of the funding model which does not fund non-cash items such as depreciation and pension costs, both of which are reflected in the financial statements result.

The CFO provided members with an overview of the remaining report, he highlighted that there are no accounting policy changes and that some of the narrative in the Annual Report section is not yet complete due to the timing of the availability of non-financial performance data. The delay in the College Development Plan means that the College does not have the final scorecard data for the end of July, but the CFO assured the committee this would be completed within the next 10 days and signed off by the management team before being added to the Annual Report.

In response to a question from the Chair regarding the underspend, the CFO confirmed that this will be utilised for different pieces of work before the March year end and that this will still ensure the College meets its financial target at the end of March. The Chair went on to ask for a further explanation of why the deficit occurs, the CFO reiterated that, under the current NDPB funding model, a deficit will always occur non-cash items (including depreciation and pension costs) are not funded by the Department. As the funding is allocated at the start of the year and is based on the College's cash requirements to operate the College, these items are not included in that allocation. The CFO advised this is an area that can be explored further for members in the planned Finance Workshop.

The Chair highlighted the provision that has been included to deal with the Holiday Pay claims issue and asked what the impact of that is going to be on the College. The CFO advised that this is in response to an ongoing case involving the PSNI and relates to the claim that standard overtime amounts should be reflected in holiday pay. The CFO advised the issue for all organisations if the claim is successful is that it is likely to be backdated and there is no indication yet what that will be - for the purposes of the provision, the College is currently assuming it will go back to 1998. The College made a provision of £700k last year, however the methodology has changed this year, and this has been reduced to c. £500k. The CFO highlighted that this is not an actual cost yet and that even the amount of the provision may change again as this is a very live situation.

Ms Beattie commented that the holiday issue is very fluid and could remain so up until the date of certification, she advised the committee the court case was adjourned to allow for mediation. If the mediation is successful this will clearly change the outcome and if the case goes back to court, she noted that there is no control over the matter for any organisation or the Audit office and so everyone must wait for the final outcome. In concluding this discussion, the CFO responded to a query from Mr Stewart to confirm that this is a provision and not a contingent liability and that this had been debated at great length and agreed with NIAO last year.

The CFO referred members to the Governance Statement set out of page 58 of the report, he gave an overview of the content of the statement advising that it sets out the Governance structures in the College, internal control processes and summarises the control framework in place. It also provides an overview of the Governing Body and the structure of the management team along with the College's response to the pandemic. In terms of risk management, the statement describes how the strategic risk register fits within the operational register and how the College and committee monitor the risks. Internal Audit's annual assurance assessment will also be included in the final statement.

The Chair thanked the CFO for his comprehensive presentation and noted that the approval sought for the committee is for the draft form of the report which will be submitted for auditing before the final report with the auditor's authorisation and any potential adjustment is presented to the committee in November for final approval.

Agreed: The committee reviewed and approved the Draft Annual Report and Financial Statements for the Year ended July 2021

Proposer: James Lee

Secunder: Darren Stewart

b) Internal Audit Plan 2021/22

On the invitation of the Chair Mr McCartney (RSM) presented the internal audit plan for 2021/22 to the committee, the following points were highlighted in discussion:

- Mr McCartney began by directing members to the executive summary of the plan which sets out the approach and priorities for 21/22. He advised the plan is the same that was presented to the committee last year with 5 extra days included to cover the request from the Department to review the administration of Covid payments to students. He reminded members that this is a fluid plan that can be changed at the request of the committee.
- The Chair enquired if there was any scope to move some of the planned reports in June to March to balance out the number presented at each meeting. The CFO informed the Chair he has requested the reports were scheduled like this as the finance team would not have the resource in the autumn due to some staffing issues and the LMS system is not ready to be reviewed due to the operational issues the Sector has experienced. He advised that this is an exceptional request but operationally this request was required.
- The Chair enquired what the scope of the Covid 19 review that had been requested by the Department would be, and why it was to be conducted in this year as he noted there had been an urgency around this piece of work and the original request was to complete it last June.
- In response Mr McCartney advised the piece will review the three different strands of funding that were provided to students during the pandemic.
- Ms Beattie advised the NIAO had managed to get assurance for the DfE Audit around the HE payments from the Universities. Ms Sampson added the Department had agreed with NIAO to do their own testing on the £500 disruption payment and so the review had been pushed back to this year.

- In concluding the discussion, the Chair confirmed with Mr McCartney that there was scope to include an ad-hoc piece of work. Mr McCartney assured the Chair the plan is fluid and extra days could be requested or reviews could be swapped out if something more urgent came to light.

Agreed: The committee reviewed and approved the Internal Audit Plan 2021/22

Proposer: Steve Pollard

Secunder: Karen Fraser

c) Business Continuity Management Plan

The CFO advised members that the committee’s review of the BCMP came out of an internal audit recommendation from 2021. The plan should be reviewed by CMT annually. An annual review was due in spring of 2020 but was postponed due to the onset of the pandemic, going forward CMT will review the plan in the Summer and this committee will review it in September, this has been added to the committee’s cycle of business.

The CFO highlighted following the CMT review the three recommendations to improve the plan are:

- a) The role of “Operations Co-ordinator” should be formally considered when a major incident is declared.
- b) Flexibility of working arrangements including home working should be formally considered when a major incident is declared.
- c) Review of internal manpower and skills mix including assignment of alternative roles and responsibilities should be formally considered when a major incident is declared

The CFO advised that the College had implemented all three during the pandemic response however they were not formally included in the plan until now. Other improvements to the plan are the implementation of a testing/training schedule. The Head of Estates is facilitating workshops that will look at a variety of scenarios on an ongoing basis.

The Chair noted the improvements and commented that the level of assurance for the committee is that the plan had worked well during the crisis of the pandemic as no operations were lost when the plan was actioned.

Agreed: The committee reviewed and approved the Business Continuity Management Plan

Proposer: Deborah O’Hare

Secunder: James Lee

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 21/22 Budget has been finalised and will be presented to the Governing Body for approval, there is a pressure of £1.7m in the Budget which is Covid related. The CFO advised that the Department are very aware of the pressure and have secured £9m for the Sector, they are currently in the process of deciding the allocation for each College, it is assumed a large portion of the pressure will be met with this additional funding.
- R085: Risk in using Properties Division-The CFO advised that the new frameworks are in place and this risk can now be closed. The Chair commended the CFO on the good progress made on this issue.
- R086: Maintaining current levels of Higher Education provision-The CFO informed members that this risk remains red. The risk management team have agreed that although there is still an issue with, HE enrolments this risk should be expanded to cover the risk of all enrolments, the next report to the committee will be updated to reflect this.
- The Director of Curriculum and Information Services informed the committee that the main challenges facing the College enrolments this year had come from universities and schools. Grade inflation has meant that a lot of students got placed in their first preference university and a lot are staying on in 6th form, this has impacted the traditional level 2 and 3 courses in the College. The Director confirmed that this was a Sector wide issue and not isolated to SERC, and while this is a significant risk the College is managing it as best as possible.
- Mr Huddleston advised having had conversations with colleagues in City & Guilds this is a UK wide issue and there is a significant challenge facing the FE Sector overall.
- R083: Delivering the NIFE STS Project-The CFO provided the committee with an update on the overall progress of this project. The HR and Finance strands are progressing well however the LMS strand has significant issues. The CFO advised that the functionality of the system is extremely poor and has impacted on how quickly enrolments can be processed, he advised it is likely this will be escalated to a red risk by the next meeting.
- The Chair enquired if there was any timeframe set for when the issues are expected to be resolved. The CTO informed the committee that he has been working with the STS project team and that he is expecting that some of the issues will be resolved by the end of this week, he was hopeful a complete resolution would be implemented quickly. The Director of C&IS asked the committee to note that there has been a huge amount of effort personally from the CTO to try and get the system working efficiently for the Sector.
- R075: Managing the College's Sickness Absence-Members noted that the sickness absence rate is currently below the 3% target and this remains an amber risk.

- 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 5 restrictions. SERC are continuing with a low population density approach to the campus buildings, staff who can work from home will remain at home to ensure a lower risk of transmission. The financial impact of the pandemic is currently estimated at £1.7m.
- R090: Managing the qualification adaptations for the 20/21 academic year- Members noted that good progress has been made in this area however it is likely the risk will remain red.
- R091:TfS – Move from supplier relief to new TfS- The CFO highlighted the operational requirements of TfS have been problematic and the administration burden means this risk is likely to remain red.
- R092: Managing the Impact of Industrial Action- The CFO advised members that the risk remains amber, and the College will continue to monitor any issues around action sort of strike that could impact the College.
- R093: Cyber Security-The CFO advised that whilst this risk is inherently red a huge amount of work has been done in this area and so it has been graded as amber.

The Chair enquired if there was a timeframe on the move from supplier relief with regard to TfS. The CFO advised the timeframe has passed and the frustration of the burden of the new operational requirements is being felt across the Sector. Ms Sampson confirmed that this issue has been noted at several audit committees she has attended.

b) Operational Risk Reports

On the invitation of the Chair the Chief Human Resources Officer presented a high-level summary of operational risks within his directorate in the areas of HR, Learning Academy and Health and Safety. The CHRO gave an overview of 4 risks, the impacts of the risks, how they were being managed and actions taken to date.

One of the HR risks highlighted to the committee was the 'Failure to issue and obtain PTL signed contracts of employment'. The CHRO explained that this could have a negative impact on staff morale, productivity, and the reputation of the College. It has been proposed that the issuing and control of PTL contracts is moved over to HR and an annual review of the PTL's on register and those on the JANE system should mitigate this risk.

The Chair enquired if there was a timeframe proposed to complete this process. The CHRO advised that he would like to see this completed as soon as possible however it will require individual consultation and there still needs to be close contact with the schools to ensure a smooth transition.

c) IT Resilience Statement

The Director of C&IS directed members to the written report provided and provided a summary of the main points, the following points were highlighted in discussion:

- The Director advised that a recent security exercise involved the distribution of test Phishing Emails to staff, students & Governors. 9% of staff and 2% of students failed the exercise by opening the link/attachment.
- In response to a query from the Chair the CTO advised that students do not have direct engagement in terms of lessons learned, they must undertake online training which can be monitored by the team.
- He advised that the rates of failure are well below the industry standard which are 20-35%.

5. Policies for Approval:

The CHRO gave the committee a brief verbal update on the review of the Whistle blowing Policy. Members were advised that the policy was due for review this month however it has been delayed and will be presented to them for review at their meeting in November.

NIAO Guidance issued in June 2021 has advised that policies are much more focused on raising concerns, on the back of this the Department have provided feedback that they recommend splitting the policy into a policy and procedure and widening out the scope so that it is just not limited to workers.

The Chair asked members to provide feedback on the policy in advance of November's meeting and in turn asked the CHRO to circulate it to members as soon as possible.

Action Point: The Whistleblowing Policy will be circulated to the committee as soon as possible for review and feedback from members will be sent to the CHRO before the meeting papers are circulated to allow time for amendments

6. Internal Audit:

a) Follow Up review

Mr McCartney addressed the committee to present the recent internal audit reports, the first report was a follow up review of the reviews conducted in 2020/21. Mr McCartney advised that 13 of the 16 recommendations had been completed, 1 is ongoing and 2 are not yet due, therefore there has been excellent progress overall.

The Chair commented that he took a level of assurance that most of the recommendations were around formally documenting and recording something the College already operationally has in place.

b) Covid Related Programmes Update

Mr McCartney confirmed the terms of reference have been agreed by all 6 Colleges and the fieldwork should begin soon. The Chair noted that the committee should expect to see the report in November.

	<p>c) Internal Audit Progress Report</p> <p>Members noted the report and that the overall opinion was satisfactory. Mr McCartney advised that he hadn't followed up on the Chair's previous request to include the benchmarking reports and will ensure this is included for the next report.</p>
7.	<p>Summary of Actions taken in Response to External & Internal Audit recommendations (enc) – For Noting:</p> <p>The CFO directed members to the summary and advised that there are 3 outstanding actions, all of which are low priority and 2 are not yet due. The Chair thanked the CFO and the rest of the staff involved in the audits for their work and effort towards assuring the committee that the recommendations have been addressed.</p>
8.	<p>Fraud Update – For Information:</p> <p>a) Fraud Report May 2021</p> <p>The CFO asked members to note the report and advised there are no current live cases of fraud in the College.</p>
9.	<p>Any Other Business:</p> <p>The Chair advised the attendees that the Governing Body will be discussing a return to physical meetings at their next meeting on 27th September. He noted that the Audit committee is unique in that it has so many external attendees and this would be considered (along with the current government restrictions), when reaching agreement on how future meetings will be conducted.</p> <p>On the invitation of the Chair the Temporary Chair addressed the meeting and advised that the FGP committee had held a hybrid meeting the previous evening and it had worked well, he advised he would liaise with the GB Secretary and the Principal to discuss how the larger meetings would be conducted safely and communicate the decision to all attendees.</p>
	<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, 10th November 2021 at 17:30, via Microsoft Teams Videoconference. (TBC)</p>

The Chair declared the meeting closed at 7.43pm