

SOUTH EASTERN REGIONAL COLLEGE

**Minutes of a Meeting of the Audit Committee of the Governing Body (the “Committee”)
held on Wednesday 19th April 2023 at 17:30, in Meeting Room D Floor, Lisburn Campus and via Microsoft
Teams Videoconference**

Chair’s Business:

a) Attendance and Apologies:

Present: Mr John Mackell, Mr Mark Huddleston, Mr Darren Stewart, Mrs Deborah O’Hare, Mr Samuel Hagen, Ms Sophie Leigh-Francis, Ms Wilma Fee Mrs Carolyn King and Mrs Karen Fraser

In Attendance: Mr John Nugent (Chair of the Governing Body) Mr Tommy Martin (Chief Finance Officer) (the “CFO”) Mr Ken Webb (Principal), Mrs Claire Williamson (Secretary to the Governing Body) , Mr Ian McCartney (RSM) Via Teams, Ms Heather Sampson (DfE) Via Teams , Mr Andrew Emmett (Chief Technology Officer), Ms Suzanne Murphy (NIAO Representative) Via Teams, Mr William Greer (Chief Training & Contracts Officer)

Apologies: Mr Gareth Hetherington

In the Chair: Mr Hagen

b) Declarations of Conflicts of Interest:

At this juncture the Chair invited Mr McCartney to explain the recent recommendation in the internal audit report ‘Framework for Compliance with Legal and Regulatory Requirements: Fraud, Whistleblowing and Bribery’. Mr McCartney advised the committee that although members are provided with the opportunity to annually declare their interests, at each meeting the potential conflicts vary, and so the audit recommends all conflicts are declared at every meeting not just where a member feels a particular agenda item is an issue.

The Secretary further advised that members have been asked to declare what interests they would like recorded. She also explained that this does not replace the formal process in place and reminded members of their responsibility to ensure the register is kept up to date.

The following conflicts were declared:

- Mrs King advised that she was the manager involved with the audit report at agenda item 5a, the Chair noted the perceived conflict and advised Mrs King could stay in the meeting for the discussion on the report.
- The CFO declared his daughter is employed as a lecturer at the College. No action was taken in relation to the declaration.
- Mrs O’Hare advised she is employed by The Board of Governors of the Wallace High School (a NDPB) as Principal. The sponsor department for funding and development work and other applications is DENI supported by or delegated to the EA as appropriate. Is also current member of the College Advisory Group (Education) CAFRE DAERA CAFRE offers level 2 to level 6 + qualifications. No action was deemed necessary on any of the declarations made.
- Ms Fee declared she is a member of the Board of Governors for both Wellington College and Stranmillis College. No action was deemed necessary on any of the declarations made.

c) Minutes of the meeting held on 18th January 2023:

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 18th January 2023

Proposed by: Darren Stewart

Seconded by: Deborah O’Hare

d) Action Points from previous committee meetings:

The CFO advised that the risk management committee has discussed corporate risk appetite and an update on the policy would be presented at the meeting in June. Members also noted that work was ongoing to review how the risk management report was formatted and presented.

e) Review of Committee Terms of Reference

The Chair advised members that he and the Secretary had recently reviewed the ToR to ensure that it was fit for purpose and the current work stream was reflected in the document, he asked members to consider the proposed changes with a view the document would be approved at the next meeting. Mr Stewart highlighted that the ToR states the committee improves the quality of financial reporting and queries if it is something directly covered by the committee. The Chair advised that this could be re-written to explain the committee’s role more clearly.

Action: Members were asked to advise the Secretary of any additional changes or comment they would like to make on the terms of reference

At this juncture Mr Huddleston joined the meeting.

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Correspondence

- a) **Budget Savings**
- b) **Memo from Interim Perm Secretary to FE Staff**
- c) **Open letter to FE Staff**
- d) **Memo from Permanent Secretary**

In presenting the items of correspondence the CFO began by advising that there are two main themes however they are interlinked. The CFO directed members to the enclosed correspondence that updates the College on the current budget situation and the progress of the FE Delivery review. The CFO highlighted that the College does not have a confirmed budget for 23/24 and there are ongoing discussions with the Department around likely targets and how the College should position ourselves. He added that if the College receives a flat cash budget based on its initial 22/23 allocation, then the savings will need to be substantial since inflationary pressures alone are likely to result in a pressure of around £5m. Members noted that a NIFON planned for this week aims to review the spend of the sector and agree a consistent methodology on how to approach the savings target, this will hopefully enable the College to firm up what can be done without impacting on the permanent structure.

In response to a question from a member whether there is any risk in the College being cautious in their spend and commitments as referenced by the Permanent Secretary, the CFO advised that the College still has a spend moratorium in place, as a lot of our spending (70%) is fixed this is necessary to ensure that variable spend is limited wherever possible. The CFO highlighted only spend that will impact a student achieving this year will be approved.

The CFO moved on to the next pieces of correspondence that refer to the FE Delivery review, in which the Department has confirmed the data analysis is complete in phase 1 and this will be used over the next few months to develop options. The CFO advised that the College has queried the data in the Tribal report and the Department have advised the CEO they will consider our caveats. Separately the CFO has raised items around PFI Costings, the Department have not provided a response yet.

The Chair asked the CEO as Accounting Officer what his view was of the current budget situation, and he responded as AO that he will continue to work with the CMT to reduce spend so that if we are unable to live with the budget then as AO, he can say we have done all we reasonably can to hit out targets. He added that the College has turned the heating off early across all the campus buildings this year, graduation may have to be cancelled and the valuable internship programme has already been stopped which demonstrates the commitment by the College in doing all we can. The Chair of the Governing Body commented that he would like to explore the options around graduation before making the decision to cancel it, he noted that this would have a detrimental impact on the student experience and would like to consider ways in which we can still host the ceremony in a cost-effective way.

Mr Mackell highlighted that in the memo issued to staff from the interim Permanent Secretary he talked about next steps and Mr Mackell then queried what can be done next in the absence of a Minister. The Principal advised that trade unions are also querying this and the latest letter from Donna Blaney explained that phase 2 will focus on desktop development/design for a Minister to sign off when they are in place. Mr Mackell commented that there is a risk around the uncertainty for staff and, that he would have thought the Department would have taken advice on this was and overall, he was generally concerned how the Department conduct their work.

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For Information:

At this juncture the Chief Technology Officer joined the meeting.

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:

- The CFO reiterated the risk around the lack of a confirmed budget for 2023/24, that had been discussed in the previous item, and directed members to the list of items in the report where spend had been reduced, he advised that this is not an exhaustive list.
- The CFO advised that the spending cuts are already impacting the student experience at SERC with students complaining about the lack of heat and staff advising they are running out of materials. However, the heating issue is temporary as the weather will begin to improve, however higher quality material items will have to be compromised on.
- The Chair of the Governing Body commented that he fully supported the measures taken to reduce spend but he would like a frank discussion at Governing Body before the graduation ceremony is cancelled. The Principal advised that if the ceremony takes place the College needs to find the saving from somewhere else. The Chair reminded the committee that student experience is at the heart of what we do, and he was hopeful the ceremony could be saved.

- In response to a query from a member the CFO advised that this period is the most challenging he can recall at SERC and nothing on this list is “easy to cut”.
- The CFO highlighted the other red risks in the report including enrolments, the CFO advised that no curriculum is guaranteed for 23/24 at this stage despite the promotion of it as the College cannot firm up curriculum delivery until there is a confirmed budget. The Chair asked the Chair of the Education committee to highlight the risk to curriculum at their next meeting.

Action Point: The Chair of the Education Committee agreed to add an item on curriculum risk to the committee’s next meeting agenda in June

- **b) Operational Risk Reports**

The Chief Training & Contracts Officer presented a summary of operational risks within his directorate, the following points were highlighted in discussion:

- The CT&CO highlighted risks in the business services unit around meeting income targets, Failure to meet income targets for Skills for Life and Work (SfLW)/ ApprenticeshipNI and Implementation of the replacement system for the DfE Trainee & Apprenticeship Management System (TAMS).
- In response to a query if the TAMS was viable the CT&CO advised that the Department have assured users it will be and will simplify the whole process, however at this stage it remains doubtful given this implementation stage has been so problematic.
- The CT&CO highlighted the process in which the risks are managed and how the Business services team continue to grow in areas such a green energy to meet the 10X targets. The Chair thanked him for the update and members noted that the income targets are being managed extremely well particularly in such a difficult operating environment.

- **c) IT Resilience Statement**

The Chief Technology Officer talked to the written report provided and he highlighted some of the key points in discussion. The CTO advised that the College will be unable to progress with the Cyber Essentials certification in the near future due to the age of some of the relevant hardware. The CFO added that in terms of accreditation Cyber Essentials had been the preferred choice but it is not an essential certification to have, the IT team are looking at alternatives to this and that investment in IT equipment will be a priority for next year’s capital spend but it will remain challenging.

	<p>The Chair thanked the CTO for the update and added that he took assurance from the statement provided.</p> <p>d) Year End Assurance Statement 2022-23</p> <p>The CFO asked members to note the enclosed statement for information.</p>
<p>4.</p>	<p>Policies for Approval:</p> <p>The Chair noted there were no policies for approval.</p>
<p>5.</p>	<p>Internal Audit:</p> <p>a) Promotion/Marketing & Student Employability</p> <p>On the invitation of the Chair Mr McCartney addressed the meeting to provide an update on the internal audit reports, he began by advising the Promotion/Marketing & Student Employability had received a satisfactory rating and had a number of good practice areas highlighted.</p> <p>Mr Mackell noted that the action set out in recommendation 2 could have been resolved onsite without a formal action and asked RSM to consider such recommendations, that don't materially impact the outcome of the audit, to be finalised with staff before the report is drafted.</p> <p>b) Framework for Compliance with Legal and Regulatory Requirements: Fraud, Whistleblowing and Bribery</p> <p>Moving on Mr McCartney advised the presented report received a satisfactory outcome rating with 4 low priority recommendations around training. The Chair highlighted that we had dealt with the recommendation around conflict of interest earlier in the meeting.</p> <p>The Chair noted comments from members around the terminology used across various platforms in relation to Whistleblowing and asked that they are aligned with the Raising Concerns term as set out in the policy.</p> <div data-bbox="225 1603 1485 1715" style="border: 1px solid black; background-color: #e0e0e0; padding: 5px;"> <p>Action: The Chair requested that the term Raising Concerns replaced Whistleblowing across the College</p> </div> <p>c) Payroll</p> <p>The report was noted with a satisfactory outcome and 1 low priority recommendation, and 3 areas of good practice highlighted. In response to a question Mr McCartney advised that most of the fieldwork is being conducted online and it has no impact on the findings of the report.</p>

	<p>d) Internal Audit Progress Report</p> <p>Members noted the progress report.</p> <p>e) RSM Emerging Risk</p> <p>Paper was noted.</p> <p>Action: The Chair asked that the report was sent to all GB members and the graphic on page 5 was highlighted</p>
6.	<p>Summary of Actions taken in Response to External & Internal Audit recommendations:</p> <p>The CFO advised the committee on the status of the recommendations outstanding from the internal audit reports. Members noted that the 22/23 recommendations are all on track and there is one outstanding from 21/22 in relation to the Procurement & Contract Management report, this is on track for completion by June.</p>
7.	<p>Fraud Update – For Information</p> <p>a) Fraud Report</p> <p>The CFO advised members that the investigation into a suspected fraud case was due to complete before the Easter break, the report recommendations will therefore be reported to the committee in June.</p> <p>b) NFI Update</p> <p>The CFO highlighted that the NFI 22/23 is complete, and all relevant matches have been investigated and are complete. In response to a question the CFO advised if there did need to be a change made to the systems and controls this would be reported to committee members.</p>
8.	<p>Any Other Business:</p> <p>The Chair requested to change the date of the next meeting to 12th June due to a dairy conflict, members agreed they were content to accommodate the schedule change.</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 Monday 12th June 5.30pm, Lisburn Campus</p>

The Chair declared the meeting closed at 8.18pm