

**SOUTH EASTERN REGIONAL COLLEGE**

**Minutes of a Meeting of the Audit Committee of the Governing Body (the “Committee”)  
held on Wednesday 18<sup>th</sup> January 2023 at 17:30, via Microsoft Teams Videoconference**

- 1. Chair’s Business:**
- a) Attendance and Apologies:**
- Present:** Mr John Mackell, Mr Gareth Hetherington, Mr Mark Huddleston, Mr Darren Stewart, Mrs Deborah O’Hare, Mr Samuel Hagen, 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) Via Teams, 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) via Teams, Mr Brian O’Neill (NIAO Representative) Via Teams
- Apologies:** Ms Sophie Leigh-Francis
- In the Chair:** Mr Hagen
- The Chair welcomed everyone to the meeting which was his first as Committee Chair.
- b) Declarations of Conflicts of Interest:**
- The Chair asked if any member had an actual, potential, or perceived conflict of interest with any item on the agenda. Mr Hetherington’s standing conflict as an employee of Ulster University was noted.
- c) Minutes of the meeting held on 9<sup>th</sup> November 2022:**
- 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 9<sup>th</sup> November 2022
- Proposed by:** John Mackell
- Seconded by:** Mark Huddleston
- d) Action Points from previous committee meetings:**

	<p>The Chair noted that all actions from the previous meeting were completed.</p>
<p>2.</p>	<p><b>Correspondence:</b></p> <p>a) <b>Corporate Risk Appetite Statement</b></p> <p>The Chair directed members to the statement on risk appetite produced by the Department. The CFO advised that the College had an internal audit on risk management conducted around 18 months previous, and a recommendation from that was to declare their risk appetite. He added that SERC included a general risk appetite statement in the College’s risk management policy, while also publishing individual appetites for categories of risk in its strategic risk register. The CFO highlighted that the Department statement suggests we should elaborate more on the appetite statement contained in the College policy. He concluded by noting that the statement provides the College with an opportunity to review the risk management policy across the sector which is good practise, and it is also timely in terms of the sector benchmarking work.</p> <div style="border: 1px solid black; background-color: #e0e0e0; padding: 5px; margin-top: 10px;"> <p><b>Action Point:</b> The College risk management team will consider the statement on risk appetite and whether the college policy needs further clarification, an update will be brought back to a future committee meeting</p> </div>
<p>3.</p>	<p><b>External Audit</b></p> <p>On the invitation of the Chair Mr O’Neill, Corporate Services Director, NIAO presented The Report to Those Charged with Governance. He highlighted that this was a clean report with no issues or points raised, therefore, the Comptroller and Auditor General (C&amp;AG) certified the 2021-22 financial statements on 28 November 2022 with an unqualified audit opinion, without modification.</p> <p>In response to a query from the Chair, Mr O’Neill advised that there will be a change of approach to future audits due to the FR315 international auditing standards. He advised that this has changed the scope as it requires more detail in terms of what we determine the main risks are and the focus will be reviewing more risk areas and in turn they will be audited in a more detailed way. He added that there will be an additional piece of work on the March 2022 figures, as the Department have requested information on the review of financial processes.</p>

The CFO highlighted that this additional work in relation to the Departmental year-end at March is a substantial piece of work for the finance team at a point in the year where it is not factored in, he added that the long-term solution may well be to shift the College year end to March. The Chair enquired what the rationale for change to a March close was and Mr O'Neill explained that this project had been talked about for the past 5 years where all government departments have to prepare a consolidated set of accounts, DfE has to include colleges and the other NDPBS.

The Chair commended the CFO and his team on an outstanding result for the audit.

**4. Partnership Agreement**

The Chair directed members to the draft risk assessment and engagement plan in the papers and noted that the Department have deemed the College low risk in their assessment, he advised that the draft had been reviewed by the CFO had provided some additional narrative however the original risk assessment of the College mainly still applies. Mr Huddleston highlighted that 2.5 refers to OBA, which has never happened or been delivered, he noted that a huge amount of effort was put in by the college with no return and therefore he would be concerned the College are signing up to something that doesn't exist. He further highlighted that in section 2.6 there is a reference to alignment, however the relationship currently feels like one way information rather than a partnership. Further, the challenge function highlighted in section 5 and 6, Mr Huddleston questioned how do we have that properly understood to deliver for the economy? He noted that it does not seem to come through anywhere in this document and asked if it sits within the College Development Plan?

Ms Sampson advised that the task & finish group are reviewing a new CDP template and sector corporate plan, this will enable Colleges to directly feed into the programme for government and 10x, and so she would take back any feedback on how that will feed into the CDP.

At this juncture the Chair invited the Chair of the Governing Body to speak to the Partnership Agreement, as he had been involved in the Departmental Task and Finish Group for this review.

The Chair of the GB addressed the meeting and provided a brief background to this work and its purpose, he advised that the task and finish group has substantially modified the template that they had started with. He noted Mr Huddleston comments and advised they should be captured and fed into the CDP work.

The Chair agreed that it would be remiss not to include these comments and asked the Secretary to issue the summary to GB members along with the draft documents for approval. The Principal agreed and

added that it would be interesting to see where OBA is, as the Sector seems to be moving more to inputs rather than outcomes. The Principal further noted that the NI Executive did sign up to OBA in the Programme for Government and he was not aware that the Sector have been advised to move away from that.

**Action:** The Secretary will issue a summary of the comments made at the meeting with the draft risk assessment for review and approval via email in order to meet the Departmental deadline

**Agreed:** The committee agreed the draft templates and recommended them for adoption by the Governing Body

**Proposer:** John Mackell

**Seconder:** Gareth Hetherington

5.

**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:

- The CFO began by advising that in terms of risk appetite, for every risk information is declared for broad categories of risk, he then moved onto highlight some of the red risks on the register.
- In updating members on the red risk of financial viability of the college, the CFO advised that this update is based on the period 4 management accounts produced in December 2022. The full year forecast resource requirement is therefore £140k below the target of £44,081k. However, as with the previous year, it is very likely that the “notional funding” for the period April to July 2023 previously outlined by DfE on 8th July 2022 will now be substantially reduced. Therefore, the College has introduced both a recruitment freeze and a spend moratorium to try and make savings where possible.
- In terms of the risk around enrolments the CFO set out the College’s plans to try and develop and stimulate demand which includes significant work with Open University and implementing activities from the marketing strategy.
- Moving onto the risk on the TAMS, the CFO highlighted that this is still very much an ongoing issue and is still nowhere near a solution. Other Colleges are reporting less than 50% accuracy when using the system and so SERC are still using a manual system which is extremely cumbersome. A member of staff from Belfast Met has been seconded to the Department to assist with their understanding of the system and the user needs.

- Members were advised that risk management team agreed to downgrade the risk on covid and remove it from from the register. The CFO advised that there is no impact and no updates in the last few months and so it has been downgraded to an operational risk.
- The Chair noted the decreasing enrolments in both HE and FE and highlighted that this issue has been discussed at the Education committee, he enquired if there was anything this committee could do in terms of assisting the College with it. The Chair of the Education Committee, Mrs O'Hare, responded that she was content with what has been discussed by both committees and she advised that a CCEA communication on grades today may hopefully help the overall issue.
- In a further discussion on the TAM's risk the Chair of the Governing Body highlighted his concern and enquired if there have been instances where students have been adversely impacted by this. The CFO confirmed there has not been and this is solely due to the efforts of College staff in processing manual transactions, however he stressed that this workload is unsustainable for the staff. Members asked the CFO to pass their thanks on again to the staff working on this and asked that their discontent was noted with the little progress being made by the Department on this matter, particularly as all the reputational risk will rest with the College.

**Action:** The Chair asked the CFO to consider how to present the risk register to members, with a view the format would be less narrative heavy

- **b) Operational Risk Reports**

The CFO presented a summary on behalf of the Director of Curriculum & Information Services of operational risks across his directorate, he highlighted risks including difficulty recruiting staff in technical roles, risks around the commercial catering revenue and funding concerns in the requirement to move the College to Windows 11.

Members noted that the cost of living crisis has impacted the College across all areas and in particular the increased price of food and the impact this has had on increasing supplier costs.

The Chair enquired if capital funding could be used to purchase new PCs and other IT hardware, the CFO confirmed that capital funding cannot be used for this purpose and that the College needed to look at alternative funding sources. He added that additional funding was received 2 years ago but that hardware such as PCs etc. gets quickly out of date.

	<p>Mr Huddleston noted that this issue ties into the first risk highlighted around the recruitment of staff, he added that if staff do not have the relevant equipment, it quickly impacts on student recruitment and so a further risk is created from this.</p> <p>The Chair thanked the CFO for the update and noted that financial issues at the base of the risks but impact is felt across all parts of the college and ultimately right down to the learner.</p> <p><b>c) IT Resilience Statement</b></p> <p>The Chief Technology Officer talked to the written report provided and he highlighted some of the key points in discussion.</p> <p>The CTO drew attention to the recent security exercises conducted and in particular the focus on students with the cyber awareness week that was ran in November. Students had performed well in the exercises and the CTO highlighted that the low rate of failure was an extremely positive rate.</p> <p>Moving on members were asked to note the cyber essentials certification work was delayed pre-Christmas due to staff sickness and the holiday period, however the majority of technical work including the survey were complete and it is expected the submission will be completed by the end of January.</p> <p>The replacement Firewalls expected to be delivered this month arrived early and so they have been installed but are not fully commissioned yet.</p>
6.	<p><b>Policies for Approval:</b></p> <p>The Chair noted there were no policies for approval.</p>
7.	<p><b>Internal Audit:</b></p> <p><b>a) Internal Audit Progress Report</b></p> <p>Members were asked to note the enclosed report for information.</p>
8.	<p><b>Summary of Actions taken in Response to External &amp; Internal Audit recommendations:</b></p> <p>The CFO advised the committee on the status of the recommendations outstanding from the internal audit reports. The CFO advised that the one outstanding item from 20/21 was around further formalisation and development of penetration testing to include third party specialist support and input.</p>

	<p>This could be closed as the College had now agreed the support specification with a specialist third party with the contract initially running for 1 year.</p> <p>The 21/22 log has 2 medium recommendations outstanding, both in relation to procurement and contract management. The CFO highlighted that there had been significant staffing issues in this particular area and that the team not being fully staffed had slowed up some of these implementations. Nevertheless he believes the contract management processes should be finalised by the end of January 2023.</p> <p>The CFO advised that in the current year progress is continuing on the data protection report recommendations and that the Estates recommendations were now largely complete. completed</p>
9	<p><b>Fraud Update – For Information</b></p> <p><b>a) Fraud Report</b></p> <p>The CFO provided an update on the current case and advised that the investigation was now complete. This investigation found a breach of the code of conduct by the internal staff member with no criminal fraud or material deficit to the College. The matter was referred to a disciplinary hearing which has now concluded with a sanction imposed and full restitution to the College made. A report has been submitted to the Department.</p> <p>The CFO made members aware of a new case that was submitted to the Department on 22<sup>nd</sup> December in relation to student qualification achievement. Updates will be provided as the investigation progresses.</p> <p><b>b) NFI Update</b></p> <p>The CFO advised the report was information and he was waiting on matches for review being made available, a further report will be issued to members in April.</p>
10.	<p><b>Any Other Business:</b></p> <p>No other business was discussed.</p>
	<p><b>Date and time of next meeting:</b></p> <p>It was noted that the next meeting of the Audit Committee was scheduled to be held on Wednesday 19<sup>th</sup> April 2023, 5.30pm, Lisburn Campus</p>

**The Chair declared the meeting closed at 8.18pm**