

SOUTH EASTERN REGIONAL COLLEGE

**Minutes of a Meeting of the Audit Committee of the Governing Body (the “Committee”)
held on Wednesday 31st March 2021 at 17:30, via Microsoft Teams Videoconference**

1	<p>Confidential</p> <p>A separate note was taken for this item.</p>
2.	<p>Chair’s Business:</p> <p>a) Attendance and Apologies:</p> <p>Present: Mr J Mackell, Mr S Pollard, Mrs K Fraser, Mr J Lee, Miss M Richardson, Mr M Huddleston, Mr D Stewart, Mrs D O’Hare</p> <p>In Attendance: Mr G Hetherington (Temporary Chair of the Governing Body Items 2-10 only, Mr T Martin (Chief Finance Officer)(the “CFO”) Items 2-10 only, Mrs C Williamson (Secretary to the Governing Body), Mr K Webb (Principal) Items 2-10 only, Dr M Malone (Director of Curriculum and IT Systems (the “Director of C&IS”) Items 2-10 only, Mr A Emmett (Chief Technology Officer (the “CTO”) Items 2-10 only, Mr I McCartney (RSM), Mr D Conliffe (DfE) Items 2-10 only, Ms Karen Beattie (NIAO)</p> <p>Apologies: It was noted that all Committee members were present and there were no apologies to be conveyed to the Committee.</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 20th January 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>

Agreed: That the Committee approved the minutes of the meeting held on 20th January 2021

Proposed by: Karen Fraser

Seconded by: Steve Pollard

d) Matters Arising:

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

3.

Correspondence:

a) DfE Internal Audit Assurance Requirement 2021/22 090321

The CFO advised members that the correspondence sets out a request from the Department to review Covid related programmes and the administration of them, the request is seeking Colleges to include a review of these programmes in their internal audit plans. Mr Conliffe advised that the Department are seeking a single Sector wide review, terms of reference will be agreed with the Department and Internal Audit and final agreement will be sought through NIFON. Mr Conliffe enquired if the committee were content with this approach.

Ms Beattie highlighted that such a review will provide assurance to DfE as their own external auditors will be seeking Assurance on the administration of this activity, she stressed that timing is important as the NIAO audit of the Department will commence in the next few months. She advised NIAO need to consider a way forward for this review.

The Chair enquired if the anticipated review is going to be scheduled for the first quarter of the next academic year and if so, would this allow enough time to sign off on the terms of reference. Mr Conliffe advised that this should be achievable, and the terms of reference should be brought to each of the Audit committees for their May/June meetings. Mr McCartney advised he would liaise with DfE to draft the terms of reference to ensure they are developed on time.

The Temporary Chair enquired if this proposal fits the NIAO timeline for the DfE Audit. Ms Beattie advised that there could be an impact if the information was not available for the DfE audit, Mr Conliffe advised that he had not had any instruction so far that NIAO required the information.

The CFO noted the issues highlighted by DfE and NIAO but advised that he was supportive of an Autumn review and he was hopeful that all the data would be available at that time to conduct a proper review. He advised a review would be difficult to carry out in the next few months as £500 payments have not all been processed yet and the details are still being collated around this. He stressed that completion of these payments and the £60

payment to students were a priority but the administration of both is manpower heavy. He pointed out that the NIAO audit of DfE should not be dependent on Colleges' Internal Audit plans.

The Chair concluded the discussion by asking that the comments made by NIAO and DfE were noted, it was advised that NIAO and DfE seek agreement on a way forward offline. The Chair impressed upon the Department that the terms of reference must be agreed in good time by the Audit committee and to note the difficulties raised by the CFO in having an early review.

Action Point: DfE to provide the committee with an update in June on the terms of reference for Covid related internal audit review

4. Update:

a) Annual Report and Audited Financial Statements for the financial year ended 31st July 2020, including Governance Statement

The Chair invited the CFO to provide an update to the committee on the Annual Report. The CFO reported that the Annual Report and Audited Financial Statements for the financial year ended 31st July 2020 have been completed and were laid before the Northern Ireland Assembly on 22nd February.

b) South Eastern Regional College 2019-20 Final Report to Those Charged with Governance

The CFO advised members that the enclosed report was the final version of the RTTCWG, and no changes had been made since it was last presented to the committee for review, the CFO highlighted the audit adjustment that had been made in relation to holiday pay which the committee have been informed of previously. Ms Beattie advised that the C&AG certified an unqualified audit opinion.

The Chair thanked both for the update and noted the adjustment and the cover sheet in the RTTCWG which provides the committee with assurance it needs.

5. For Information:

a) Strategic Risk Management Report

The CFO presented the latest update of the Strategic Risk Management Report, he provided a brief overview of each of the risks and advised members there were 4 red and 4 amber risks, the following points were noted:

- R074: Managing the Financial Viability of the College-The CFO reported that Period 6 Management Accounts were completed in February. After six months, the College has an actual Resource Requirement

of £17,336k compared with a budgeted Resource Requirement of £18,021k; the year-to-date result is therefore £685k better than target. In terms of the period 7 accounts the CFO advised that they had been finalised in the last few weeks and he would expect to still be on target at the end of March. He advised that the College are still heavily investing in the equipment required for online delivery and homeworking.

- In terms of next year's Budget, the Department have confirmed that an indicative Resource Allocation will be provided in April with a final Allocation given in October. He advised that this does not pose any difficulty for the College in terms of producing a baseline Budget.
- In response to a question from Mrs Fraser on how the other Colleges are performing in terms of risk management, the CFO advised that he does not have that information, he reminded the committee that the Health Check from DfE would have provided this comparison but since this has ceased there is no way to do a direct comparison across the Sector. The NIFON group allows some comparison and there is some commonality across the Sector in terms of financial performance.
- R085: Risk in using Properties Division appointed suppliers – achieving value for money and maintaining an appropriate-The CFO advised the project timeline has slipped slightly, it was hoped that the switch over to the new system would be in place by 1st April however this was not possible, and the slippage is now being used constructively with a 6-week handover in place with PSD to ensure a consistent service is provided. The Chair enquired if the College are still able to meet all the statutory obligations they are expected to in terms of health and safety by continuing to use the PSD service, the CFO advised that the College can and the issue is more around value for money and speed of service, he asked members to note that it is currently anticipated by 24th May the handover will have been completed.
- R086: Maintaining current levels of Higher Education provision-The CFO informed members that HE remains a challenge for the College and the Sector as a whole. He advised that the College are pursuing applications for new foundation degrees with Queen's University and the Open University.
- The DfE review of HE in FE has commenced with a focus on defining the purpose and features of level 4 & 5 HE in FE. This is the first strand of eight contained in the review and will be completed by the end of March.
- The Principal advised that the application with Open University is progressing and by the end of 21/22 academic year students will be able to register for courses for the following year. Therefore, when the DfE review is completed, the College will have these foundation degrees in place.
- R083: Delivering the NIFE STS Project. The CFO advised that the programme has been extended to late 2021 and provided a brief overview of each strand. He advised that the overall summary is that good progress has been made in each strand, but that there remain a number of significant issues and that the work is very time consuming.

- R075: Managing the College's Sickness Absence-The CFO advised that the Absence rate year to Date (31 January 2021) remains below the 3.0% target at 2.51%, 1.16% less than for same period last year. He asked members to note that it has still been classified as amber as sickness rates can have a big impact across the College.
- The Chair noted that the Chief Human Resources Officer and his team have good measures in place to tackle the absence rate and the trajectory of the numbers is very positive.
- Mr Stewart enquired if the risks stay on the Strategic register depending on a score or if certain areas stay on the register no matter what. The CFO advised that it is based on a scoring matrix which takes into account potential impact and likelihood. In reality this means the answer is "a little bit of both", for example the scale of the potential impact of the financial viability risk means that it will effectively never drop down from a strategic to an operational level. However, risks are not considered permanent at a strategic level and some are removed over time, with the risk management team actively review the risks frequently. For example, he advised that the risk regarding TFS which is relatively new is timebound and so he does not expect that to stay on the register for a great deal of time.
- R089: Coronavirus Pandemic-The CFO advised this remains a red risk. The College had been hopeful to have a return of students on 12th April, however as the NI Executive are not meeting until 15th April to review the current restrictions this will not be possible. The CFO highlighted that the financial impact of the pandemic is £1.9m with the largest of this spend last year and £0.7m in 2020/21.
- In response to question from the Chair the CFO confirmed that financially there has been a sizeable investment in IT kit to continue to expand home working for staff and delivery of blended learning. He added that NIFON have begun working on 21/22 financial planning and analysis on different scenarios to inform DfE and help ensure additional funding is in place if it is required.
- The Principal discussed some potential 21/22 financial pressures linked to the pandemic and informed members that, for example, there are 3,500 students across the Sector at risk of not completing their qualifications and there are 600 students from other Colleges outstanding from last year. He advised the committee that SERC worked into August and September last year to get students through and will take a similar approach this year, thereby incurring additional delivery costs.
- R090: Managing the qualification adaptations for the 20/21 academic year-The CFO advised that this remains a red risk and The Director of C&IS will provide a more detailed update under his report at agenda item 5b.
- R091: TfS – Move from supplier relief to new TfS Operational Requirements-The CFO advised members that this is a recent risk and is in relation to the operational requirements of the programme. It has been categorised as a red risk as the administrative requirements of the programme are not appropriate in the context of the pandemic.

- The Principal highlighted that the Sector response (to DfE's response dated 26 January) had gone through the Principal's group for comment, and it was expected to be submitted to DfE after the Easter holiday break.
- The Chair enquired if more detail could be given to the committee on the reported data breach outlined in the report. The CFO informed the committee this was in relation to an outdated email address, it had been reported to the ICO and they advised no further action was required, however, they recommended implementing some good practise recommendations including a monthly review of these records.
- The Temporary Chair enquired if consideration had been given to the risks around the industrial action taken by lecturing staff in March. The CFO confirmed this will be included on the register and he was awaiting the result of the ballot before formally writing the risk up.

b) Operational Risk Reports

c) Update on qualifications, specifically communications strategy.

The Director of C&IS began his presentation by outlining the risk around Managing Qualification adaptations for 2021. He stressed that the impact on students and the College could be extremely severe as this is the College's core business. He advised members that whilst it is a very complex problem the College is facing it has been made more difficult by the lack of clarity around appeals and there has been no clear guidance from the awarding organisations, of which the College deals with 39.

The Director moved on to provide an explanation of how the College is managing the risk, he asked members to note that around 50-60% will be assessed and there is a high risk of students not completing which will have a financial impact on the College. He reiterated that staff had come into work last August to complete qualifications, after the Easter break there are only 4 weeks left to assess which leaves very little time to complete practical's and so it is likely staff will be working through the Summer again to get students across the line.

In terms of communications, the Director advised that the College has been proactive, and it is crucial to continue to communicate with students to provide them with guidance and certainty.

The Chair thanked the Director for the update and noted that this is most frustrating as it was predicted to happen.

The Principal asked members to note that awarding organisations are also working under the assumption that Colleges have returned to normal as the restrictions have been lifted in England to allow a return for students, this has led to a lack of understanding that adaptations are still required in Northern Ireland.

The Director advised that he has met with the FE Director and Jim Wilkinson and raised these issues especially around the completion of practical assessments, they understand that this is a huge crisis for the Sector. He advised that communication with students on what the threshold needs to be met for appeals is essential, he stressed that the Sector cannot afford to wait another 3-4 weeks on awarding organisations issuing this as too many students will be lost. The College also wants to avoid a situation where students are challenging teachers on their grades and questioning their professional judgement as this will ultimately create a very stressful situation for staff.

Mrs O'Hare stated that from a Governance perspective she was reassured by what has been reported. She noted that the College has been tracking students and gathering evidence throughout the year and she believed this approach by the College is correct and the risk is being reduced appropriately.

The Director provided the committee with an overview of how withdrawals are managed and advised that a task force has been created to look at issues around engagement, some of which are students reporting they do not have a quiet place at home to work and are missing the social aspect of being in the College. At the recent Know and Show staff have demonstrated that they are continuing to adapt to blended learning and striving to introduce new approaches to keep students engaged.

The Chair thanked the Director for the update and noted he took assurance from the number of measures in place.

Action Point: The Chair requested if the committee could continue to receive an update on operational risks relating specifically to Covid.

d) IT Resilience Statement

The Chief Technology Officer asked members to note the written report provided and highlighted that there has been an increase recently in cyber security incidents notably in Queen's University in February and in SWC, who informed the Sector on 17th March they had suffered an attack involving ransomware. The CTO advised that the incident at SWC has raised issues around information sharing in the Sector as SWC will not release any information on the attack as they have a non-disclosure agreement in place with their insurance company. The

CTO advised that in terms of insurance policies the legalities will need to be checked before the Sector can freely share information, but he is hopeful SWC can provide some information at the next Sector meeting. The CFO pointed out that the Colleges have a sector wide policy and that confidentiality clauses should not be an issue between Colleges – he will raise this point with the sector’s insurance broker.

The Temporary Chair enquired if the Department has a role in terms of guidance to the types of insurance contracts the Sector are able to procure in terms of Cyber Security. The Principal advised they are aware of the issues relating to cyber security insurance. The CFO added that NIFON are currently completing an updated business case for insurance for the Sector, and that this would be included in requirements.

Action Point: The committee requested an update in June as to whether information has been shared across the Sector on cyber security incidents

e) DfE update on CDP & budgeting timetable 2021/22

The CFO asked members to note the enclosed correspondence which advises the College an indicative Resource Allocation will be given in April and a final Allocation issued in October. The CFO advised this would be working to the same timelines as the previous year and confirmed that there the initial allocation should provide enough information to allow a baseline Budget build.

f) NFI update

The Chair directed members to the enclosed NFI update. The CFO advised that the committee could take assurance from the progress being made and the fact that all milestones are well within the set deadlines.

Mr Stewart asked the CFO how the 8 high risks compared to previous years; the CFO advised that the high risks are always within single figures. When the College first began the NFI exercise all matches were investigated and the NFI advised that this was not necessary and made a change to the classification, therefore, only high risks are now investigated based on this recommendation.

6.	<p>Policies for Approval:</p> <p>There are no policies for approval.</p>
7.	<p>Internal Audit:</p> <p>a) Health and Safety Report</p>

On the invitation of the Chair Mr McCartney presented an overview of the recent internal audit report on Health and Safety. He advised the report received a satisfactory assurance rating with 4 low priority recommendations and provided a brief overview of the recommendations. In response to a query from the Chair, Mr McCartney advised that 2 staff from 900 had not completed the mandatory training on the pandemic and whilst it was proportionally a small number it had been noted, but it was an issue that could be quickly rectified. The Chair noted that an update would be provided by management at the next committee on the outstanding training.

b) Business Continuity Management Report

Mr McCartney advised the report received a satisfactory assurance rating with 2 medium and 2 low priority recommendations. The Chair enquired if the Business Impact Analysis referred to was absent completely. Mr McCartney confirmed that a business impact analysis had not been done or documented to support the BCP, he agreed that May 2021 was a reasonable timeframe in which to complete this exercise.

The CFO confirmed that he had discussed the recommendations with Mr McCartney and agreed the timeframes, he highlighted that both medium recommendations follow a common theme and were more around formalising and documenting work already complete -they have been taken as a priority by the CTO.

In response to a further query from the Chair the CFO outlined the process in which a response to a major incident is completed. He advised that the pandemic is classed as a major incident beginning in March 2020; and that there are two phases to any incident which -the incident and then the recovery phase. He advised that the College is still in the recovery phase, which began in September 2020, and that when this phase is complete it will enable the lessons learned to be written up formally. The CFO advised that this phase would end in July 2021 and an action plan will then be drawn up. The Chair enquired what “regular” testing is defined as - Mr McCartney advised that one per annum is sufficient.

c) Internal Audit Progress Report

Mr McCartney asked members to note the progress report and advised that the work is all on schedule.

d) Enhancing the control framework in education

The committee noted the enclosed report. The Chair noted that it was interesting to note the differential between HE and FE in this report.

e) Virtual Board and Committee Meetings

	<p>The committee noted the enclosed report.</p> <p>Action Point: The Enhancing the control framework in education report will be circulated again to members when the internal audit plan for 2021/22 is being drawn up</p>
8.	<p>Summary of Actions taken in Response to External & Internal Audit recommendations – For Noting:</p> <p>The CFO advised that all recommendations have now been completed and asked members to note the written report. He highlighted that the Governing Body have approved the two policies and that they are now operational.</p>
9.	<p>Fraud Update – For Information:</p> <p>a) Fraud Report March 2021</p> <p>The CFO asked members to note the report and confirmed there are no live fraud cases.</p> <p>b) Procurement Update Report</p> <p>The CFO directed members to the report and asked them to note that as discussed in the previous meeting a section has been included on procurement risk and how it is mitigated, the report has also been presented to the Finance and General Purposes Committee for review.</p> <p>Mr Stewart advised he found the report very useful and enquired in terms of value for money if there are more opportunities for Sector wide contracts. The CFO advised that Sector contracts are sought where it is appropriate, however that is not always the case – for example, some Colleges may be in contract and therefore cannot procure at the same time as others; or they may have different requirements for their contracts.</p> <p>The Chair enquired if a Sector contract ensures it is always better value. The CFO advised that this is not always the case as a specific requirement by one College may push the cost up in a contract overall, for example a mobile phone contract needs to ensure good overall signal coverage, and this will not work across the NIFE Sector because of the geographical spread. He advised that there is a lot of consideration given to procurement and the best option for the College is sought.</p>
10.	<p>Any Other Business:</p> <p>No further items of business were raised.</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, 16th June 2021 at 17:30, via Microsoft Teams Videoconference.</p>
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The Chair declared the meeting closed at 7.57pm