

SOUTH EASTERN REGIONAL COLLEGE

**Minutes of a Meeting of the Audit Committee of the Governing Body (the "Committee")
held on Wednesday 10th November 2021 at 17:30, via Microsoft Teams Videoconference**

1.

Chair's Business:

a) Attendance and Apologies:

Present: Mr John Mackell Items 2-10 and 5D only, Mrs Karen Fraser, Mr James Lee, Mr Mark Huddleston, Mr Darren Stewart, Mrs Deborah O'Hare, Ms Gemma Diamond, Mr Steve Pollard, Mr Sam Hagen

In Attendance: Mr Gareth Hetherington (Temporary Chair of the Governing Body), Mr Tommy Martin (Chief Finance Officer) (the "CFO"), Mr Paul Smyth (Chief Human Resources Officer) (the "CHRO") Items 6-10 only, 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") Items 1 and 5D only, Mr Ian McCartney (RSM) Ms Heather Sampson (DfE), Ms Karen Beattie (NIAO)

Apologies: None

The Secretary advised members that Mr Mackell would be late to the meeting and asked Mrs Fraser to chair the meeting, as Vice Chair, until his arrival.

In the Chair: Mr Mackell (Items 2-10), Mrs Karen Fraser (Items 1 and 5D)

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. No conflicts were declared.

c) Minutes of the meeting held on 15th September 2021:

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 15th September 2021

Proposed by: Mark Huddleston

Seconded by: James Lee

d) Matters Arising:

The Vice Chair asked members to note there are no outstanding actions from the previous meeting.

e) Gifts and Hospitality Register

The Secretary advised that the register and the related policy was enclosed for information, there were no items completed on the register from any member of the Governing Body for the year 2020/21.

f) Audit Committee Annual Report 2020/21

The Vice Chair asked members to review and approve the annual report and invited members for comment before the report was signed off. The Temporary Chair advised he had informed the Secretary by email that his attendance needed to be amended to reflect his absence at the September 2020 meeting was because the committee had requested that he does not one meeting per annum and therefore his attendance should be recorded as eligible to attend 4 meetings.

Agreed: The Committee reviewed and approved the Audit Committee Annual Report 2020/21 subject to the discussed amendment being made; the report will be recommended to the Governing Body for adoption

Proposer: Deborah O'Hare

Seconder: Darren Stewart

2. Correspondence:

a) NIAO Grant Fraud Risk Guide

The CFO asked members to note the enclosed guidance and advised members there was an increased risk of fraud during the pandemic to organisations issuing grants, the CFO confirmed the College does not issue any grants.

3. Items For Approval:

a) Annual Report & Financial Statements including Governance Statement

The CFO reminded members that they had reviewed the Annual Report and Financial Statements in September, at that time the CFO had provided a detailed overview of the financial performance and an overview of the

control framework. He advised that there are no audit changes to highlight to the committee and with the exception of a few minor narrative changes the document remains unchanged. The CFO asked for approval subject to any amendments being made between this meeting and the Governing Body meeting on 22nd November, for example in relation to the pension disclosure item. The Chair confirmed the committee would provide interim approval until final sign off by the Governing Body on 22nd November.

Agreed: The committee reviewed and approved the Annual Report and Financial Statements for the Year ended July 2021 subject to the minor amendment required on the pension narrative (as highlighted to the committee) and recommended them to the Governing Body for adoption

Proposer: Karen Fraser

Seconder: Darren Stewart

4. External Audit: For Information

This item was taken ahead of item 3 to approve the Annual Report and Financial Statements in the running of the agenda.

a) Report to Those Charged with Governance

Ms Beattie, NIAO Representative, addressed the meeting and presented the report to the committee. She advised that the report was proposing an unqualified audit opinion with no modification. At this juncture she invited Mr Parr, PWC representative, to provide members with an overview of the audit that had been conducted.

Mr Parr highlighted that during the audit no priority 1 recommendations were found, he highlighted that there are no uncorrected misstatements. In terms of the significant risks identified in the audit strategy, they have been tested and nothing was found in the audit.

In response to a query from Ms Beattie regarding the adjustments, Mr Parr advised that there is one outstanding item on pensions and so Ms Beattie suggested that approval is given by the committee subject to this minor amendment being made.

The Chair thanked NIAO and PWC for their work on the audit and commended the finance team on a very satisfactory result. Mr Hagen commented that this was the first time in his audit career that he has seen an audit report without any recommendations and noted it was a very positive outcome.

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:

- R074: Managing the Financial Viability of the College-The CFO provided an update on the period 2 management accounts, he advised that the IMPMS meeting in mid-October had factored in a number of forecast updates. The CFO highlighted the £42,569k forecasted Resource Requirement outcome at this stage of the year is £228k negative against the originally budgeted Resource Requirement, it is only £103k negative when compared to SERC's Resource Budget Allocation as updated by DfE on 30th September.
- He went on to advise members that in terms of the Covid bid submitted to the Department the funding has not been allocated yet, but discussions were coming to an end, the total Sector bid is for £8.5m and the Department have advised that £9m has been secured and so there is little risk of the individual college bids not being fully met. The CFO advised that when the funding is received the £1.6m pressure will be removed.
- The CFO informed the committee that an estimated "easement" of approximately £1.5m is the result of actual enrolments (and therefore overall delivery costs) on the new Traineeship programmes being significantly lower than originally envisaged. He added that a number of individuals who had originally applied to be on the programme had since secured employment and so had transferred to the Apprentice NI programme instead. The Department are seeking to adjust the block grant money to balance this easement. He advised that in advance of this actual adjustment the College have gone through the forecasts and cut out expenditure that won't happen due to the lower enrolment figures.
- R086: Maintaining current levels of Higher Education provision-The CFO advised this risk remains red, he advised that the College have been putting additional effort into marketing to try to address the low enrolment figures.
- R083: Delivering the NIFE STS Project- The CFO reminded members that this risk was red during the last reporting period due to the significant performance issues with the EBS system, however as they have largely been rectified, due in no small part to the Chief Technology Officer's efforts, this has been downgraded to amber.
- R075: Managing the College's Sickness Absence-Members noted that sickness rates remain low and will continued to be monitored.
- R089: Coronavirus Pandemic- The CFO advised this risk remains red however the estimated financial pressure has decreased from £1.9m to £1.6m over the last few months. He advised that the College had been unsuccessful in some of the additional funding proposals in the business case for the 'Lost Learning' piece, however, to mitigate this £100k has been cut from the forecasts and staffing proposals have been amended accordingly.

- R090: Managing the qualification adaptations for the 20/21 academic year-Awarding Organisations have advised the Sector to assume that it is business as usual for this year, however there may be some disruption to some cohorts depending on how the pandemic progresses over the Winter months.
- R091: TfS – Move from supplier relief to new TfS Operational Requirements- The CFO advised there has been no response from DfE on the request to use E-registers, he highlighted that they are used for other funded programmes, however the Department want to use a hard copy.
- R092: Managing the Impact of Industrial Action-The CFO advised that there has been no significant impact on the College as action short of strike continues, the College will continue to monitor this.
- R093: Cyber Threat-The CFO highlighted the recommendations from SWC Post incident Report in relation to their March 2021 Ransomware Incident. Out of the 8 recommendations, 7 were already in place at SERC and in some cases, SERC had gone further. He confirmed that procurement for penetration testing would be complete by mid-November.

The Chair thanked the CFO for the overview of the report and enquired how confident the CFO was in receiving the full allocation of the Covid bid? The CFO advised that confirmation on the allocation is imminent, and the Department had attended the recent NIFON meeting and talked at length with the Sector on the progress of the bids. They have advised they have secured £9m for the Sector against the colleges' total bids of £8.5m, but that they are unable to confirm individual college allocations in writing at this time.

In response to a further question from the Chair regarding generating income remotely the CFO advised that income has decreased and is factored into the £1.6m Covid pressure. He added the College has been very successful in a lot of remote delivery.

The Chair asked the CFO what the issue is in the use of E-registers for the TFS programme. The CFO explained the Department believe there is not enough detail of attendance records in these registers required for Trainee "payroll", i.e., the processing of trainee allowances. In a brief discussion the Chair enquired if Ms Sampson could feed back the committee's concerns around this issue to the relevant officials within DfE and to highlight the impact this risk has on the College. The Principal advised that this matter has been raised with the FE Director and a solution is still being actively pursued.

Mr Huddleston enquired if this issue is going to transfer over to traineeships? The Principal advised that it is a diminishing issue as the number of TFS students declines, he confirmed that it will not be an issue in the coming months.

In response to a query from the Temporary Chair the CFO advised that the impact to the College on this matter could be quite substantial and that is why it has been graded as a red risk and he is unable to put an accurate quantum or number on it.

In a brief discussion the Chair highlighted the benefits of a sector risk plan and noted that NIFON have previously conducted a shared exercise in the past although this has not been for some time. Ms Sampson confirmed that the Department reviews individual risk registers, and a sector approach is something which may be considered at the upcoming risk workshop.

Action Point: The Chair requested Ms Sampson to feedback the committee's concerns around the impact on the College when they are unable to use E-Registers for the TFS programme

b) Operational Risk Reports

On the invitation of the Chair the CFO presented a high-level summary of operational risks within his directorate in the areas of finance and estates. The CFO gave an overview of 3 risks within each of these areas, the impacts of the risks, how they were being managed and actions taken to date.

In relation to the risk relating to staffing issues within the finance department the Chair enquired if competition from the private sector was at the crux of the issue. The CFO advised that the Sector does struggle to compete, and it has been difficult to attract suitable candidates to apply for vacancies. The CFO highlighted the Tribal report concluded that SERC was very efficient in its operations and incredibly lean, however this also means that if one key member of the team is unavailable there is no cover, and it becomes a substantial issue.

The Chair enquired if the new framework was working well after moving away from using Properties Services Division. The CFO confirmed it is working very well, he advised that the College can now ensure the condition surveys (that had generated 5-year spending plans) that were carried out can go further than just the highest priority compliance areas, the budget to do this has therefore been increased this year.

Ms Beattie highlighted that there are issues across both the public and private sector in retaining finance staff, she noted that opportunities in data analytics had motivated many to move on. The Principal advised that the issue of training staff and then they move on to another opportunity is not limited to finance as the College have also experienced this in the Careers department. Mr Stewart suggested that a 3-month notice period may

give the College some more stability when a staff member decides to move on, the CFO advised that he is actively discussing this with HR to ensure there is not a big gap in filling vacancies.

The Chair concluded the discussion by commending the finance staff once again for delivering a positive governance report when working under pressure, he noted that it was an excellent performance.

c) Direct Award Contracts 2020/21

The CFO asked the committee to report the report that details contracts that are awarded without competition. The committee noted that the 6 contracts in the report are all software related.

d) IT Resilience Statement

This item was taken immediately after agenda item 1 in the running of the agenda.

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 during the most recent security exercise carried out in November there were 2 low risk responses from Governing Body members, 131 staff were low risk with 55 submitting passwords. The Director advised that a sample of around 14k students was taken and there was a low-risk response of 85 which was very encouraging.
- In terms of next steps, the Director advised the Chief Technology Officer will speak to the members of the Governing Body and E-Safety training will be provided to staff again, further training will be given to staff members that provided their password.
- Members were reminded of the ransomware incident that took place at SWC in March, SWC have issued a confidential report to the Sector to share the lessons learned. The College has reviewed recommendations from it in relation to the incident and out of 8 recommendations, 7 were already in place at SERC and in some cases, SERC had gone further.
- The recommendation that was not accepted by SWC relates to the creation of multiple sites based Active Directory domains. This recommendation is impractical for an education environment. Having discussed this matter directly with SWC, both SERC & SWC agree on this point. Both colleges agree that greater network segmentation is a better alternative and have or will be implementing this change. SERC has however gone a step further by implementing 802.1x authentication to provide further separation of concerns and to deny access to unauthorised devices.

- The Principal added that in terms of the recent performance issues reported to the committee in September regarding the EBS system, he wanted to record the significant part that the Chief Technology Officer and his team played in resolving these issues for the entire Sector.

At this juncture Mr Mackell joined the meeting and Chaired the meeting from this point.

Mr Mackell thanked the Director for the update and noted the importance of the Security exercise.

At this juncture the Director of C&IS left the meeting.

6. Policies for Approval: Raising Concerns Policy

At this juncture the CHRO joined the meeting.

The CHRO presented the policy to members, he highlighted the two fundamental changes within the policy. He advised firstly that the title has been changed and there is a purposeful move away from the terminology 'whistleblowing' to Raising Concerns, the policy had been widened out to include complaints from non-employees. The second substantial change is a separate policy and procedure has been developed, this is in line with guidance from the Department and best practice from the NIAO.

The Chair asked the CHRO where this policy will live in terms of how it is accessed, the CHRO confirmed that the policy will be published on the website for the public and on the Learning Engine app for staff. He further advised that the policy can be provided to members of the public in a hard copy if they do not have internet access and a concern can also be received in any form. He explained that once a concern is raised the College will assess the appropriate policy to use to address the concern, the individual will be informed of this decision along with the timeframes that will be used to investigate the concern. The CHRO advised if a concern is raised orally staff will seek to document it.

In response to a query from the Chair the CHRO advised that other Colleges in the Sector are moving to this model as it is driven by the most recent guidance from the Department and NIAO.

The Chair noted that the policy demonstrates solid language which is easy for the user to understand and that it will be reviewed annually or sooner if required.

Agreed: The Committee reviewed and approved the Raising Concerns Policy and recommended it to the Governing Body for adoption

Proposer: Deborah O’Hare

Seconder: Sam Hagen

7. Internal Audit:

a) Risk Management Review Report

On the invitation of the Chair Mr McCartney presented the report to the committee, he advised that a satisfactory assurance was given with some minor recommendations to further develop risk within the College. The Chair highlighted that one of the recommendations was to ensure there was a more consistent approach in how operational risks are presented to the committee.

The CFO noted that it will be useful for budget holders if they are given a clean template to use. The Chair advised that this committee views the operational risk reports as a “luxury” (in that they contain operational rather than strategic detail) and not something that require t be scrutinised in a lot of detail. He noted that they are especially useful for new governors to quickly grasp an understanding of the College.

b) Covid-19 Student Funding initiatives Report

Mr McCartney advised the report that the report received a satisfactory rating with no recommendations, SERC was the only College in the Sector to receive no recommendations.

c) Internal Audit Progress Report

Mr McCartney directed members to the report and highlighted Appendix B that sets out other matters, confirms there have been no changes to the plan, confirms that post assignment surveys are conducted and that RSM are committed to quality assurance. The Chair noted that the plan remains fluid and advised it is useful to receive lessons learned in other areas as internal audit is the cornerstone of the committee, he concluded by asking Mr McCartney to pass on the committees thanks to his colleagues in RSM for their work so far.

8. Summary of Actions taken in Response to External & Internal Audit recommendations (enc) – For Noting:

The CFO directed members to the summary and advised that there are 2 outstanding actions, 1 of which is low priority relating to the testing schedule of the BCP, this point will be in progress until the follow up review. The other is a medium priority from the Cyber security report relating to penetration testing, procurement will be complete in November and the testing is scheduled for December.

The Chair noted that receiving these updates is important for the committee so that members are aware the audit recommendations are put into practice.

9. Fraud Update – For Information:

a) Fraud Report November 2021

	<p>The CFO asked members to note the report and advised there are no current live cases of fraud in the College.</p>
<p>10.</p>	<p>Any Other Business:</p> <p>No other business was discussed.</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, 19th January 2021 at 17:30, location TBC</p>

The Chair declared the meeting closed at 7.20pm