

## SOUTH EASTERN REGIONAL COLLEGE

Minutes of a Meeting of the Audit Committee of the Governing Body (the “Committee”)

held on Monday 12<sup>th</sup> June 2023 at 17:30, in Meeting Room D Floor, Lisburn Campus and via Microsoft Teams Videoconference

### 1. Chairs Business

#### Attendance and apologies

Present: Mr John Mackell, Mr Mark Huddleston, Mrs Deborah O’Hare, Mr Samuel Hagen, Ms Sophie Leigh-Francis

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), Mr Adam Jarman (NIAO Representative) Via Teams, Mrs Heather McKee (Director of Strategic, Planning, Quality & Support) Item 4 only

Apologies: Ms Wilma Fee, Mrs Carolyn King, Mr Darren Stewart and Mrs Karen Fraser

In the Chair: Mr Hagen

#### Declarations of Conflict of Interests

The following conflict were declared:

- 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.

## Minutes of the meeting held on 19th April 2023

The minutes from the previous meeting were reviewed and members agreed they were a true and accurate reflection of the meeting.

**Proposer:** John Mackell

**Seconder:** Deborah O'Hare

### a) Action Points from the meeting held on 19th April 2023

The Chair highlighted the actions were complete with the exception of the point to review the term used for Raising Concerns across the College.

## Review of Committee Terms of Reference

The Secretary advised that no further feedback had been received on the terms of reference. The Chair advised the terms of reference will continue to be reviewed annually and asked members to advise the Secretary throughout the year if they feel a change is required.

**Agreed:** The Audit Committee terms of reference were thereby agreed on the proposal of John Mackell and seconded by Deborah O'Hare.

## 2) Correspondence

### a) Updated Risk Assessment

Members noted the enclosed correspondence. The Chair of the Governing Body advised that the CFO had previously done some work on the risk assessment that relates to the emerging partnership agreement, this correspondence has been updated and reissued.

### b) DoF Annual Theft & Fraud Report 2020-21

The CFO directed members to the report and advised firstly the report had been delayed because of the pandemic. He highlighted that overall fraud activity had decreased and he drew attention to the lessons learned set out in the report, highlighting that the College pursues these objectives across the organisation.

## 3) External Audit

On the invitation of the Chair, Mr Jarman presented the External Audit Strategy to members the following points were highlighted:

- Mr Jarman began by advising that overall account materiality was set at £1,305,040 and the following risks which have the most significant impact on our audit approach:
  1. Management override of controls
  2. Fraud in revenue recognition.

- The estimated fee for the audit is £34,000.
- In terms of risk, Mr Jarman highlighted that NIAO are aware of the risks associated with the TAMS system to the sector and the issues have been managed by manual work arounds, but the impact has been significant in terms of projections and incomes.
- In concluding the outline of the strategy Mr Jarman advised of the proposed timetable and advised that Patrick Barr from NIAO will be responsible for the overall audit.
- In response to a question from the Chair Mr Jarman advised that the increased fee this year relates to a change in auditing standards. He further advised the fee is based on the expectation of how long the audit will take to complete and there is no profit in it. The CFO added the College does not receive additional funding to cover the fee increase.
- The Chair noted the actions for the committee set out on page 3 of the strategy and confirmed that members receive assurance at each meeting in terms of fraud reporting and were content with the TAMS risk forming part of the audit.

**Agreed:** The Committee reviewed and approved the External Audit Strategy 2022-23 on the proposal of Deborah O'Hare and Seconded by John Mackell.

## 4) Items for Information

### A) Operational Risk Report

The Director of Strategic Planning, Quality and Support presented a high-level summary of operational risks across her directorates the following points were noted:

- The Director provided an overview of 5 risks across various departments, she highlighted the risk to student resilience and retention with the reduction of staff in the Students Union and the possible disruption to enrolment days due to industrial action.
- Members noted that the reduction in budget has impacted the marketing department and how they can promote the College. This risk is being managed through various means such as ensuring value for money, maximising advertising in enrolment periods and making the most use out of digital activity in house.
- In response to a member's question about the reduction of staff in the Students Union the Director advised that there had been two full time staff and 2 interns in the department. However, one full time staff member left as well as an intern and with the cessation of the intern programme that has left only one full time member in the department.
- She added that this will have an impact on service delivery as there will be a significant reduction of activity on each campus, with activities having to be rotated.
- On the invitation of the Chair, the student governor commented that it will also be hard to recruit student reps and so we may begin to see a decline in student involvement with the SU. She added that the good support offered to students attracts people to the College and so the decline in services may impact on enrolments.

## B) Strategic Risk Management Report

### C) IT Resilience Statement

At this juncture the Chair advised he would take items 4a and 4b together so that the committee could have a detailed discussion on the risk around cyber threat.

The Chief Technology Officer talked to the written report and gave an update to provide members with assurances in relation to the College security systems and information. The CTO advised members that recent security exercises had been undertaken and the security benchmarks had maintained the same rate. The CTO advised a secure score is 80-83, the College has a very comfortable score of 82, and benchmarked against other organisations at 52 this is a very reasonable score. In response to a question the CTO advised that this would need to become a recurring cost, he is trying to bring costs down by spreading it across the 6 colleges, so that there is a more thorough and knowledgeable service across the sector.

The CTO moved onto advise that the risk on cyber security has been elevated to a red risk on the strategic risk register, this is primarily due to the age of some of the IT equipment and the financial constraints the College is currently under meaning that equipment simply cannot currently be replaced. The CTO added that there is a real concern that Microsoft's October 2025 Windows update will leave many of SERC's PCs with no support. There are currently approximately 2000 PC's that need to be replaced in the next 3 financial years, and these cannot be purchased via capital funding.

The Chair commented that the escalation of this risk demonstrates the importance of this report being presented to the committee and that there is a fair degree of assurance taken from it, he questioned if the risk would be downgraded if the finances were available. The CTO replied that cyber will always be a risk to any organisation, but this risk is currently weighed by the finances in the College. The CFO agreed that the risk was raised because the College does not have the level of finances to sustain the required investment.

The Chair enquired if it was worth liaising with the Department to discuss the possibilities of categorising funding streams differently in terms of purchasing the equipment. The CFO advised that this had recently been discussed at NIFON however there is a risk that capital funding is re-categorised and then is no longer available. The CTO further added by re-categorising funding it may create issues in other areas and the inflationary rise in equipment cost also needs to be considered.

**Action:** The CTO agreed to include a measurement of time in the incidents set out in appendix 1 of the IT resilience statement

## 5) Policies

The CFO advised members that a review of the financial policies had been undertaken and that the risk management policy had been Updated to elaborate on SERC's "Risk Appetite". It now includes risk appetite description for the three categories of risk other than overall corporate governance:

- Students
- Staff
- Financial

Agreed: The Risk Management Policy was approved and recommended to the Governing Body for adoption, proposed by Mark Huddleston and seconded by Deborah O'Hare

## 6) Internal Audit

### A) Internal Audit Progress Report

The committee noted the progress report and that there are no systematic themes or weaknesses identified across the reports so far. The committee commended the CMT, and all staff involved in the reports for an excellent result across the year. The Chair highlighted that the progress report demonstrates that all the controls are working well.

### B) Using your Strategic Risk Appetite

Members were asked to note the report for information.

## 7) Summary of Actions taken in Response to External & Internal Audit recommendations

The CFO advised that the outstanding recommendation from 21/22 in relation to procurement had now been closed off. Members noted that the recommendations from 22/23 are progressing well with no issues to report.

## 8) Fraud Update

Members noted that the investigation report on suspected fraud (concerning a students qualification achievements) was just completed and would be shared with the committee once the quality assurance process had been completed.

## 9) Any other business

No other business was discussed.

## 10) Confidential

A separate note was taken for this item.

**The Chair declared the meeting closed at 7.18pm**

