

SOUTH WEST COLLEGE GOVERNING BODY

Minutes of a meeting of the **Audit & Risk Committee**
held on Wednesday 19 May 2021 at 3:35 pm
via Microsoft Teams

PRESENT:

Mr Peter Archdale
Mrs Siobhan Breen
Mrs Patricia McCaffrey (Chair)
Mrs Monica McGeary
Mrs Joanne Moore
Mr Michael Skuce

IN ATTENDANCE:

Ms Karen Beattie, NI Audit Office
Dr Jill Cush, Deputy Chief Executive
Mr Donal Dorrian, PwC
Mrs Joanne Lucas, Risk & Compliance Officer
Mr Michael McAlister, Chief Executive
Mr Barry McCarron, Senior Business Development Officer (*Item 11.2 only*)
Mr Ian McCartney, RSM
Mrs Fiona McCauley, Secretary to the Governing Body
Mr Pdraig McNamee, Head of Faculty (Automotive, Computing & Engineering) (*Item 11.1 only*)
Mr Sean O'Donnell, Head of Finance
Mrs Nicola Quinn, Business Development Support Officer (*Item 11.2 only*)
Ms Heather Sampson, DfE

1.0 APOLOGIES

An apology was tendered on behalf of Dr O'Shiel, Chair of the Governing Body.

2.0 CONFLICT OF INTEREST DECLARATIONS

No conflict of interest declarations were made.

3.0 MATTERS ARISING FROM MINUTES OF PREVIOUS MEETING

PREVIOUSLY ISSUED to all members:

- Paper 03 Minutes of the Audit & Risk Committee meeting held on Wednesday 10 February 2021.

There were no matters arising from the minutes.

4.0 INTERNAL AUDIT

PREVIOUSLY ISSUED to all members:

- Paper 04.01 Internal Audit Progress Report
- Paper 04.02 Enhancing the Control Framework in Education
- Paper 04.03 Review of Student Engagement.

4.1 Internal Audit Progress Report

With reference to paper 04.01 Mr McCartney explained that four reviews had been completed in the 2020/21 year to date including the review of Student Engagement which had been completed since the previous committee meeting and would be presented forthwith. He noted that a number of low and medium priority recommendations had been made as a result of these reviews and that no matters of concern had been identified. He advised that a report on the review of Appeals & Complaints is in draft form and that the final report would be presented to the Committee at its September 2021 meeting along with the Annual Assurance Statement and the review of the progress of outstanding recommendations.

In response to a query from the Committee Chair, Mr McCartney explained that management response on the recommendations made following the review of Appeals & Complaints is awaited and that this has impacted on the follow-up review of recommendations made in year. Mrs Lucas commented on management's dissatisfaction with the recommendations made in the draft report and noted the work ongoing with RSM to resolve the matter.

4.2 Review of Student Engagement

Mr McCartney provided an overview of the three recommendations made following the review of Student Engagement and drew attention to the satisfactory assurance rating awarded.

Members queried the scale of responses to student surveys and the effectiveness of the mechanisms for addressing the feedback received. Mr McCartney, supported by Dr Cush, quantified the response rate to the Higher Education National Student Survey and other surveys and noted that target response rates are consistently achieved. Mr McCartney provided assurances that mechanisms had been found to be in place to action student feedback and Mr McAlister confirmed the College's commitment to communicating survey results to students.

4.3 Enhancing the Control Framework in Education

Mr McCartney referenced the analysis report provided on high priority internal audit recommendations.

5.0 MANAGEMENT REPORT

PREVIOUSLY ISSUED to all members:

- Paper 06 Management Report
- Paper 06.01 Outstanding Recommendations
- Paper 06.02 Corporate Risk Register 2020/21
- Paper 06.03 Corporate Risk Register Review Report
- Paper 06.03b Response to Audit Committee Queries
- Paper 06.04 Direct Award Contracts
- Paper 06.05 Annual Corporate Risk Register Review Report
- Paper 06.06 Draft SWC Risk Appetite Statement
- Paper 06.07 Assurance Statement 2020/21 DfE Year End
- Paper 06.08 Data Protection Policy
- Paper 06.09 Data Protection Policy Summary
- Paper 06.10 Risk Management Policy
- Paper 06.11 Risk Management Procedure
- Paper 06.11b Risk Management Summary

- Paper 06.12 Access to Information Policy
- Paper 06.12b Access to Information Policy Summary
- Paper 06.13 Information Governance Policy
- Paper 06.13b Information Governance Policy Summary
- Paper 06.14 Conflict of Interest Policy
- Paper 06.15 Conflict of Interest Policy Summary
- Paper 06.16 Procurement Report 2021
- Paper 06.17 Appendix 1 – Supplier List.

5.1 Audit Recommendations Follow Up Review – Management Schedule

Ref: Management report section 1.0 and Paper 06.01

With reference to papers 06 and 06.01, Mrs Lucas provided an update on the progress of the three outstanding prior year recommendations as well as the ten recommendations made following in-year reviews.

5.2 Corporate Risk Register Review

Ref: Management Report section 2.0 and Papers 06.02 & 06.03

Mrs Lucas presented a detailed overview of movements in the Corporate Risk Register following a recent review noting that the risk related to Covid-19 remains the highest scoring, that the risk of failure to safeguard students and staff in the online learning environment has been identified as a new risk, that two risks related to cyber security have escalated in severity, that two have de-escalated in severity and that six risks have been removed.

5.3 Technical Services Data Security Report

Ref: Management Report section 3.0 and Paper 06.03b

Mrs Lucas took the Committee through the response received from Technical Services on the queries raised by members on password controls, the security arrangements associated with the dark web and advice provided to staff on safe remote working and use of personal devices for college activities.

At the invitation of the Committee Chair, Dr Cush then reported on the ransomware attack which occurred on 12th March 2021. She provided details of the initial detention and containment of the attack and explained that forensic, technical, legal and communications support had been provided through the College's cyber insurance policy and that the excess had been waived by the insurers due to the College's swift detection and decisive action. She identified the source of the incident and confirmed that no ransom had been paid. She outlined the steps taken by the multi-disciplinary team in the eradication, recovery and investigation of the attack. She provided assurance that no evidence of data exfiltration has been found following numerous searches, that teaching and communication systems have been unaffected and that no regulatory action is required from the Information Commissioner's Office. She advised that a Crisis Management Team was established which met daily in the weeks following the attack and that relevant governors, agencies and partner organisations had been informed and updated as required. She also commented on the progress of the restoration of systems as well as on the measures taken to enhance security in acknowledgement of the continuing risk posed by cyber attackers. She explained that a report had been produced by the risk consultancy involved and that this had been shared with DfE. She expressed her appreciation to the IT team as well as to all internal and external individuals involved in the response.

During the discussion which followed, it was acknowledged that the risk of further attacks remains high, that additional mitigations will be considered following review of the report produced by the risk consultancy and that lessons learnt from the IT incident will be shared with sectoral colleagues. Regarding the vacancy in the Cyber Security Officer role, the meeting was advised that the former postholder had left the College to pursue opportunities in industry and was aware of the confidentiality requirements relating to the IT incident. In relation to mitigations, it was suggested that the Cyber Security Training undertaken annually by staff is extended to students.

The Committee Chair paid tribute to the IT team for their swift and decisive action on detection of the attack as well as for their work in restoring systems. She also commented on the value of the cyber insurance and reflected on the Committee's role in advocating for this cover.

5.4 Annual Corporate Risk Register Review

Ref: Management Report Section 5.0 and Paper 06.02, 06.05 & 06.06

Referring to the draft Risk Appetite Statement, Mrs Lucas reminded the meeting that an overall risk appetite had previously been agreed and that a recommendation had been made for identification of risk appetite at a thematic level following an internal audit of the College's Risk Management Framework.

AGREED: that the Risk Appetite Statement presented be recommended to the Governing Body for approval.

5.5 Policy Review

Ref: Management Report Section 7.0 and Papers 06.08, 06.09, 06.10, 06.11, 06.11b, 06.12, 06.12b, 06.13, 06.13b, 06.14 & 06.15

AGREED: that the Data Protection Policy, Risk Management Policy, Access to Information Policy, Information Governance Policy and Conflict of Interest Policy be recommended to the Governing Body for approval.

5.6 Other Business

Ref: Management Report Section 4.0, 6.0, 8.0 & 9.0 and Papers 06.04, 06.07, 06.16 & 06.17

The updates provided in the Management Report and associated papers on Direct Award Contracts, the assurance statement provided to DfE at its year end, procurement and a data breach were taken as read and noted by the Committee.

6.0 RISK MANAGEMENT IN SOUTH WEST COLLEGE

PREVIOUSLY ISSUED to all members:

- Paper 08 High Level Overview of Risk Management in South West College.

With reference to paper 08, Mrs Lucas provided an overview of the College's risk management framework. She advised that potential threats to the attainment of objectives are considered at all levels with a view to identifying risks and added that the Corporate Risk Register is informed by departmental risk registers, audit reports, management discussion and external factors.

Mrs Lucas explained that that risks are scored using a 5 * 5 likelihood and impact matrix, that inherent risks scoring 15 or above are included in the Corporate Risk Register and

that risks are categorized in accordance with the Orange Book 2020. She reported that risk owners are identified and that mitigating actions are recorded and undertaken with a view to reducing the residual risk. She confirmed that risks are closely monitored at monthly Risk & Compliance meetings and reported to the Audit & Risk Committee and added that a dedicated corporate response is put in place to manage risks associated with major events as required.

7.0 EXTERNAL AUDIT

PREVIOUSLY ISSUED to all members:

- Paper 05.01 Strategy for Audit of 2020/21 Financial Statements
- Paper 05.02 Proposed Key Performance Indicators.

Ms Beattie explained that the audit of the College's 2020/21 financial statements would be undertaken remotely and cautioned that adherence to the timetable outlined may not be possible in these circumstances. At a later stage in the meeting she undertook to examine the possibility of bringing forward the issue of the draft Report to those Charged with Governance to allow time for its consideration by the Committee in advance of the November 2021 Audit & Risk Committee meeting.

Regarding the Covid-19 risk factor, Ms Beattie explained that colleges may be categorized as agents for DfE in administering the Covid Disruption Payments to students and noted the impact of this on the timing of the audit of this fund to align it with the audit of the financial statements of DfE.

Ms Beattie also drew the Committee's attention to the 'Actions for the Audit Committee' on page 2 of the strategy.

With reference to the strategy, Mr Dorian highlighted the materiality of £971k and the error reporting threshold of £48,550. He then detailed the audit action required for the two presumed significant risks as well as for the four risk factors identified.

In response to questions from the Committee Chair, Ms Beattie reported that government guidance is awaited on implications of the McCloud judgement and the PSNI Holiday Pay Claim and Mr O'Donnell advised that the advice of LPS will be taken in relation to the treatment of the Enniskillen Fairview campus.

Regarding the proposed key performance indicators for the external audit service, Ms Beattie noted the NIAO's agreement to aid expediency and suggested that a discussion on key performance indicators is held in advance of the 2021/22 audit.

AGREED: acceptance of the Strategy for the Audit of the 2020/21 Financial Statements and the proposed Key Performance Indicators.

8.0 RISK MANAGEMENT IN THE ERNE CAMPUS DEVELOPMENT

PREVIOUSLY ISSUED to all members:

- Paper 07 Erne Project Risk Briefing.

The update provided on Erne Campus risks was taken as read and noted by the Committee.

9.0 **FRAUD REPORT**

PREVIOUSLY ISSUED to all members:

- Paper 09 Fraud Report.

The Fraud Report was taken as read and noted by the Committee.

10.0 **RAISING A CONCERN REPORT**

PREVIOUSLY ISSUED to all members:

- Paper 10 Raising a Concern Report.

The Raising a Concern Report was taken as read and noted by the Committee.

11.0 **DEPARTMENTAL RISK REGISTER REPORTS**

PREVIOUSLY ISSUED to all members:

- Paper 11.01 Built Environment, Creative & Life Sciences Risk Register
- Paper 11.02 Centres for Excellence Risk Register.

11.1 **Faculty of Automotive, Computing & Engineering Risk Register Update**

Mr McNamee, Head of Automotive, Computing & Engineering Faculty, joined the meeting at this juncture.

Mr McNamee presented an overview of the six highest scoring risks on the Automotive, Computing and Engineering Faculty risk register. He explained that the severity of the risks relating to funding and marketing had remained unchanged and that the latter was likely to de-escalate due to proposed marketing campaigns. He advised that the severity of the risks relating to systems, student experience and student recruitment had escalated due to increased reliance on systems, the continuation of remote learning and enhanced competition from schools and universities. He also highlighted the escalation of the risk related to staff recruitment and retention and detailed the problems faced by the sector in attracting candidates for academic positions due to the low starting salary relative to industry positions. Mr McAlister concurred with the recruitment difficulties set out by Mr McNamee, acknowledged the limited pay framework and advised that negotiations are ongoing with trade unions on the terms and conditions of lecturers. It was suggested that the Staffing Committee be made aware of the issues raised by Mr McNamee in relation to staff recruitment.

Mr McNamee was thanked for his presentation and withdrew from the meeting at this juncture.

11.2 **Business Development Risk Register Update**

Mrs Quinn, Business Development Support Officer, and Mr McCarron, Senior Business Development Officer, joined the meeting at this juncture.

Ms Quinn began the presentation of the Business Development risk register by listing the four highest scoring risks and detailing the mitigations in place in each instance. She reported that a new risk has been added to reflect the lack of student engagement in the STEM Centre due to Covid-19 restrictions and that the severity of risk in relation to Covid-19, income generation and management changes remain unchanged. Mrs Quinn also referenced the four lower scoring risks on the risk register and noted that their severity had de-escalated or remained unchanged.

Mr McCarron then detailed the risk factors, controls and further action required in relation to the highest scoring risk concerning income generation and the impact of EU funding changes. He explained that the UK's withdrawal from the EU had a direct impact on income and that alternative funding sources are being pursued including the Turing Scheme, the Peace Plus Programme and the Skills Intervention Fund.

In response to questions and comments from members, Mrs Quinn and Mr McCarron provided further details of the Skills Intervention Fund noting that it delivers Academy style skills provision at bespoke levels, that it can be accessed by businesses as well as individuals and that it is valued at £1m per annum for five years. Members were also apprised of the collective experience and expertise of college staff in the area of sustainability and sustainable construction and of the confidence of management in the ability to deliver on opportunities presenting in this area.

Mrs Quinn and Mr McCarron were thanked for their presentation and withdrew from the meeting at this juncture.

12.0 ANNUAL AUDIT & RISK COMMITTEE SELF-ASSESSMENT / REVIEW OF EFFECTIVENESS

PREVIOUSLY ISSUED to all members:

Paper 12 Partially Completed Audit & Risk Committee Self-Assessment Checklist 2020/21.

With reference to paper 12, Mrs McCauley explained that the self-assessment checklist had been completed where a factual response was available and sought members' views on remaining questions. The resulting review is attached as Appendix A.

Members commented on the risk associated with the loss of experience and knowledge through the forthcoming withdrawal of three committee members in December 2021 and supported a request to DfE for a staggered departure.

13.0 SCHEDULE OF MEETINGS 2021/22

PREVIOUSLY ISSUED to all members:

Paper 13 Schedule of Meetings 2021/22.

AGREED: acceptance of the proposed schedule of Audit & Risk Committee meetings for 2021/22.

14.0 ANY OTHER RELEVANT BUSINESS

The Committee Chair commended all staff involved in the Erne Campus construction for the close management of risks, particularly in light of the implications of the pandemic on the development.

15.0 REVIEW OF OUTSTANDING ACTIONS

PREVIOUSLY ISSUED to all members:

- Paper 14 List of Outstanding Actions

It was noted that the Board Assurance Framework will be reviewed by Senior Management and reported to the Committee in September 2021 and that all other items listed have been actioned.

A revised list of outstanding actions is included in Appendix B.

16.0 REFLECTION ON EFFECTIVENESS OF MEETING

Members conveyed their satisfaction with the proceedings of the meeting.

The meeting concluded at 5.45 pm.

**CONFIRMED AND ADOPTED BY THE GOVERNING BODY AT A MEETING HELD ON WEDNESDAY
30 JUNE 2021**

CHAIRMAN _____ **DATE** _____

AUDIT & RISK COMMITTEE SELF ASSESSMENT 2020/21

		Yes	No	N/A	Comment
Terms of Reference					
1	Does the Audit & Risk Committee have written terms of reference?	✓			
2	Do the written terms of reference follow the model provided in DfE's Audit Code of Guidance?	✓			
3	Are the terms of reference approved by the Governing Body and reviewed annually?	✓			Reviewed by the Committee and approved by the GB in September 2020.
4	Has the Committee complied with the provisions of its terms of reference in its proceedings throughout the year?	✓			
Membership					
5	Has the membership of the Committee been formally agreed by the Governing Body and has a quorum been set?	✓			Yes, membership approved by the GB. Quorum set at three.
6	Are all Committee members free of executive management responsibility; have no significant interests in the College; are not members of the Finance & General Purposes Committee, and do not hold the position of Governing Body Chair?	✓			
7	Has each member declared his or her business interests and have appropriate steps been taken if an interest has been identified?	✓			Register of governors' interests compiled annually and invitation to declare conflicts a standing agenda item.
Skills, Knowledge and Competences of Members					
8	Does membership of the Committee include at least one member with recent and relevant experience in finance, accounting or auditing?	✓			

		YES	NO	N/A	COMMENT
9	Are new Committee members provided with an appropriate induction?	✓			New members provided with relevant documentation and training materials as well as sectoral training organised by DfE. Refresher training also offered.
10	Have all members' skills and experience been assessed and training given for any identified gaps?	✓			Biennial skills audit last undertaken August 2019 – next skills audit scheduled for August 2021.
11	Does the appropriate mix of skills, knowledge and competences exist within the Committee to perform most effectively?	✓			Note loss of three existing members in 2021/22. Support staggered departure if possible.
Meetings					
12	Does the Committee meet at least four times per year and do meetings coincide with key dates in the financial reporting and audit cycle?	✓			Meetings held on 09/09/2020, 04/11/2020, 10/02/2021 & 19/05/2021.
13	Are separate, private meetings, held with the internal and external auditors?	✓			Private meetings held immediately prior to each Audit Committee meeting.
14	Are the agenda and papers circulated in advance of meetings to allow adequate preparation by members?	✓			Papers circulated at least 7 days in advance of meetings.
15	Are members invited to declare any potential conflict of interest with any of the business items on the agenda?	✓			Standing agenda item.
16	Does the Committee have the benefit of attendance of appropriate officers at its meetings?	✓			Chief Executive, Deputy Chief Executive, Risk & Compliance Officer and Head of Finance in attendance at each meeting.
17	Does the Chair encourage full and open discussion and invite questions?	✓			
18	Do all members provide sufficient and informed input to Committee discussions as appropriate?	✓			

		YES	NO	N/A	COMMENT
Programme of Business					
19	Are members attending meetings on a regular basis and, if not, is appropriate action taken?	✓			100% attendance.
20	Did the Committee agree a programme of business for the academic year?	✓			At 09/09/2020 meeting.
21	Did the Committee cover all business listed in the programme of business?	✓			
22	Have all actions identified by the Committee been satisfactorily delivered?	✓			
23	Is there any business that members feel does not need to be covered next year?		✓		
24	Is there any additional business that members feel should be included next year?		✓		
Relationships					
25	Does the Committee have a positive working relationship with management, the internal auditors and the external auditors?	✓			
26	Is the Committee aware of the line between oversight and management, and does it endeavour to respect that line?	✓			
27	Can the Committee access the Governing Body and other committees as necessary?	✓			
Scope of Work – Internal and External Audit					
28	Does the Committee consider the independence and effectiveness of Internal Audit?	✓			
29	Does the Committee review the strategic internal audit approach and annual plan before work commences?	✓			Reviewed and approved in September 2020.
30	Does the Committee review internal audit reports and management responses to issues raised?	✓			Internal audit reports reviewed as they become available.

		YES	NO	N/A	COMMENT
31	Does the Committee consider the external auditor's audit strategy before work commences?	✓			2019/20 strategy reviewed and accepted in May 2019.
32	Do the external auditors inform the Committee of key developments and issues at key stages of the audit?	✓			
33	Does the Committee consider the management letter and management responses to issues raised?	✓			Considered in November 2020 for 2019/20 audit.
34	Does the Committee monitor progress made against internal and external audit and other audit based recommendations?	✓			
35	Does the Committee have performance indicators for the internal and external audit service?	✓			
Scope of Work – Internal Control					
36	Does the Committee consider whether effective anti-fraud and corruption policies and procedures are in place and operating effectively?	✓			
37	Does the Committee ensure that effective arrangements are in place for the management of risk generally and the embedding of risk management?	✓			
38	Does the Committee review risk management at every meeting and does it receive the Corporate Risk Register at least annually?	✓			
39	Does the Committee consider whether the Statement of Corporate Governance and Internal Control is sufficiently comprehensive and meaningful, and the evidence that underpins it?	✓			
40	Does the Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	✓			
Work of the Committee – Financial Reporting and Regulatory Matters					
41	Does the Committee consider the College's annual financial statements prior to submission to the Governing Body?	✓			2019/20 financial statements considered in November 2020.

		YES	NO	N/A	COMMENT
42	Does the Committee specifically consider: <ul style="list-style-type: none"> any changes in accounting policy major judgemental areas significant audit adjustments the going concern assumption compliance with accounting standards and accounting direction? 	✓			
43	Does the Committee have a mechanism for keeping it aware of topical legal and regulatory issues, eg. receiving circulars?	✓			
Communication					
44	Does the Committee submit an annual report to the Governing Body in the format prescribed by the Audit Code and accompanied by the internal auditor's annual report and external auditor's management letter?	✓			
45	Does the Committee submit the Corporate Risk Register annually to the Governing Body?	✓			
46	Does the Committee submit the minutes of its meetings to the Governing Body?	✓			
Compliance with Relevant Governing Body Key Performance Indicators					
47	Did attendance levels at Committee meetings average at least 65%?	✓			100%.
48	Did Committee meetings generally last no more than two hours?	✓			
Additional Comments					
49					

SUMMARY OF OUTSTANDING ACTIONS

	Meeting Date	Minute Ref	Action
1	04/11/2020	5.0	Management to review the proposal of a Board Assurance Framework in terms of added value and resource.
	10/02/2021	10.0	Board Assurance Framework to be reviewed by Senior Management in September 2021.