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SOUTH EASTERN REGIONAL COLLEGE

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

held on Thursday 13th November 2025 at 17:30, via Microsoft Teams Videoconference

1. Chairs Business

Attendance and apologies

Present: Mr Samuel Hagen, Mrs Nicola Wilson, Mrs Carolyn King, Dr Daniel McConnell, Mr Darren Stewart, Ms Grainne McVeigh, Ms Majella Corrigan (Items 1-5D only), Mr Paul Finnegan

In attendance: Mr Tommy Martin (Principal & CEO) Mr Colin McGuckin (Deputy CEO) Mrs Heather McKee (Deputy Principal Planning Performance and Engagement) Mrs Claire Williamson (Secretary to the Governing Body) Mr Andrew Emmett (Chief Technology Officer) Mr Gary Currie and Mr Richard Girvan (NIAO Representative) Mr John Nugent (Chair of the Governing Body), Ms Pauline Wilson (DfE), Mr David Archibald (Henderson Logie)

Apologies: None

In the Chair: Mr Hagen

b) Declarations of Conflict of Interests

The following conflicts were declared:

- The Principal & CEO declared his daughter is employed as a lecturer at the College.
- Ms Corrigan declared she is employed by DENI. She is a current member of the Governing Body of Stranmillis College

No action was deemed necessary on any of the declarations made and no conflicts were declared in relation to the presented agenda.

c) Minutes of the meeting held on 16th September 2025

Previously issued to all Members.

The minutes from the previous meeting were reviewed and members agreed they were a true and accurate reflection of the meeting on the proposal of Danny McConnell and seconded by Majella Corrigan.

d) Action Points from the meeting held on 16th September 2025

Previously issued to all Members.

Members noted there were no outstanding actions from the previous meeting.

e) Audit Committee Annual Report

The Chair presented the annual report and advised the purpose of the report is to set out a summary of the committee's work of the previous year.

Agreed: Members reviewed and approved the Audit Committee Annual Report 24/25 on the proposal of Carolyn King and seconded by Sam Hagen.

f) Gifts and Hospitality Register 2024/25

The Secretary asked members to note the register for 24/25 which had no entries. Members were reminded of the Gifts and Hospitality policy and to advise the Secretary should they receive any relevant items. The Chair directed members specifically to sections 5 and 6 of the policy that references the acceptance of gifts.

2) Correspondence

Papers previously issued to all Members.

a) Change of Accounting Date for Further Education Colleges' Annual Report and Accounts

Members noted the enclosed correspondence that had been requested by the committee at the previous meeting. The letter sets out the College's response to the change in accounting date.

3) Internal Audit

Papers previously issued to all Members.

a) Internal Audit Plan 2025/26

The Chair welcomed Mr David Archibald, the recently appointed auditor from Henderson Loggie. Mr. Archibald provided an overview of the company, noting his role as Head of the Internal Audit (IA) Department and experience within the public sector, including further education (FE) colleges. Henderson Loggie currently works with 10 colleges in Scotland and some universities, with higher and FE forming the core of their work. The firm is ranked No. 1 for Lots 2, 3, and 4, providing reassurance regarding capability.

Mr. Archibald outlined that some topics may differ from previous audits, reflecting evolving standards and new IA global requirements. He advised that plans were reviewed to align priorities with the 3-year programme, considering previous coverage by RSM.

The 2025/26 programme will differ from routine IA reports, incorporating departmental work and ensuring the scope meets departmental needs.

A Business Review is planned for 2025/26, adopting a collaborative focus group approach using business improvement tools. This will aim to improve efficiency and provide prioritized recommendations rather than graded reports.

The committee noted that Henderson Loggie has specialist auditors for areas such as cyber security and technology.

The Committee discussed the need for sensible audit areas and agreed to review timing and scope.

Mr. Archibald confirmed the 3-year programme maps key risks and priorities, with flexibility to adapt to emerging risks.

The plan will be revisited at the September Committee meeting and again at year-end to ensure relevance.

There was a detailed discussion on AI risks and opportunities. Mr. Archibald noted the lack of a clear policy framework for the sector and highlighted potential financial and operational risks. The Committee agreed AI should be considered within the scope of future audits.

Cyber Security was recognised as a continuing priority, particularly given resource constraints and digital transformation pressures.

The Committee acknowledged the need for a policy framework and licensing strategy for AI tools to manage costs and mitigate risks.

The Committee discussed the potential value of an assurance mapping exercise within the 3-year plan. Mr. Archibald shared examples from other institutions and offered to provide a template and outputs from similar exercises.

Agreed: The Internal Audit Plan 25/26 was agreed on the proposal of Majella Corrigan and seconded by Danny McConnell

4) Items for Approval

Papers previously issued to all Members.

a) Annual Report and Financial Statements

The Deputy CEO advised the Comptroller and Auditor General proposes to issue an unqualified audit opinion on the financial statements, subject to completion of final review procedures.

- The Deputy CEO highlighted no misstatements or irregular expenditure were identified and the internal controls were considered robust, with no priority one recommendations.
- Two recommendations were noted:
 - Review of fully depreciated assets (Priority 2).
 - Improvement in payment performance (Priority 3). The Deputy CEO advised current performance is approximately 80%, recently improved to 94%. Continued monitoring will take place over the next year. The Principal added that 95% is a challenging target but remains the aspiration.

The Chair highlighted the following in terms of this committee's role and governance:

- Governing Body and Committees fully quorate; compliance with Corporate Governance Code.
- Internal Audit overall assurance: Satisfactory; all recommendations implemented.
- No reportable data breaches: one fraud case investigated – no fraud substantiated.

The Chair noted that there had been no substantive changes made to the report since the draft was reviewed in September and confirmed that the audit process was conducted appropriately.

In response to a question from the Chair the Deputy CEO advised that the financial statements had been reviewed by the FGP committee and they were content to approve and recommend them for adoption.

The Committee approved the Annual Report and Financial Statements for 2024/25, together with the Letter of Representation and proposed Audit Certificate, for submission to the Governing Body and onward to the Department for the Economy.

Agreed: The Annual Report and Financial Statements for the year ending 31st July 2025 was approved on the proposal of Paul Finnegan and seconded by Danny McConnell.

b) Report to Those Charged with Governance

On the invitation of the Chair Mr Currie and Mr Girvan presented the RTTCWG and highlighted the following key points:

Audit Opinion: Comptroller & Auditor General proposes an unqualified opinion on the financial statements for the year ended 31 July 2025, with no modifications.

Misstatements & Irregular Expenditure: No adjusted or unadjusted misstatements identified; no irregular expenditure reported.

Internal Control: Considered robust; no priority one issues.

Recommendations:

Depreciation Policy & Asset Review: Review fully depreciated assets (£6.7m historic cost) and ensure useful economic lives remain appropriate.

Payment Performance: 80.58% invoices paid within 30 days (target 95%); improvement plan in place and performance improving post year-end.

Going Concern: No issues identified; College continues to adopt going concern basis.

Compliance: Annual Report and Accountability Report consistent with financial statements and departmental guidance.

PFI Commitments: Two projects disclosed with NBV £105m; obligations accounted for under FRS 102.

c) Business Continuity Plan

The updated Business Continuity Plan was presented by the Deputy CEO and noted as accurate, with new roles incorporated and a full review of all processes completed. The plan has been reviewed by Estates and HR and confirmed as fit for purpose.

A member enquired if there are plans for a desktop exercise to test the plan. The Deputy CEO IT and Finance have completed exercises; further desktop testing may be considered.

The Principal reminded the committee the plan has been stress-tested during the pandemic and updated.

Action: A rolling programme of desktop exercises will be scheduled. Deputy CEO to report progress back to the Committee.

Agreed: The Committee approved the updated Business Continuity Plan on the proposal of Paul Finnegan and Carolyn King.

5) Items for Information

Papers previously issued to all Members.

a) Strategic Risk Management Report

The Deputy CEO presented the register to the committee and highlighted there are 2 Red risks and 2 Amber risks, the following points were noted in discussion

- **Special Educational Needs (SEN):** Risk remains cautious; ongoing monitoring required due to the increasing complexity of learner needs and pressure on support teams. ETI feedback highlighted need for a more strategic approach and better cohesion between school and FE sectors. Funding has remained stagnant for two decades, making recruitment of support staff challenging. Residual risk score: 9/16.
- **Industrial Relations (IR):** Rated amber. Commended work by Principal and HR team; strong engagement with Trade Unions and regular JCF meetings. Progress noted at pace.

- Cyber Security: Continues to be a key risk area.
- In response to a members question how operational risks feed into the strategic risk register it was noted that operational risks are reviewed at each meeting and escalated where necessary.
- The Principal provided an overview of the risk management process and advised the Deputy CEO chairs monthly financial and risk reviews; quarterly risk management meetings held to review and escalate/de-escalate risks as appropriate.

The Committee noted the current position and commended management for progress on IR and SEN risk management.

b) Operational Risk Report

The Deputy Principal Planning, Performance and Engagement presented a range of operational risks across her directorate, she explained how the risks are being managed and the measures in place to ensure the risks are appropriately managed.

Specifically referencing the risk to funded programmes when there is a delay in funding a member enquired if the programmes can 'proceed at risk' until the funding is available. The DPPPE explained that the College will not start a program that has ring fenced funding tied to it. The Principal added if a programme does proceed at risk it is linked to permanent staffing levels and advised that this is a good example where multi year budgets would be extremely helpful.

c) Review of Direct Award Contracts

Members noted the enclosed report setting out Direct Award Contracts for the period 1 August 2024– 31 July 2025.

d) IT Resilience Statement

At this juncture Ms Corrigan left the meeting.

The Chief Technology Officer directed members to the paper provided at 005D and summarised the main points within the report.

The Chair commented that this report is a valuable tool for the committee and the related risks in the register would likely be higher without it.

e) AI Scoping Paper

The Committee received an update on progress against six objectives in the AI Scoping Paper:

- **Governance & Policy:** Draft Terms of Reference prepared for a new AI Governance Committee.

- **Training:** Staff training underway with a focus on practical applications.
- **Tools:** Copilot is currently the most widely used AI tool within the College.
- **Policy Development:** Discussion noted a gap in sector-wide guidance for FE; agreed SERC will design its own policy first. Meeting scheduled with JISC next week to review HE approaches.
- **Risk Management:** Objective 6 relates to development of an AI risk management framework; draft expected by February following ICSC meeting in December.
- **Monitoring:** Emphasis on ensuring AI tools are appropriate and usage is monitored.
- **Action:** The Chair requested that committee sets aside 15–20 minutes at the next meeting to review the six objectives and confirm scope. Deputy CEO to progress draft risk management framework and report back.

f) NAO Cyber Security Guidance

Members were asked to note the guidance for information.

6) Policies highlighted

No policies were presented for review.

7) Summary of Actions taken in Response to External & Internal Audit recommendations
Papers previously issued to all Members.

Members noted there are currently no outstanding actions.

8) Fraud Update

Paper previously issued to all Members.

Members noted that there are, currently, no live cases of suspected or actual fraud.

9) Any other business

No other business was discussed.

The Chair declared the meeting closed at 8.55pm