

**MEETING OF THE AUDIT COMMITTEE OF THE GOVERNING BODY OF SOUTHERN REGIONAL COLLEGE HELD ON TUESDAY 12 NOVEMBER 2019 AT 18.30 IN THE BOARDROOM, PORTADOWN.**

**PRESENT:**

Mr John Nugent (Chair)  
Mr Aidan McCormick  
Dr Eileen Stewart  
Mr Matthew Turner (Skype)

**IN ATTENDANCE:**

Mr Brian Doran, Chief Executive  
Mr Andrew Saunders, Governing Body Chairman  
Mr Terry McGonigal, Director of Finance and Planning  
Mr Tomas Wilkinson, NI Audit Office  
Mr Wayne Smyth, Dept. for the Economy  
Mr Neal Taylor, Grant Thornton  
Mrs Lindsey Paterson, Price Waterhouse Cooper  
Miss Lindsay Armstrong, Secretary to the Governing Body

The scheduled meeting began at 18.30.

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Prof. Gregory O'Hare and Mrs Kimberley Neill McCready.

**2. DECLARATION OF CONFLICT OF INTERESTS**

The Chair reminded Members to declare at the commencement of the meeting any conflict of interests held in regard to any matter to be discussed. No interests were declared.

**3. MINUTES OF THE MEETING 17 SEPTEMBER 2019**

The minutes of the meeting of the Audit Committee held on the 17 September 2019 were verified for accuracy and approved on the proposal of Dr Stewart and seconded by Mr McCormick.

**4. MATTERS ARISING**

Members noted the DfE Audit Training arranged for the end of November.

Mr Taylor acknowledged the minor amendment required for the SharePoint Internal Audit report.

**5. CHAIRMAN'S BUSINESS**

None.

**6. AUDIT COMMITTEE ANNUAL REPORT AND SELF-ASSESSMENT**

The Committee reviewed the Audit Committee Annual Report and Self-Assessment noting membership details that no member of the Audit Committee sat on the Finance and General Purposes Committee, the meetings attended throughout the academic year and Committee Terms of Reference.

Members noted that the Internal Auditors were appointed for a three year term in August 2017 and a review of the contract is due to take place in August 2020 to consider the option

<b>ACTION BY WHOM</b>

of a further extension. The Committee were advised that the 50 planned dates for the internal audit service were fully utilised in year and that the Annual Assurance Report provided an overall 'Satisfactory' assurance rating for all audits conducted throughout the year.

Members noted the Internal Audit Strategy and Plan was reviewed by the Committee in September 2019 and accepted the internal audit recommendations provided and advice to management. The Audit Committee agreed that Management has appropriately responded to the recommendations made by the Internal Auditors.

Members acknowledged the services of the External Auditors and noted that the final Report to Those Charged with Governance was formally approved by the C&AG and the 2017-2018 financial statement was certified as an unqualified audit opinion, without modification.

Committee Members reviewed the outcome of their annual self-assessment and noted that Members agreed that key issues and discussions arising from Audit Committee meetings are of sufficient detail, that Members feel able to raise matters of concern at meetings and that appropriate training for Audit Committee membership is provided through the Department for the Economy.

The Committee noted that one Member expressed that it would be helpful for committee membership to have an individual with a strong financial accounting background.

Committee Members unanimously approved the report on the proposal of Mr McCormick and seconded by Dr Stewart.

## **7. AUDIT COMMITTEE TERMS OF REFERENCE**

Committee Members reviewed their Terms of Reference and unanimously agreed that these remain appropriate.

## **8. ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2019**

Mr Doran presented the Annual Report and Financial Statements for the period ended 31 July 2019 and confirmed that the document has been reviewed by the Finance and General Purposes Committee and the full Governing Body. He advised Members of the College's legal obligation to provide the information contained therein as set out in the FE (NI) Order 1997 and that the annual report and accounts had been prepared in line with the accounts direction issued by the Department. Mr Doran advised that the strategic report section is aligned to the development plans and the three report cards on qualification outcomes, business engagement and social inclusion.

Mr McGonigal referred Members to the College's financial position detailing land and buildings valuation and reserves committed to the delivery of the new build estates project.

Members reviewed the remuneration report and salary and pension entitlement for senior staff. The Committee examined the statement of corporate governance and internal control detailing the role of the Governing Body and its Committees, risk management processes, the work of the Internal Auditors and fraud and whistleblowing reporting.

Mr McGonigal referred Members to the statement of comprehensive income and expenditure, the balance sheet and the consolidated cash flow statement and advised on previous year variances.

Members were advised that the recent Court of Appeal ruling relating to the PSNI backdated holiday pay was likely to have minimal impact on the College.

Committee Members noted the report and unanimously endorsed for full Governing Body approval.

## **9. DRAFT REPORT TO THOSE CHARGED WITH GOVERNANCE**

Mrs Paterson presented the draft Report to those Charged with Governance and advised that Price Waterhouse Cooper's scrutiny of the accounts is to provide an independent opinion. Mrs Paterson thanked the finance team for their assistance in preparing the report.

Mrs Paterson stated that it is proposed that the Comptroller and Auditor General is expected to certify the 2018-19 financial statements with an unqualified opinion, without modification.

She informed Members of one uncorrected misstatement to report with regard to the pay accrual for senior staff and stated that the amount is immaterial for adjustment and has no impact on the opinion.

Mr Saunders arrived at the meeting at 18.52.

Mrs Paterson advised that audit findings did not identify any recommendations in relation to regularity and the internal control environment, or any data handling incidents. She informed the Committee of the audit scope and advised of focus on the Armagh campus development and funding pressures.

Discussion took place regarding the provision of Central Procurement Department and Properties Services Division's contract management. Mr Wilkinson informed of NIAO's intention to conduct a value for money review of PSD service.

Members reviewed the letter of representation and the draft audit certificate and remarked on a clean audit, thanking the finance team and Mrs Paterson for their input and assistance.

## **10. INTERNAL AUDIT REPORT**

- **Review of HR – Absence Management**

Mr Taylor presented the Internal Audit report on Absence Management and remarked on the good absence rates. He advised that the internal auditors conducted a review of related policies and procedures and scrutinised the absence management process and trigger points in place.

Mr Taylor informed of a process of sample testing and the conclusion that policy and procedures had been applied correctly in all instances and no discrepancies were identified. He advised that the audit focused on the monitoring and reporting of staff absence levels and training and awareness protocols for supporting the implementation of the policy.

Mr Taylor stated that the main findings of the audit concluded that absence management within the College is closely managed and monitored, with clear processes in place for the notification, recording, management, monitoring and reporting of sickness absence. He advised that no recommendations were identified.

- **Review of Banbridge New Build**

Mr Taylor presented the internal audit report reviewing the management of the Banbridge new build and commented that the audit highlighted that SRC are well experienced in managing capital projects.

Mr Taylor advised that the audit focused on plans and timetables, roles, responsibilities and lines of accountability, governance structures, communication, reporting, risk management and compliance with public sector and construction excellence guidelines.

Mr Taylor stated that the internal auditors are satisfied that in relation to the Banbridge new build, governance structures, processes and controls are closely managed and monitored, with clear processes in place, which are in line with best practice guidelines. He added that the project is appropriately governed, with clear lines of accountability and communication, and appropriate consideration to risks, issues and progress.

- **Review of Procurement and use of Business Cases**

Mr Taylor advised that an internal audit review of Procurement and use of Business Cases concluded an overall 'Satisfactory' assurance rating noting that procurement procedures within SRC are closely managed and monitored, with clear processes in place.

He informed of one priority 3 recommendation to ensure that a formal training structure is in place to ensure that relevant staff receive regular training.

Mr Nugent thanked Grant Thornton for their assistance and assurance.

## **11. CORPORATE RISK REGISTER**

Mr Doran provided Members with a summary of current corporate risks and advised that the residual risk remains unchanged in relation to Risk 1: College does not receive sufficient funding to deliver CDP target and outcomes.

He advised that the residual risk rating remains unchanged in relation to Corporate Risk 2: College fails to deliver its College Estates Strategy, due to uncertainty in relation to the proposed Craigavon new build project. Mr Doran informed of a new action for the Project Board to review its position on the appointment of contractor following the leave hearing, which has been postponed to January 2020.

Mr Doran informed that the residual risk rating for Risk 3: The absence of a joint 14-19 strategy remained high and unchanged. He informed Members of a DfE/DE workshop with College Principals scheduled for 14 November as part of a wider stakeholder consultation process.

Mr Doran advised that the risk rating for Risk 4; Failure to deploy the new learner management system remains unchanged and informed of the successful deployment of the admissions module.

Members noted that the residual risk rating remains high for Risk 5: Ineffective service provided by Property Services Division. Mr Doran advised that a sector group has been established and stated that concerns have been expressed in regard to determining interim arrangements for continued service provision.

Mr Doran advised that there has been no change to the residual risk ratings in relation to Risk 6: Failure to maintain a positive reputation and Risk 7: Failure to provide a safe working environment. He confirmed that the College will engage directly with contractors to address the brickwork issues at the Newry East campus.

Members noted no change in relation to Risk 8: Inability to recruit lecturing staff.

Discussion took place regarding Risk 9: Failure to implement the new traineeship system due to lack of progress to date on addressing issues raised by Colleges and the future availability of qualifications impacted by English vocational qualifications reform.

Members noted that the residual risk remains unchanged in relation to Risk 10: GDPR compliance.

Members were advised that work remains ongoing in relation to Risk 11: Leadership capacity and poor performance of essential skills curriculum and Risk 12: Leadership capacity and poor performance of training provision in the School of Construction and Engineering. Mr Doran informed Members of a ETI follow up inspection in progress and relayed the early indication that the inspectorate are pleased with the work done to date.

Mr Doran agreed to review the allocated RAG rating.

Members noted that the College has little control over Risk 13: The absence of a functioning Executive and associated Minister for the Economy resulting in a lack of key decision making.

The Audit Committee noted the report.

## 12. NATIONAL FRAUD INITIATIVE

Mr McGonigal informed of a number of data matches identified as part of the national fraud initiative and assured Members that no significant risks have been identified.

## 13. DfE COMPLIANCE AUDITS

Mr McGonigal informed Members of two TfS compliance audits that have taken place in recent months and another schedule for next week. He advised that the final reports have not yet been received.

## 14. ANY OTHER BUSINESS

None.

## 15. DATE AND TIME OF NEXT MEETING

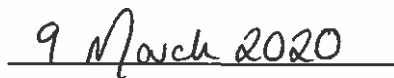
The next Audit Committee meeting will take place on Tuesday 11 February 2020 at 18.30 in the Portadown Campus.

The meeting concluded at 19.44.



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CNAIR



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DATE

Mr Doran