

MEETING OF THE AUDIT COMMITTEE OF THE GOVERNING BODY OF SOUTHERN REGIONAL COLLEGE HELD ON TUESDAY 10 NOVEMBER 2020 AT 17.30 VIA TEAMS.

MEMBERS PRESENT:

Mr John Nugent (Chair)
Mr Aidan McCormick
Prof. Gregory O’Hare
Dr Eileen Stewart

IN ATTENDANCE:

Mr Brian Doran, Chief Executive
Mr Andrew Saunders, Governing Body Chair
Mr Terry McGonigal, Director of Finance and Planning
Mrs Heather Sampson, Dept. for the Economy
Mr Brian O’Neill, NI Audit Office
Mr Ian McCartney, RSM UK
Mrs Brenda Heenan, Price Waterhouse Cooper
Mr Ahsan Anwar, Price Waterhouse Cooper
Mr Brendan McGuigan, Boardroom Apprentice
Miss Lindsay Armstrong, Secretary to the Governing Body

The meeting commenced at 17.35.

A01. APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr Matthew Turner.

A02. 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.

A03. MINUTES OF THE MEETING 15 SEPTEMBER 2020

The minutes of the meeting of the Audit Committee held on the 15 September were verified for accuracy and subsequently approved on the proposal of Dr Stewart and seconded by Mr McCormick, subject to an amendment at the top of page 5 regarding the Internal Audit Strategy.

A04. MATTERS ARISING

Members noted that all matters arising are complete or being addressed.

A05. CHAIRMAN’S BUSINESS

Mr Nugent greeted all attendees and welcomed Mrs Heenan to her first meeting of SRC’s Audit Committee.

A06. DRAFT ANNUAL REPORT AND STATUTORY ACCOUNTS FOR THE PERIOD ENDED 31 JULY 2020

Mr Doran presented the draft Annual Report and Statutory Accounts for the period ended 31 July 2020 and advised that the report has been reviewed by Members of the Finance and General Purposes Committee and the full Governing Body. He informed that in line with the Departmental accounts direction, the report is being presented to the Audit Committee for scrutiny before being forwarded to the full Governing Body for approval.

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Mr Doran referred Members to the Strategic Report setting out the College aims and detailing the impact of Covid-19 on the various College functions, the enrolment position and student outcomes. Members noted the Remuneration report, Governor Statement of Responsibilities and the Corporate Governance Statement.

Mr Doran referred Members to the Statement of Comprehensive Income and Expenditure and advised that both income and expenditure has increased on the previous year. He noted the operating deficit of £5.5m due to the significant increase in depreciation and impairment charges associated with the new Build programme. He informed that the College relies heavily on the Departmental recurrent grant which represented approximately 64% of income. Mr Doran confirmed that the Armagh and Banbridge new builds have been transferred from assets under construction to Tangible Fixed Assets at 31 July 2020 and valued accordingly. Mr Doran confirmed that properties at Portadown and Lurgan have been impaired to reflect the remaining life. He informed that the total net book value of land and buildings, excluding assets under construction is £73.23m, with assets under construction totalling £3.01m.

Mr Doran advised that the actuary valuation of the NILGOSC pension scheme has increased the overall liability in the balance sheet from 31 July 2019 by £21.32m and provided detail on other income streams independent of the Departmental recurrent grant.

The Committee noted the Report.

A07. DRAFT REPORT TO THOSE CHARGED WITH GOVERNANCE

Mrs Heenan presented the draft Report to Those Charge with Governance, advised that it is her first year as Audit Engagement Partner and thanked Mr McGonigal and his team for their assistance during the audit process.

Mrs Heenan advised that the auditing process this year has been more challenging and informed that the teams have worked well together.

Mrs Sampson arrived at the meeting at 17.51.

Mrs Heenan informed Members of three areas of work outstanding at this point throughout the sector and advised that one item regards ensuring that the disclosure and accounting treatment is appropriate with regard to holiday pay position following the PSNI court ruling. Mrs Heenan advised that DfE have set out their position and that the four colleges represented by Price Waterhouse Cooper are working with the Department for the Economy and the NI Audit Office to calculate the contingency.

Mr O'Neill confirmed that he has met with the Finance Directors (NIFON) to determine how to take the matter forward as a provision and advised on the criteria met under accounting standards.

Mr McGonigal confirmed that the NIFON Group met in September and reviewed the DoF guidance letter. He informed that the instruction is aimed primarily at government departments rather than NDPBs, and advised on the difficulty in quantifying potential liability, informing that NIFON had recommended that it be treated as a contingent liability rather than a provision. Mr Doran confirmed that legal advice has been sought.

Mrs Heenan advised that the second matter outstanding relates to testing assets, liabilities and assumptions and informed that the work is incomplete. She advised that the third matter relates to the review of the revaluation accounting treatment for assets which are prorated due to lower useful life than expected life, as advised by LPS.

Mr Nugent stated that, given the incomplete status of the report, it is premature for the Audit Committee to consider same. He went on to advise that the situation undermined the governance assurance framework which relies on Audit Committee scrutiny in the first instance.

Prof. O'Hare expressed unease that three substantive areas of work remain unaudited. Mrs Heenan stated that she understood his concern, and advised that she is liaising with the Audit Office to complete the outstanding work. Mr McGonigal enquired as to why certain audit work had not been conducted at an earlier stage. Mr O'Neill informed that contact has been made with the actuary, commented on the unusual circumstances this year and advised that the discount rate has moved significantly. Mr McGonigal confirmed that valuations had taken place in March and July and advised that increases in liabilities were anticipated in the pensions liabilities due to the inclusion of an allowance of some 3.2% to reflect the increases in current service costs due to the McCloud judgement.

Mrs Heenan informed that the economic life of a building is generally longer than the utilisation period, which impacts on depreciation. She advised of differing accounting treatment throughout the sector. Mr McGonigal informed that the position had been agreed with PWC a number of years ago, and advised that the policy had not changed. Mr Saunders expressed concern that the inconsistencies across the sector had not been raised by the External Auditors before and stated uneasiness at the lack of complete information and the impact this will have on the sign off of the Annual Report and Statutory Accounts.

Mrs Heenan stated that it is appropriate for her to bring the information to the Committee's attention and that she hoped that the outstanding matters may be progressed to conclusion quickly.

A detailed discussion took place with Members agreeing that time should be taken for the various parties to complete their due diligence, and a further meeting of the Audit Committee should be convened to scrutinise the Annual Report and an updated Report to Those Charged with Governance.

Miss Armstrong

A08. INTERNAL AUDIT REPORT

- **Risk Management Report**

Mr McCartney presented the Risk Assurance Framework internal audit and advised that an overall Satisfactory assurance rating has been awarded, and that there is appropriate level of internal controls over the Risk Assurance Framework processes at Southern Regional College.

He informed of four low priority recommendations identified to assist management to enhance performance. Mr McGonigal confirmed that the recommendations have been accepted by management and updates will be made to the Risk Management policy as recommended by the Internal Auditors.

Mr Doran and Mr McGonigal confirmed that the Risk Management Committee conduct regular reviews of the functional risk registers and explained that actions within the Corporate Risk Register are assigned to individuals, however on occasion it is difficult to identify ownership as risks can span departments.

Mr McCartney advised Members on a recommendation with regard to horizon scanning, and referred the Committee to the outcome of the risk assurance framework questionnaire and key findings. He referred Members to the questionnaire responses to Covid-19 and advised on areas to focus on.

Members noted the information.

- **Internal Audit Progress Report**

Mr McCartney presented the Internal Audit Progress Report and referred Members to the previously distributed Board assurance framework paper. He advised that as a result of an earlier recommendation, the internal audit on Covid-19 compliance has been brought forward and referred the Committee to the Key Performance Indicator report. The Committee noted the report.

A09. CORPORATE RISK REGISTER

Mr Doran presented the Corporate Risk Register, advised that no change has been made to the residual risk rating following the monthly review and referred Members to the linkage to strategic objectives.

Mr Doran referred to Risk 2; College fails to deliver its College Estates Strategy as a result of planning and funding restrictions leading to continued poor service to students. Mr Doran stated that although there had been no ruling on the JR process relating to the proposed Craigavon new build, good progress has been made in relation to the Newry OBC.

Members reviewed Risk 4; failure to deploy the new learner management system which could impact on the College's ability to operate an effective admissions and enrolment process for new intake and in meeting statutory reporting requirements. Mr Doran advised that management are proactively working to resolve issues and progressing support arrangements.

Mr Doran advised that the residual risk remains high in regard to Risk 5; ineffective service provided by Property Services Division to deliver responsive and planned maintenance contracts, statutory health and safety compliance checks and other College projects resulting in breaches of statutory compliance and deterioration of building fabrics. Mr Doran advised that good progress has been made with the procurement process and informed that a high level of interest has been noted.

Mr Doran referred to Risk 15; impact on continued college services resulting from the Coronavirus pandemic, and informed on intended mass testing planned at Queens University and identified schools. He informed that should this be rolled out to the FE sector, management will factor this into the business contingency plans. Mr Doran provided data on students that have tested positive and the seven point Covid code developed by the College.

Mr Doran referred Members to new Risk 16; potential industrial action taken by lecturer trade unions and advised that a further update will be provided to restricted Members of the Governing Body in order to comply with confidentiality measures.

The Committee noted the report.

A10. DIRECT AWARD CONTRACTS

Mr Doran referred the Committee to the Direct Awards Contract updated to reflect Members' comments to record the purchase of acrylic screens.

The Committee noted the report.

A11. ANY OTHER BUSINESS

None.

A12. DATE AND TIME OF NEXT MEETING

Audit Committee Members agreed it necessary to convene an additional meeting to scrutinise the Annual Report and Statutory Accounts and Report to Those Charged with Governance before being presented to the full Governing Body for approval.

The meeting concluded at 18.50.

CHAIR

DATE

