

**MEETING OF THE AUDIT COMMITTEE OF THE GOVERNING BODY OF SOUTHERN REGIONAL COLLEGE HELD ON TUESDAY 15 SEPTEMBER 2020 AT 17.30 VIA TEAMS.**

**MEMBERS PRESENT:**

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

**IN ATTENDANCE:**

Mr Brian Doran, Chief Executive  
Mr Andrew Saunders, Governing Body Chair  
Mr Terry McGonigal, Director of Finance and Planning  
Mr Keith Kilpatrick, Director of Curriculum  
Mr Raymond Sloan, Director of Client Services  
Mrs Heather Sampson, Dept. for the Economy  
Mr Brian O’Neill, NI Audit Office  
Mr Ian McCartney, RSM UK  
Mrs Helena Kelly, Price Waterhouse Cooper  
Mr Brendan McGuigan, Boardroom Apprentice  
Miss Lindsay Armstrong, Secretary to the Governing Body

The meeting commenced at 17.33.

**A01. APOLOGIES FOR ABSENCE**

No apologies for absence were received.

**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 12 MAY 2020**

The minutes of the meeting of the Audit Committee held on the 12 May were verified for accuracy and subsequently approved without amendment on the proposal of Mr Turner and seconded by Dr Stewart.

**A04. MATTERS ARISING**

Mrs Sampson and Mr Doran advised that Members’ queries regarding the application of Bank Holidays in TFS compliance audits have been raised with the policy branch and further discussions are ongoing.

Miss Armstrong confirmed that the Anti-fraud policy has been amended and circulated to Members following recommendation to temper the statement to reflect zero tolerance to fraud.

**A05. CHAIRMAN’S BUSINESS**

Mr Nugent greeted all attendees and welcomed Mr McGuigan, Boardroom Apprentice to his first meeting of SRC’s Audit Committee.

**A06. AUDIT COMMITTEE ANNUAL REPORT**

Mr Nugent presented the Audit Committee Annual Report 2019-2020 and noted good attendance by Members throughout the year.

<b>ACTION BY WHOM</b>

Members reviewed the work completed by Internal Auditors Grant Thornton, thanked Mr McGonigal and his team for their good work and welcomed Mr McCartney, RSM UK from the newly appointed Internal Auditors.

Members acknowledged that Management has appropriately responded to recommendations made by the Internal Auditors in their 2019-2020 reports and noted that the final Report to Those Charged with Governance was formally approved by the C&AG who certified the 2018-2019 financial statement as an unqualified audit opinion, without modification.

Mr Nugent referenced the work undertaken by the External Auditors, Price Waterhouse Cooper. Members noted that the Risk Management Strategy was reviewed by the Committee throughout the year and one allegation of whistleblowing and two attempted frauds were disclosed.

Members reviewed the outcomes of the collated self-assessment questionnaires, noting that the Committee has continued to function remotely during Covid-19 restrictions.

The Audit Committee Annual Report was unanimously approved as an accurate record.

#### **A07. AUDIT COMMITTEE TERMS OF REFERENCE**

Members concurred that the Audit Committee's Terms of Reference as currently constituted remain appropriate and suggested no changes.

#### **A08. NIAO CORRESPONDENCE**

- **Letter of Understanding**
- **National Fraud Initiative**

Members were directed to the letters provided.

Mr McGonigal confirmed that the College has participated in the National Fraud Initiative for a number of years and remarked on a valuable tool for detecting and preventing fraud.

Members noted the information.

#### **A09. CORPORATE RISK REGISTER**

Mr Doran presented the Corporate Risk Register and advised that the Register had been reviewed further the day earlier and consequently some risks have been adjusted.

He advised that the risk has been reduced in relation to Risk 1; the College does not receive sufficient funding to successfully deliver CDP targets and outcomes to address increased costs associated with Covid pressures. He advised that the Department have agreed to support the colleges in regard to the increased costs.

Mr McGonigal confirmed that correspondence has been received from the Department in regard to additional funding and explained that the College had submitted a £2m bid to address C-19 pressures. He informed that £1.3m has been allocated to address the spending pressures to date, welcomed the provision and advised that additional pressures will be addressed in the October monitoring round.

Mr Doran informed that the residual risk has been reduced in regard 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, planning approval has been sought for the Newry estates project and the Armagh and Banbridge new builds are complete and operational leading to a reduction in the risk rating overall.

Mr Saunders remarked that the momentum suggests that controls in place are working. Mr Sloan advised that it is the College's intention to proceed with the existing governance arrangements for the new build in Newry.

Mr Doran informed that the risk remains high and unchanged in regard to Risk 3; absence of a joint 14-19 strategy and policy from DE and DfE leading to continued duplication of provision by schools and reducing college enrolment at Level 3. He advised that the concern has been carried over in the Risk Register for a number of years and informed that progress has been paused as a result of the current health pandemic. Mr Doran confirmed that the Principals' Group continues to work with the FE Director in order to progress this important area of work.

Mr McCormick stated that the piece of work remains a critical issue and is likely to be affected by the controversy surrounding the awarding of Summer 2020 results and the failed application of the algorithm. Members noted the likely impact on retention and expressed concern at a perceived lack of urgency to address issues. The Committee recommended inviting the FE Director to a future meeting of the full Governing Body to discuss their unease with the situation.

Miss  
Armstrong

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. The Committee noted a medium/high residual risk rating. Mr McGonigal informed that issues have arisen around synchronising software systems and challenges have occurred in the collection of fees. He stated that some progress has been made and anticipates further resolution shortly.

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 Sloan informed on good progress in this respect and advised on the College's intent to adapt a local, flexible solution and to transition to tenders with new suppliers within the academic year.

Mr O'Neill left the meeting at 18.17.

Mr Doran advised that the residual risk has been lowered on Risk 6; failure to maintain a positive reputation which could potentially impact of future enrolments and continued business support functions. A detailed discussion took place concerning measures taken to minimise the impact and provide learners with the opportunity of progression.

Mr Kilpatrick advised that the College has received 157 award appeals and informed that a number of cohort appeals relating to subject groups and identified by College management totals 285 cases.

Mr Kilpatrick stated that the appeals panel have upheld 10 applications and denied 44. He expressed satisfaction with measures taken and the robustness of the evidence based methodology.

Mr Doran advised that the risk rating has been reduced in regard to Risk 7; failure to provide a safe working environment for staff, students and members of the general public resulting in increased employer liability, death and personal injury. He informed that factors relating to Covid-19 are contained within a separate risk.

Mr Sloan informed on good progress against the HASMAP action plan and confirmed that the Annual Health and Safety report will be presented to the next meeting of the Finance & General Purposes Committee for review.

Mr Doran referred Members to Risk 8; an inability to recruit lecturing staff leading to a failure to deliver strategic aims and objectives, and advised that the risk has been reduced as applications and recruitment have increased in key areas.

Mr Doran referred the Committee to Risk 9; failure to implement the new traineeship system leading to continued underfunding of training, failure to rationalise vocational qualifications and an inability to establish the College as the main provider of vocational education and training at Level 2. He confirmed that the Department have decided to defer introducing the new traineeships by one year to September 2021.

Members were advised that good progress has been made in relation to the implementation of Internal Audit recommendations for GDPR and reflected in Risk 10; potential data breach which could lead to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data transmitted, stored or otherwise processed.

Mr Doran advised that the planned work in relation to Risk 11 and 12; leadership capacity and poor performance of essential skills curriculum and training provision in the Faculty of Building, Technology and Engineering has slowed due to implications arising from Covid-19. Mr Doran informed that proposals to revise management structures for Essential Skills were to be presented to the Education Committee.

Members recommended tempering the titles of Risks 10, 11 and 12 to more accurately reflect the risks covered.

Mr Doran

Mr Kilpatrick informed on very few appeals arising from Essential Skills qualification, remarking that this is reflective of a good recovery process.

Members noted new Risk 13; the continued decline in higher education uptake and were advised on a 12% downturn in enrolments and increased places being made available at local universities.

Members noted the critical position, acknowledging the potential problems that may occur in maintaining provision and the associated financial implications. Governors voiced their concern and support, commenting that FE direction in NI needs addressing.

Members reviewed Risk 14; uncertainty of EU trade arrangements noting a low/medium risk rating.

Discussion took place regarding Risk 15; impact on continued college services resulting from the Coronavirus pandemic. Mr Doran stated his opinion that although significant work has taken place in this regard, it may be too early to assess controls and therefore reduce the risk. He informed the Committee of a lack of guidance from awarding organisations on changes to assessment approach and timeline.

Mr Nugent stated that Governors are aware of the significant amount of work undertaken by the Executive Team and congratulated management on the good work produced under difficult circumstances.

Mr Doran referred Members to new Risk 16; potential industrial action taken by lecturer trade unions and relayed that TUs have been communicating with their membership.

The Committee noted the report.

#### **A10. INTERNAL AUDIT STRATEGY 2020-2023**

Mr Nugent informed the Committee on meetings with himself, the CEO, the Director of Finance and Planning and the new Internal Auditors in which to review the draft College's three year audit plan.

Mr McCartney referred Members to the Internal Audit Strategy setting out the executive summary and advising on an internal audit programme which will remain flexible and agile to ensure it meets the needs of the College's current circumstances.

Mr McCartney informed that the audit approach is based on analysing the corporate strategy objectives and advised on the many sources of information that will define the internal audit process.

He confirmed the five areas of risk identified for review in the 2020-2021 academic year as risk management framework, cyber security, key financial controls, Covid-19 compliance and contracted-out services. Mr McCartney advised on the associated costs, proposed timing of the audits and presentation of reports to the Audit Committee.

Mr McCartney provided information on the Internal Audit team, referred Members to the overall three year audit plan and the Internal Audit Charter, the values contained therein and expectations on client care standards.

The three year Internal Audit Strategy was unanimously approved by Committee Members.

Mr McGonigal advised that the Plan may be amended as necessary to be reactive to emerging risks.

#### **A11. RISK MANAGEMENT POLICY AND ANNUAL REPORT**

Mr McGonigal referred Members to the Annual Risk Management Report 2019-2020 advising on the 12 functional areas, the scheduling of risk management review group meetings and the main corporate risks.

He referred the Committee to the statement of Governance and Internal Control and advised that one incident of whistleblowing and two attempted frauds were reported to the Audit Committee throughout the 2019-2020 year. Mr McGonigal clarified that all three cases were investigated in line with the fraud policy process following instruction received from the Department.

The Committee noted the report.

Mrs Sampson advised that the Department are liaising with RSM UK regarding best practice in terms of risk management including the application of Orange Book guidance as appropriate.

Mr McGuigan referred to agenda item 10 and enquired if there was any scope to conducting the Covid-19 audit prior to March 2021. Members agreed that it was appropriate to keep the strategy under review and adopt a fluid approach.

#### **A12. DIRECT AWARD CONTRACTS**

Mr McGonigal confirmed that there are no new direct award contracts to report.

Committee Members considered it appropriate to record the purchase of the acrylic screens within the DAC register.

#### **A13. DfE COMPLIANCE AUDITS**

Members were advised on no new DfE Compliance Audits to report.

#### **A14. ANY OTHER BUSINESS**

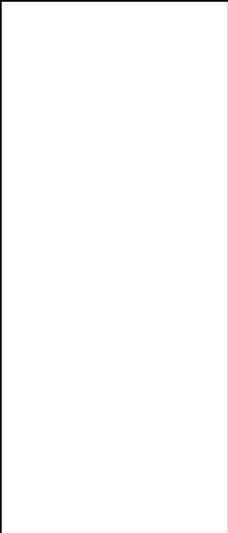
None.

Mr McGonigal

**A15. DATE AND TIME OF NEXT MEETING**

The next meeting of the Audit Committee is scheduled to take place on Tuesday 10 November 2020 at 17.30 via TEAMS.

The meeting concluded at 19.14.



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**CHAIR**

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**DATE**