

Pre-Meeting with Auditors

Governing Body members of the Audit & Risk Committee met with representatives from KPMG, GT, DfE, and NIAO at 5.15pm, prior to the full Committee meeting.

Minutes of the unreserved business meeting of the Audit & Risk Committee held on 27 September 2017 at Farm Lodge Campus, Ballymena commencing at 5.30pm.

Present: Dr D Lennox (Chair), Mrs I Allison, Mrs J Eve, Mr W Hutchinson, Mr W McCluggage, Mrs K Reilly

In Attendance: Mr Chris Andrews (DfE), Mr S Brankin, Mr D Hewitt, Mr M Higgins, Mr S Lavery, Mr D Lynn (NIAO), Ms E Patton (KPMG) – items 53.1 – 53.7, Mr N Taylor (GT), Prof T Scott, Mr V Taggart.
Mrs K Wallace (Secretary)

Observing: Mr S Price, Head of Business Computing and Creative Industries
Mr M Murray, Head of Engineering and Built Environment

The Chair introduced Mr Neal Taylor from Grant Thornton to the meeting and welcomed the members of staff who were present as observers.

53.1 Apologies

There were no apologies.

53.2 Declaration of Interests

There were no declarations of interests.

53.3 Minutes of the Last Meeting

The minutes of the meeting held on the 6 June 2017 were approved.

53.4 Matters Arising

The Chair referred to the list of actions arising from the previous meeting and it was noted that all actions had now been completed.

53.5 Chairperson's Communications

The Chair had nothing to report.

53.6 Correspondence

The Chair referred to the four pieces of correspondence relating to accounts and remuneration, which were taken as read.

Consideration was given to the information on the CIPFA Northern Ireland Annual Conference which Mr Higgins and Mr Lavery would be attending. Members were asked to notify interest in attendance to the Secretary.

Action: Any governors interested in attending the CIPFA NI Annual Conference to notify the Secretary.

The Chair referred to the letter from NIAO in relation to the Public Reporting Marking Study. Mr Lynn expanded on the contents of the letter and stated that a draft report would be provided for Committee's consideration in due course.

53.7 Internal Audit - KPMG

i. Final NRC Review of Business Continuity and Disaster Recovery (BCDR)

Ms Patton provided a comprehensive overview on the final BCDR report. She reported a Satisfactory level of assurance with two priority 2 and one priority 3 issue arising.

Committee noted that management had accepted the recommendations on the issues and actions to accord with same would be taken, as detailed in the report.

The Chair regarded the report as very positive overall and noted that recommendations would be added to the list of actions in the log.

ii. Final NRC Year-end Report against Audit Plan

Ms Patton spoke to the report provided and confirmed Satisfactory assurance ratings for the year. In relation to Internal Audit issues, she highlighted the need to retain focus on clearing the outstanding eleven issues which she identified mainly as matters of timing.

Ms Patton referred to KPIs listed in Appendix A of the report. She then referred Committee to Appendix B of the report which detailed a number of issues which had not yet been fully addressed and had been handed over to GT for taking forward.

The Chair remarked on the progress which had been achieved during the year and thanked Ms Patton and her colleagues for their input to the work of the College in achieving same.

Ms Patton left the meeting at 5.55pm.

53.8 Progress against Audit Recommendations

Consideration was given to the report provided. Mr Higgins drew members' attention to progress made on a number of historical capital and assets issues. He reported on a positive on-site meeting with the Education Authority (EA) and Land and Property Services (LPS) in relation to the Dunluce Street site.

Mr Lavery commented on the early delivery of the accounts which were ahead of timescale. He referred to the eleven outstanding internal audit issues as being mainly due to the timing of the internal audit reviews and resulting actions not yet due for completion.

53.9 Draft Annual Report and Financial Statements

The Chairman noted the efforts of staff and work involved in delivering the draft accounts to the NIAO within deadline.

The Chairman invited comments on the draft annual report and accounts. Committee also noted that drafting comments or changes to the draft reports should be forwarded to Sean and would be taken on board and also that the annual report and accounts would be reviewed by the Resources Committee.

Mr Higgins drew members' attention to two disclosure items within the draft Annual Report and Financial Statements.

Mr Higgins further advised that the impairment arising from the land issue was shown within the draft financial statements. A budget now had to be agreed with the Department but the Department had approved the original land purchase so was aware of the issue.

In response to Mr McCluggage's query in relation to impact on rateable value, Mr Higgins advised that he would contact LPS for advice.

Action: Mr Higgins to contact LPS re impact on rateable value for Lamont building.

Prof Scott advised that there would be no further historical land issues to address.

Mr Lavery reassured Committee that there was no insurance risk involved as all land and buildings were included in College insurances.

Members noted that this was the first draft of the accounts, which would be edited, reformatted and fully narrated before being finalised. The final draft report would be presented to the Finance Sub-Committee during the third week in October before being brought to the Audit & Risk Committee for approval prior to Governing Body meeting on 16 November for final sign-off.

The Chair remarked on the very positive list of student achievements recorded over the past year. Mr McCluggage concurred with these remarks and highlighted the excellent balance of courses provided as part of the new curriculum.

Prof Scott referred to the opportunities for presenting the achievements of the College to a broader group of stakeholders, which would be provided by summarising highlights of the report.

53.10 External Audit Update

Mr Lynn referred to key dates within the audit strategy and advised that NIAO would check the Annual Report primarily to ensure consistency with accounts. He suggested that Committee look at disclosures where added value could be achieved.

Action: Members' comments on the first draft of the report to be fed back to Mr Lavery.

53.11 Internal Audit – Grant Thornton (GT)

The Chair acknowledged Mr Lavery's work in co-ordinating the procurement of the sector internal auditors and welcomed Mr Taylor from GT to the meeting.

Mr Taylor extended his thanks to KPMG for a useful and constructive changeover process and presented the following reports for Committee's consideration:

- Internal Audit Strategy
- Annual Audit Plan
- Internal Audit Charter

Mr Taylor outlined proposed initial timelines for the review of key issues including financial controls, payroll and procurement and proposed the STS system be looked at as a sector review for the current year. Mr Taylor intended to meet with the Department to discuss student access funds and hardship funds. He advised that it was intended to take a lead from the NIFON group.

Mr Higgins referred to issues having been identified for 2017/18 which reflected the key risks outlined in the Risk Register. He stated that assurances would be sought in relation to the set-up of processes for key risks and new initiatives such as the New Build Project. Mr McCluggage reinforced these comments and referred to the value of looking at issues re slippage and downstream risk.

Prof Scott reassured Committee on clarity around immediate funding in terms of the Design Team and highlighted the role of the Capital Steering Committee and the necessity to provide clarity and confidence.

Consideration was given to the three documents previously provided by GT. Committee agreed the Internal Audit Strategy and Annual Audit Plan as presented and noted the Internal Audit Charter.

53.12 Corporate Risk Register – September 2017

Mr Higgins referred members to the significant number of changes to the register, which were highlighted in blue print. He highlighted that many of these arose around the five new KPIs which had been introduced and detailed the reasons for same.

The Chair referred to the risk profile which appeared to remain constant regardless of the amount of work and progress achieved and queried the categorisation of same. Mr Higgins responded that, even though actions were being taken in line with the required level of assurance, some of the risks would continue to be red. He also advised that the risk profile was broadly in line with other colleges.

In response to a query from the Chair in relation to budget and timescale for resourcing an internal team to take forward the STS project, Mr Brankin advised that a procurement project to extend the team had been launched. It was hoped that STS risk would be reduced from red to amber at the next round of reporting.

During discussion in relation to the responsibilities of the Audit Committee, Prof Scott referred members to the Articles of Government which informed the Committee's terms of reference. She highlighted the role of the risk register in driving the work of the Committee in terms of monitoring and assurance.

Mr McCluggage pointed out Committee's responsibility to ensure documentation of processes and highlighted that the lack of governors had not been included in the register.

Mr Andrews stated that this issue had been raised within the DfE and senior officials were aware of the need for early movement on a public appointments process to fill vacancies.

Mr McCluggage proposed that consideration be given to reviewing the presentation and providing interactive content in the risk register; Prof Scott advised that this would be addressed when MS Office 365 was rolled out.

Committee noted the updated Corporate Risk Register.

53.13 FE College Health Check 2016/17 – Issue 3 August 2017

In response to members' references to a lack of consistency around the reporting formats of risk by individual colleges, Mr Andrews' advised that the DfE were content with how information was reported. He stated that once received, DfE produced the information into a reasonably comparative style under appropriate headings.

The Chair referred to the impact of Brexit being identified as a risk within the document and Mr Andrews confirmed that this had been raised by two colleges in relation to European funding and makeup of student numbers. Mr Higgins stated that review of funding by NRC had identified this issue as having low impact at this time.

Committee noted that the FE College Health Check report would be issued to the other Committees.

53.14 Registers

Mr Higgins drew members' attention to the Direct Award Contracts (DAC) register, levels for which were higher than in previous years. He advised that a Procurement Manager was now in place who was reviewing contracts in line with direct award requirements. Stringent application of this definition to categorisation of DACs had resulted in the increased numbers.

Prof Scott informed Committee that SLT had reviewed the report and as a result the pro forma for capital proposals was being amended to include identification of full cost for the lifetime of projects, thereby ensuring procurement for maintenance considering at the start of the project. In addition all senior managers are required to complete mandatory training on procurement.

Mr Lynn stated that a small number of these contracts would be reviewed at NIAO audit.

Mr Higgins confirmed the transparency and accountability of the DAC process, with all direct award contracts being approved by the COO and Accounting Officer and the advice of the CPD being sought above a certain level. Prof Scott highlighted the notes in the report in respect of CPD advice that had been obtained when necessary.

Committee noted the updated registers.

53.15 Committee Meeting Dates

Members' comments on the error in the dates of meetings were noted and the Chair requested that the schedule would be re circulated.

Notwithstanding, members agreed the dates and starting time of 5.15pm for Audit Committee meetings.

Action: The Secretary would recirculate the meeting schedule.

53.16 Any Other Business

Mr Lynn referred to a good practice guide which had been produced by the NAO on cybersecurity and information security and commended it to Committee. He noted that FE Colleges might want to consider within NIFON.

Action: The Secretary would circulate the good practice guide to Audit Committee members.

53.17 Date of Next Meeting

The next meeting of the Committee was confirmed as Wednesday 8 November 2017 at 5.30pm following a pre-meeting at 5.15pm.

The Chairman thanked Mr Andrews for his support to the Committee and wished him well in his new role.

The meeting ended at 7.15pm.

Dr D Lennox David Lennox
Chair

Date 8/11/17
8 November 2017

Mrs K Wallace K Wallace
Secretary