

NORTHERN REGIONAL COLLEGE

AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on 12 February 2013 at the Hilton Hotel, Templepatrick at 1.00 pm.

Present Ms A Rankin (Chairperson), Alderman J Brown, Mr I Goldsworthy and Mr S McCartney.

In Attendance Mr T Neilands (Director), Mr A Cole (DEL), Mrs C Moore, Ms E Patton (KPMG), Mrs R Peters-Gallagher (Moore Stephens), Mr R Ross (NIAO) and Mr J A Hunter.

Apologies Alderman PJ McAvoy and Mr S McCormick (NIAO)

Pre-Meeting with Auditors

The Audit Committee, less staff representatives, met with the Internal and External Auditors and representatives from DEL and NIAO prior to the meeting. They stated that they had had full co-operation from College Management and had no issues to raise.

In response to a query Mr Cole advised that the reclassification of Colleges as Non-Departmental Public Bodies had been discussed at the recent NIFON meeting. He stated that to date the main impact had been on re-emphasising existing policy and not on the introduction of revisions.

UNRESERVED BUSINESS

28.1 Presentation Risk Management

The Committee received a presentation from Mrs C Moore, Director of Finance and Corporate Development, regarding Management of the Corporate Risk.

She detailed the College's main sources of income from public funding, contracts, fees and funded projects. She highlighted the relationship between funding and services such as staffing, accommodation, equipment, books and IT infrastructure.

Mrs Moore then examined the financial risks, which could result in services not being effectively delivered. She outlined the controls, which were in place to minimise such risks, referring in particular to: the annual and three year budget; DEL Health Check; monthly management accounts; quarterly budget reviews; business continuity plan; anti-fraud and bribery policies and associated fraud response plan; and the College's financial strategy agreed by the Governing Body and included in the CDP.

The Committee noted the role of the Business Development Unit in income generation. The Principal added that in future Colleges would be pursuing major funding opportunities on a sector basis in order to maximise sources of income

28.2 Risk Management Group

The Committee received a Report from the meeting of the Risk Management Group on 28 January 2013, when the following topics were discussed:

a) College Risk Management Policy. The Committee noted the Risk Management Policy, which had been forwarded by the Risk Management Group. The Policy seeks to identify: the nature and extent of the risks facing the College; the likelihood and potential impact of the

risks materialising; and the ability to reduce the incidence and impact on the College of risks that materialise;

b) College Risk Register. It was noted that there were no major changes to the College Risk Register, which lists the nine key risks facing the College as identified by the Risk Management Group. The document details management's assessment of these risks, the associated controls and the actions required to minimise the risk occurring. Mr Ross suggested that the term 'catastrophic' should be replaced by 'disastrous' in the Quantification Matrix on page 1.

c) Departmental Risk Registers. It was noted that all Departmental Risk Registers have been received and have been uploaded to Sharepoint; and

d) Schedule of Presentations to Audit Committee. **The Audit Committee considered and approved the Schedule of Presentations from EMT members on the Management of Corporate Risks, accepting that there was scope for the schedule to change in line with the operating environment**

28.3 Apologies

Apologies were received from Alderman PJ McAvoy and Mr S McCormick.

28.4 Declaration of Interests

There were no conflicts of interest declared.

28.5 Minutes of the Last Meeting

The minutes of the last meeting of the Audit Committee held on 13 November 2012 were approved.

28.6 Matters Arising

There were no matters arising from the last meeting of the Audit Committee.

28.7 Chairperson's Communications

28.7.1 Suspected Fraud

The Chairperson informed the Committee that a lodgement of £160 had gone missing. The preliminary investigation had indicated that the lodgement had been made but there was no trace of the deposit at the Bank at Magherafelt. A fuller investigation has been initiated, PSNI has been informed and cash handling procedures have been reviewed. It was agreed that the DoF would update the committee on the progress at the next meeting.

28.7 Correspondence

The Committee noted the following correspondence received since the last meeting:

a) Press Release from the Northern Ireland Audit Office on 13 November concerning the Report to the Northern Ireland Assembly by the Comptroller and Auditor General regarding Property Asset Management in Central Government.

b) DAO (DFP) 11/12 - Public Sector Internal Audit Standards (PSIAS), dated 17 December 2012, providing information regarding the introduction of the new Public Sector Internal Audit Standards (PSIAS) which are available separately on the AFMD website. The Standards will apply from 1 April 2013, replacing the Government Internal Audit Standards previously issued under FD (DFP) 03/11.

c) Circular FE 1/2013, dated 7 January 2013, providing details of amendments to economic appraisals.

d) Correspondence from DFP, dated 10 January 2013, providing details of the DAO (DFP) 01/13 - Annual Compliance Report on the Use of External Consultants 2011/12, which is now available on the DFP Website: <http://www.dfpni.gov.uk/annual-compliance-report-external-consultants-nics-2011-12.pdf>. The Report provides a set of recommendations regarding the use of, and monitoring arrangements for, consultants.

28.8 Purchasing Guidelines

The Committee received a paper regarding the College's revised Purchasing Guidelines, which incorporates the Direct Contract Award approval process and takes account of the recent DEL guidance on procurement. Mrs Moore stated that, in order to satisfy the revised Financial Memorandum between the Department and Colleges, it is necessary for the purchase of all goods and services, by all staff, to be completed through the Agresso finance package. Orders are not to be placed directly with suppliers and web requisition numbers are not to be quoted over the telephone to suppliers as order numbers.

Mrs Moore explained that the Governing Body and the College Accounting Officer must approve all single tender actions. She provided details of the process by which the Governing Body will delegate the approval of Direct Award Contracts and mentioned that the Principal and Accounting Officer would be required to approve purchases valued from £0 to £5,000 on a monthly basis. Mrs Rankin stated that if the Principal approved contracts retrospectively then it was too late. Mr Cole advised that it was only necessary for the College to demonstrate value for money for procurements under £5,000 and that the view of the Department was that there should be no DAC under £5K., which would alleviate the need for the Principal to take any action. A query was raised as to how the College could prove that a procurement represented value for money. It was noted that further guidance would be provided by the Department in the near future. **The Committee agreed that approval of the Purchasing Guidelines should be deferred until further guidance has been received from the Department.**

Mrs Moore drew attention to details of Direct Award Contracts less than £5,000 and greater than £5,000 for the period May 2012 to January 2013. The Chairperson drew attention to the different reporting styles for procurements less than £5,000 and those greater than £5,000. She suggested that the rationale for single tender purchase should also be inserted in the Reports for procurement under £5,000. The Committee noted the schedules of DACs.

28.9 Internal Audit Reviews

The Internal Auditor presented the following Internal Audit Reviews:

a) Review of Financial Planning and Budgetary Control. The Report details the findings of the Internal Audit Review of systems and controls at Northern Regional College relating to Financial Planning and Budgetary Control. The objective of this assignment was to assess the appropriateness and effectiveness of key processes and controls over Financial Planning and Budgetary Control at NRC. The Internal Auditors have issued a substantial assurance rating. They note, however, that the College is operating outside the target range as set by DEL for a number of key Health Check KPIs specifically in relation to the historic deficit; staff costs as a% of income; and cash days. There were no Priority 1, 2 or 3 issues identified during the course of the Review. The Chairperson drew attention to the financial benchmarking, in relation to the financial performance of the College, for 73 FE Colleges throughout the UK. It

was noted that NRC had one of the highest ratios for operating cost surplus/deficit as a % of total income and staff costs as a % of total income, emphasising the need for action in relation to this specific KPI.

b) Review of General Financial Controls. The Report details the findings of the Internal Audit Review relating to General Financial Controls. The objective of the assignment was to assess the appropriateness and effectiveness of key processes and controls over General Financial Controls at NRC. The Internal Auditors have issued a satisfactory assurance for General Financial Controls and its key processes. There were no Priority 1 issues identified during the course of the Review. They have noted two priority 2 and two priority 3 issues and have made recommendations to assist management in enhancing the control environment. The Committee noted in particular the recommendation regarding a Priority 2 issue relating to 'the timely preparation and review of bank reconciliations'. The Committee noted that there was a need for the Director of Finance and Corporate Services to have a further discussion with Ms Patton regarding the Internal Auditors' observations in relation to this issue. The revised report should then be re-presented to the committee.

c) Review of Procurement. The Report details the findings of the Internal Audit Review of Procurement. The objective of the assignment was to assess the appropriateness and effectiveness of key processes and controls over procurement at NRC. The Internal Auditors have issued a satisfactory assurance. There were two new Priority 2 issues with recommendations to assist management in relation to competitive tendering and the updating of procurement policies and procedures. The Internal Auditors noted that there was one prior year internal audit issue brought forward for follow-up in procurement and contracting, which is currently being progressed. They also noted that there was one brought forward external audit issue relating to this area, which is currently outstanding.

28.10 Internal Audit Service Progress Report

The Committee received the Internal Audit Service Progress Report, which provides an update on progress against the 2012/2013 Internal Audit Plan. It was noted that the following Reviews had been completed: General Financial Controls (satisfactory); Financial Planning and Budgeting (substantial); and Procurement (satisfactory). The Report also indicates that work is progressing in respect of a number of Reviews: Data Integrity; Business Continuity & Disaster Recovery; and Value for Money. A Follow-Up Review on outstanding Internal Audit/NIAO recommendations is ongoing as is work relating to: Terms of Reference for Individual Reviews; Contract Management; and Reporting to and Attendance at Audit Committee Meetings.

28.11 FAST Inspection Of DEL Training Programmes

The Committee received a Report regarding an inspection on 21/22 November 2012 by FAST to provide an assurance on the propriety of DEL funding made in relation to the financial administration of the Apprenticeship (NI) Programme at the Newtownabbey Campus.

Based on the inspection findings, FAST has provided a satisfactory assurance on the College's system of control to ensure compliance with programme guidelines and accuracy of claims made to the Department. The Report indicates that on some occasions the in-house class registers had not been signed and has recommended that all attendance sheets and in-house registers should be signed and retained for inspection.

28.12 Outstanding Audit Issues

The Committee received a Report providing details of progress in relation to the implementation of the following outstanding audit issues:

a) PwC Follow-Up Report 2011/2012 Recommendations. Five of the seven recommendations have been implemented and two partially implemented; Given the age of the outstanding recommendations, the Committee encouraged the Executive to see that the two partially

implemented recommendations be progressed as far as possible in advance of the next meeting.

b) Report To Those Charged With Governance (RTTCWG) 2011/2012 Five of the six recommendations have been implemented and one partially implemented; and

c) KPMG Internal Audit Review 2012/2013 Recommendations. Six of the eight recommendations have been implemented and three partially implemented.

28.14 Next Meeting

The Committee noted that the next meeting is scheduled for 5.30 pm on Tuesday 7 May 2013 at the Farm Lodge Building, Ballymena Campus of the Northern Regional College.

As there was no further business the meeting concluded at 2.00 pm.

A L Rankin, Chair

J A Hunter, Secretary