

## **NORTHERN REGIONAL COLLEGE**

### **AUDIT COMMITTEE**

Minutes of the meeting of the Audit Committee held on 13 November 2012 at Farm Lodge, Ballymena Campus of the Northern Regional College.

Present Mrs A Rankin (Chairperson), Mr I Goldsworthy and Mr S McCartney.

In Attendance Mr T Neilands (Principal), Ms M McAleer (DEL), Mrs C Moore, Ms E Patton (KPMG), Mrs R Peters-Gallagher (Moore Stephens), Mr R Ross (NIAO) and Mr JA Hunter.

Apologies Alderman J Brown, 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.

Mr Ross confirmed that he had contacted both the Director of Finance and Corporate Development and the External Auditors regarding the attendance of a representative of the External Auditors at meetings of the Audit Committee. It was noted that, although it was necessary for the External Auditors to attend only the meetings considering audit planning and audit completion, a representative from Moore Stephens would be in attendance at all future meetings of the Committee.

#### **UNRESERVED BUSINESS**

##### **27.1 Apologies & Membership**

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

##### **27.2 Declaration of Interests**

There were no conflicts of interest declared.

##### **27.3 Minutes of the Last Meeting**

The minutes of the last meeting of the Audit Committee held on 20 September 2012 were approved.

##### **27.4 Matters Arising**

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

##### **27.5 Chairperson's Communications**

The Chairperson informed the Committee that she had accompanied the Chairman of the Governing Body, the Principal and the Director of Finance and Corporate Development to the Accountability meeting with representatives from the Department in the previous week. She said that the College had given a presentation to the Department, which had been followed by consideration of the FE College Health Check and other accountability issues. Several issues

were discussed including the staff cost ratios as a percentage of income, the College's Capital Development Plan and the closure of the Larne and Antrim Campuses.

## **27.6 Correspondence**

The Committee received a communication from the Department for Employment and Learning, dated 23 October 2012, indicating that it is no longer necessary to submit an annual consultancy return to the Department as the College is now reporting quarterly based on the Department's financial year.

Mrs Moore, the Director of Finance and Corporate Development, advised the Committee that a further communication had been received from the Department requesting the College to submit details of Direct Award Contracts from 1 August 2011 to 31 March 2012 by 30 November 2012.

## **27.7 Draft Annual Report and Financial Statements 2011/2012**

The Committee received the proposed final Annual Report and Financial Statements for the year ended 31 July 2012, which had been prepared in accordance with the DEL Accounts Direction. It was noted that the College had generated an historic cost outturn of a £1,129k deficit compared with the College's original estimated outturn, as per the Development Plan, of a £1,230k deficit. The Income & Expenditure reserve amounted to £1,923k reflecting improvements in the position for 2011/2012

In presenting the Annual Report and Financial Statements, Mrs Moore drew attention to the main changes from the draft Accounts presented to the Committee on 20 September 2012. She pointed out, inter alia, that the Statements had been adjusted to reflect the revised valuation on buildings in order to address consistency of valuation across the sector. The Chairperson referred to the decrease in student numbers by 3.68% from the previous year and was advised that the Governing Body had been kept advised throughout the academic year of this situation, caused by a number of factors including the downturn in the construction industry and increased competition from schools.

## **27.8 Report To Those Charged With Governance (RTTCWG)**

The Committee received the Report To Those Charged With Governance from the Northern Ireland Audit Office on the audit of the Annual Report and Financial Statements for the year ended 31 July 2012. It is anticipated that the Comptroller and Auditor General will provide an unqualified audit opinion, without modification, as to the truth and fairness of the financial statements

In presenting the Report Mrs Peters-Gallagher stated that the College had presented good quality accounts in a timely manner and that no significant issues in relation to regularity had been identified. She referred to a number of observations made during the audit process regarding the following key risks: the College Development Plan; Procurement; and Funding in the Current Economic Climate.

She also highlighted a number of issues raised during the Audit in respect of Procurement; Payment Performance; Credit Balances on the Debtors' Ledger; Training for Success Funding; Travel and Subsistence; Foreign Students; and Maintenance Costs. She drew Members' attention to the recommendations in respect of these matters. There was discussion as to the level of priority of recommendations in respect of the Debtors' Ledger and Foreign Students.

Mrs Peters-Gallagher indicated that the College had adjusted the Accounts for all identified misstatements set out in Section 3 of the Report. She also drew attention to the Accounting Officer's Letter of Representation acknowledging his responsibility for preparing accounts that give a true and fair view of the state of affairs, net operating cost, net income/expenditure and cash flows of the NRC for the year ended 2012/2013. It was noted that the Principal would

sign and submit this letter to the Department at the same time as the submission of the Annual Report and Financial Statements

Following receipt of the opinion on the Report To Those Charged With Governance **the Audit Committee recommended to the Governing Body** that the revised Annual Report and Financial Statements for the year ended 31 July 2012 be adopted for submission to the Department by 30 November 2012.

#### **27.9 Audit Committee Annual Report 2011/2012**

The Committee received the revised Audit Committee Annual Report 2011/2012, which provides details of committee membership, terms of reference, meetings, internal and external audit function, risk management, value for money arrangements, academic assurance and other assurance matters. It was noted that the opinion of the External Auditors as to the truth and fairness of the Financial Statements and the regularity of transactions had still to be added to the Report.

**The Committee agreed that the revised Annual Report be approved for signature and submission to the Department by the Chairperson, subject to the inclusion of the opinion of the External Auditors.**

#### **27.10 Risk Management Group**

The Committee received a Report from the meeting of the Risk Management Group on 29 October 2012. It was noted that the Group had made several amendments to the Corporate Risk Register and that the revised Register would be submitted to the next meeting of the Committee. Mrs Moore stated that she would arrange for Risk Managers to give presentations at future meetings of the Audit Committee and would prepare a schedule of presentations.

#### **27.11 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. Four of the 7 recommendations have been implemented, two partially implemented and one is not yet due;

d) Report To Those Charged With Governance (RTTCWG) Recommendations. Two recommendations, relating to estates issues and procurement and contracting, are being implemented

c) PwC Outstanding Internal Auditors' Recommendations 2010/2011. One priority one recommendation relating to the current claim form for making payments to part-time lecturers is partially implemented. An extended pilot is planned for December 2012/January 2013 with a view to introducing a new system in May 2013;

c) PwC Outstanding Internal Auditors' Recommendations 2011/2012. Two priority 3 recommendations have been implemented; and

d) Report To Those Charged With Governance (RTTCWG) Recommendations 2010/2011. One recommendation relating to the tagging of assets with unique asset numbers has been implemented.

## **27.12 FE College Health Check 4<sup>th</sup> Quarter 2011/2012**

The Committee received the FE College Health Check Report prepared on information available at the end of the final quarter of the financial year 2012, as at 31 July 2012.

It was noted that the Report contained two sections of particular interest to the Audit Committee:

a) Section 6 Internal Audit. The Report indicates that the College has an overall rating of substantial assurance for the year ended 31 July 2012. The Committee noted that an Internal Audit Report summary for the Sector had been provided for comparative purposes. A view was expressed that the assurance rating was unlikely to be as high during the current year as the change in service provider would bring a new aspect to review of controls. The College, in embracing the engagement with KPMG, is also focusing on difficult areas of operation for review, as well as the standard financial control areas.

b) Section 7 Risk Management. The Committee noted that the risks detailed in the College's Risk Register had been highlighted in the Report to enable comparisons with the risks for the Sector.

The Principal drew attention to the revised format of the Report and stated that Mr Andy Cole, Head of FE Corporate Governance and Accountability DEL, would be attending the meeting of the Governing Body (21 November 2012) to discuss the document.

## **27.13 Internal Audit Strategy and Audit Plan**

Ms Patton, the Internal Auditor, presented the following documents:

a) The Internal Strategy (2012/2013 – 2014/2015) and the Annual Audit Plan (2012/2013). She explained that the Internal Audit Strategy detailed 49, 51 and 50 audit days for the three-year period from 2012 to 2015. It also provided details of Internal Reviews to be undertaken during this period. During 2012/2013 KPMG will review: general financial controls; financial planning and budgeting; procurement; data integrity; business continuity and disaster recovery; and value for money. A Member asked if safeguarding merited a review by Internal Audit as ETI was already monitoring this area. Ms Patton explained that only the plan for 2012/13 had been agreed and the indicative plans for future years would be reviewed at the end of 2012/13.

**The Committee approved the Internal Strategy (2012/2013 – 2014/2015) and the Annual Audit Plan (2012/2013).**

b) Progress Against Audit Plan for 2012/2013. Ms Patton stated that KPMG had developed Terms of Reference and indicative timings of fieldwork for a number of forthcoming individual reviews. It was noted that the Internal Auditors had undertaken a strategic/operational risk assessment and development of the Annual Audit Plan. Review of a number of financial areas was scheduled for week commencing 26 November 2012.

c) Proposed Key Performance Indicators. Ms Patton stated that other Colleges in the sector had adopted the proposed KPIs and asked if the NRC wished to adopt these KPIs or continue with its present Performance Indicators. A member raised queries as to the method of monitoring the KPIs and was advised that in certain cases it would be monitored by exception.

**The Committee agreed to adopt the proposed sector Key Performance Indicators.**

**27.14 Next Meeting**

The Committee noted that the next meeting is scheduled for 5.30 pm on Tuesday 12 February 2013 at the Farm Lodge Building, Ballymena Campus of the Northern Regional College.

As there was no further business the meeting concluded at 6.35 pm.

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**A L Rankin, Chairperson**

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**J A Hunter, Secretary**