

## **NORTHERN REGIONAL COLLEGE**

### **AUDIT COMMITTEE**

Minutes of the meeting of the Audit Committee held on 14 November 2011 at the Coleraine Campus of the Northern Regional College.

Present Mrs A Rankin (Chairperson), Mr I Goldsworthy, Mrs R Handley and Alderman PJ McAvoy.

In Attendance Mr T Neilands (Director), Mrs C Moore, Mr R Monds (DEL), Ms R Peters-Gallagher (Moore Stephens), Mr M Pitt (PwC), Mr S McCormick (NIAO) and Mr J A Hunter.

#### **Pre-Meeting with Auditors**

The Audit Committee, less staff representatives, met with the Internal and External Auditors and the DEL and NIAO representatives prior to the meeting. The External Auditor referred to a matter relating to a potential conflict of interests. It was agreed that the Chairperson should speak to the Director regarding this matter.

#### **UNRESERVED BUSINESS**

##### **22.1 Faculty Risk Register**

The Committee received a presentation from Mr Tom Knox, Head of the Faculty of Creative Technologies, regarding his Faculty Risk Register.

At the outset Mr Knox provided an overview of his Faculty Structure. He stressed the importance of constant risk awareness and explained how risks were determined in the Faculty through: Course Team Self Evaluation Reviews; minutes of Team, School and Management meetings; and the Faculty Operational Plan. He explained how risks were recorded in the Faculty Risk Register. Risks recorded in the Register, he added, were identified as events/ potential events that would prevent the Faculty from achieving its objectives. Mr Knox used one example from his Departmental Risk Register to illustrate how he had worked, in conjunction with the H&S Manager, to provide training for the Faculty on H&S/risk assessment.

During subsequent discussion it was noted that it was necessary, on occasions, for the College to obtain H&S specialists to undertake risk assessment because of the sophistication of the equipment. In some instances risk assessment was purchased as part of the procurement process. It was also noted that students were made aware of risks at their initial induction sessions. It was important for students, as well as for staff, to be conscious of their responsibilities.

The Chairperson welcomed the embedding of quality risk assessment throughout the Faculty and the College. She thanked Mr Knox for an informative presentation.

##### **22.2 Membership of Committee**

a) It was noted that the revised membership of the Committee consisted of: Mr I Goldsworthy, Mrs R Handley, Rev T Jamieson, Alderman PJ McAvoy, Mr S McCartney and Ms A Rankin.

b) The Committee appointed Mrs A Rankin as Chairperson and Mrs R Handley as Vice-Chairperson;

c) The Committee reviewed its Terms of Reference and suggested a number of adjustments. It was agreed that the Terms should be revised to reflect these suggestions and forwarded to the next meeting of the Committee.

### **22.3 Apologies**

An apology was received from Rev T Jamieson and Mr S McCartney.

### **22.4 Declaration of Interests**

There were no other declarations of interests.

### **22.5 Minutes of the Last Meeting**

The minutes of the last meeting of the Audit Committee held on 20 September 2011 were approved.

### **22.6 Matters Arising**

There were no matters arising from the minutes of the last meeting.

### **22.7 Chairperson's Communications**

#### **22.7.1 Chairs' Committee Meeting 14 November 2011**

The Chair stated that the Chairs (14 November 2011) had received a copy of the minutes of the meeting of the Colleges Northern Ireland Board meeting held on 20 September 2011. It was agreed that Chairs should advise their Committees of any pertinent issues discussed at Board meetings.

#### **22.7.2 College Accountability Meeting**

The Chair stated that she had attended the College Accountability Meeting on 11 October 2011 with the Director, Director of Finance and the Chairman of the Governing Body. The College had given an account of its stewardship in terms of: audit and governance arrangements; risk assessment and risk management process; financial performance; procurement; fraud and whistleblowing; KPIs and benchmarking. She said that the Department was content with the account that the College had presented.

### **22.8 Correspondence**

The Committee noted:

a) Correspondence from the Department for Employment and Learning, dated 27 September 2011, regarding a FAST Inspection of Apprenticeship NI, Training for Success and PLA programmes administered by NRC (Ballymena Campus).

Based on the findings by the inspection team, 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. It was noted that FAST had recommended the recovery of funds in respect of a small number of claims amounting to some £1,000 in respect of trainees.

b) Good Practice in Risk Management Report issued by the Comptroller and Auditor General, dated 8 June 2011. It was noted that this document had been discussed in detail at the Risk Management Group and relevant issues had been included in the Risk Management Policy

## 22.9 Risk Management Group

The Committee noted the minutes of the meeting of the Risk Management Group on 27 October 2011, when the following issues were discussed:

- a) Internal Audit Review of Risk Management. The Internal Auditors' draft Report indicated that the College had received a substantial assurance rating. There was one Priority 3 recommendation relating to the need to update the Risk Management Policy document.
- b) Good Practice in Risk Management. The publication 'Good Practice in Risk Management' was distributed to all members. Members noted that management had taken cognisance of this document when updating the College Risk Management Policy.
- c) Risk Management Policy. The Group discussed the draft College Risk Management Policy and agreed that the document be amended and presented to the Audit Committee.

The Committee received a copy of the revised College Risk Register. **It was agreed that:**

- a) The Committee should receive a copy of the College Risk Register whenever the document included significant revisions, otherwise the document should continue to be presented annually to the Committee. A copy of the revised Risk Register is attached at Appendix 1;**
- b) Consideration should be given to the inclusion of some form of pictorial representation in a number of the tables to illustrate changes in risks.**

## 22.10 Risk Management Policy

The Committee received the updated College's Risk Management Policy; the Policy forms part of the College's internal control and corporate governance arrangements. It explains the College's approach to managing risk, whilst documenting the roles and responsibilities of the Governing Body, Management and other key parties.

**The Committee agreed that the Risk Management Policy, attached at Appendix 2, be approved and forwarded to the Governing Body**

## 22.11 Outstanding Internal Audit Recommendations

The Director of Finance provided the Committee with a progress report regarding outstanding Internal Audit recommendations. The Committee noted that:

- a) PwC Outstanding Audit Recommendations 2011/2012. The one outstanding recommendation has been implemented.
- b) PwC Outstanding Internal Audit Recommendations 2010/2011. Four of the 12 recommendations have been implemented, or are not applicable, and 8 have been partially implemented. The Committee reviewed all partially implemented recommendations and the Chair stressed the need for speedy implementation of recommendations arising from audit reviews, and it was agreed to include details of the degree to which recommendations had been implemented. In this context it was suggested that implementation of recommendations should be described in terms of '% completion'.
- b) Report To Those Charged With Governance (RTTCWG) recommendations 2010/2011. All of the recommendations have been implemented.

## 22.12 Draft Annual Report and Financial Statements 2010/2011

The Committee received the draft Annual Report and Financial Statements for the year ended 31 July 2011, which had been prepared in accordance with the DEL Accounts Direction. It

was noted that the Annual Report and Financial Statements would be forwarded to the Governing Body (23 November 2011) for approval and submission to the Department.

In presenting the Report and Financial Statements the Director of Finance drew attention to a number of the items reported within the Financial Statements: College Statement of Aspiration and College organisational and personal work values; progress against strategic aims and targets; review of performance; financial results; student achievements; curriculum development; risks; remuneration policy; corporate governance; responsibilities of governing body; and statement of internal control;

The Director of Finance advised the Committee that during the financial year 2010/2011 the College had generated an historic cost outturn of £322k deficit compared with the College's original estimated outturn, as per the College Development Plan, of £1,382k deficit.

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

a) 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 2011. Mr McCormick explained that the Audit Office had contracted out the External Audit function to Moore Stephens for 2010/2011. In presenting the Report Ms Peters-Gallagher referred to a number of observations made during the audit process regarding key risks identified in the Audit Strategy associated with: the Business Improvement Plan; Internal Audit Recommendations; Title Deeds at Larne Campus; Procurement; and the preparation of Accounts in line with the revised Accounts Direction. She also made a number of observations and recommendations in respect of matters identified during audit work regarding: financial statements on the College's website; travel and subsistence claims; the fixed asset register; related part transactions; the prompt payment policy; and the MaSN cap.

It was noted that the Comptroller and Auditor General is likely to provide **an unqualified opinion** on the regularity of financial transactions. In all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities, which govern them.

b) Following receipt of the opinion in the Report To Those Charged With Governance, **the Audit Committee recommended to the Governing Body that the Annual Report and Financial Statements for the year ended 31 July 2011 be adopted for submission to the Department by 30 November 2011.**

Mr McCormick advised the Committee that the CETV section of the Remuneration Report was incomplete as figures were still awaited from DEL. If CETV statistics were not available by the date of submission of the Annual Report and Financial Statements to the Department, it would be necessary to make a statement to this effect in the Remuneration Report.

The Chair thanked the Northern Ireland Audit Office, the External Auditors and the Director of Finance and her team for their assiduous work in preparing the Annual Report and Financial Statements and the RTTCWG Report.

### **22.14 Annual Assurance Return 2010/2011**

The Committee noted the Annual Assurance Return 2010/2011, prepared by the Director, for submission to the Department by 30 November 2011.

### **22.15 Internal Audit Review of Risk Management**

The Committee received the Internal Audit Review of Risk Management, which has received **a substantial rating** from the Internal Auditors. It was noted that there were no Priority One recommendations. The Internal Auditors have issued one Priority 3 recommendation regarding the need to update the Risk Management Policy and communicate it to all staff. The Policy has been forwarded to the Audit Committee for final approval. Mr Pitt added that

the College has embraced the risk management process and members of staff are fully aware of risk management.

#### **22.16 Audit Committee Annual Report 2010/2011**

The Committee received the Audit Committee Annual Report 2010/2011 for submission to the Governing Body and subsequently to the Department for Employment and Learning. The Report provides details of Audit Committee membership, Terms of Reference, Meetings, Internal Audit Reviews, External Audit Function, Risk Management, Value for Money, Academic Assurance and other Assurance matters.

It was noted that in light of the RTTCWG Report it would be necessary to adjust the 'External Audit' section of the Report. It would also be necessary to refer to the Review of Outstanding Recommendations to the 'Other Data Assurance' section.

**The Committee approved the Annual Report for submission to the Governing Body and subsequently to the Department.**

The Chair thanked PricewaterhouseCoopers for their services throughout the financial year 2010/2011.

#### **22.17 Annual Consultancy Statement 2010/2011**

The Committee received the Annual Consultancy Return and noted that there had been four items of consultancy expenditure amounting to £58,514 during 2010/2011. The Committee noted a number of items referring to Single Tender Action (STA) included in the Return. The Chair was of the view that there was a requirement for more information as to the reasons for STA. It was noted that the information had been presented in the format required by DEL. It was suggested that DEL should be requested to revise the format of the return and have two sections, one dealing with Consultancy Expenditure and the other with STA Expenditure. It was noted that Mr Monds would bring this matter to the attention of the Department.

#### **22.18 Internal Audit Report to Audit Committee**

The Committee received the Internal Audit Report, which provides an update on progress against the 2011/2012 Internal Audit Plan. The Report outlines:

- a) The classification of audit assurance and the key to priorities;
- b) Internal Audit Reviews completed since the last Audit Committee meeting. A Final Report of the Review of Risk Management has been completed and a substantial assurance has been issued;
- c) Summary status of the Internal Audit Plan. It was noted that fieldwork was on-going in respect of the Review of Procurement, and that work was scheduled for the Review of Operating Expenses for the week commencing 28 November 2011.

#### **22.19 Any Other Notified Business**

There was no other notified business

#### **22.20 Next Meeting**

The Committee noted that the next meeting is scheduled for 5.30 pm on Tuesday 21 February 2012 at the Farm Lodge Building, Ballymena Campus of the Northern Regional College.