

NORTHERN REGIONAL COLLEGE

AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on 16 November 2010 at the Ballymena Campus of the Northern Regional College.

Present Ms A Rankin (Chairperson), Rev T Jamieson, Mr R Jay and Ms C O'Neill
Alderman PJ McAvoy,

In Attendance Mr T Neilands (Director), Mr J D'Arcy (KPMG), Ms J Hamill (DEL),
Mrs C Moore, Mr B O'Neill (NIAO), Ms H Smyth (PwC) and Mr JA Hunter

Pre-Meeting with Auditors

In order to expedite the conduct of business it was agreed that the Audit Committee, less staff representatives, would meet with the Auditors at the end of the meeting rather than prior to unreserved business. At the conclusion of unreserved business Mr D'Arcy, Ms Hamill and Ms Smyth stated that they had had no points to raise with the Committee.

UNRESERVED BUSINESS

17.1 Apologies

Apologies were received from Mr R Monds, Mrs AM Campbell and Mr M Pitt.

17.2 Declaration of Interests

Ms O'Neill advised the Committee that there was a potential conflict of interest in relation to agenda item 17.14 in which reference was made to Training for Success, which comes within her area of responsibility. She said that she would leave the meeting should a conflict occur.

There were no other declarations of interests.

17.3 Departmental Risk Registers

The Committee received a presentation from Mrs J McKay, Head of Student Services & Marketing, regarding the Departmental Risk Register.

Mrs McKay provided an overview of her Department. She explained the evolution of the Departmental Risk Register from the initial Team SWOT and Section Review to the production of the Section Operational Plan, the Department Plan and the Departmental Risk Register. She indicated how the Department identified and managed risks. She said that events could modify the level of risk and by way of example she referred to the upgrading of corporate branding and corporate image from low to high risk during the course of the calendar year as a result of the publication of the Business Improvement Plan. She stated that there was an interrelationship between Risk and the Planning Objectives; the Catering Review, for example, had highlighted a financial risk, which was incorporated into the Department Plan

The Chairperson thanked Mrs McKay for an informative presentation.

17.4 Minutes of the Last Meeting

The minutes of the last meeting of the Audit Committee held on 21 September 2010 were approved subject to the insertion of 'NIAO' instead of 'NIO' under the pre-meeting section and '£400k' instead of '£400' at minute 16.8 c).

17.5 Matters Arising

17.5.1 Catering Arrangements (minute 16.5.2)

The Committee noted that the Governing Body, at its meeting on 6 October 2010, had received a presentation from the Director of Finance regarding catering arrangements. It was noted that a Management Action Plan had been prepared in response to the Internal Auditors' recommendations. The Governing Body agreed that the Finance and General Purposes Committee would be responsible for monitoring progress in relation to the Plan; a final report would be submitted to the EMT in March 2011 and forwarded subsequently to the Governing Body for note.

In response to a query it was noted that the Internal Auditors would not follow up on the recommendations of the final report, unless requested to do so, as they had carried out a Value for Money assignment rather than a compliance audit review of catering arrangements.

17.5.2 Managing Public Money (minute 16.6 (a)).

The Director of Finance informed the Committee that the revised Financial Memorandum, which was due to be issued by the Department by 1 October 2010 was still outstanding. It was confirmed that any amendments to the document would not be applied in retrospect.

17.5.3 Single Tender Transactions (minute 16.6 (b)).

The Director of Finance tabled a Single Tender Transaction Report as at 31 July 2010. It was noted that all the tenders indicated in the Report had been signed off by both the Director of Finance and the Director.

17.6 Chairperson's Communications

There were no Chairperson's communications.

17.7 Correspondence.

The Committee noted correspondence, dated 23 September 2010, from the Department of Finance and Personnel, drawing attention to the following Good Practice Guides:

a) The Internal Audit Role on Information Assurance (May 2010). The Committee noted the importance attached to the security of information. The Director of Finance reported to the Committee that the Internal Auditors had conducted reviews in the last two years in relation to data protection and freedom of information, the IT infrastructure and computer related controls with satisfactory assurance being given.

b) Audit Strategy (July 2010). The guide offers guidance on the development of a comprehensive internal audit strategy capable of delivering an opinion to the Accounting Officer on the whole of the College's risk management, control and governance. It advises that the Audit Plan should be based on risk assessment and that Governing Body prioritisation and quality measures should be in place for the internal audit function.

c) Reporting (July (2010)). Reference is made to reporting methods and the guide states that Internal Audit should agree the form and medium of reports with recipients. The Director of Finance stated that the NRC Audit Committee sees full audit review reports in written format. The Committee endorsed this method.

d) The Consultancy Role of Internal Audit (July 2010). The guide advises that the scope of the consultancy service, which internal auditors can offer is bounded by their skills set. The consultancy service should not aim to deliver advice on topics or in areas in which internal auditors do not have appropriate training and experience. It is important that consultancy activities should not impair the auditor's independence or objectivity. Ms Smyth stated that PwC abides by all guidance issued by Treasury/DFP and DEL in relation to consultancy roles carried out for Internal Audit clients.

It was noted that all of these documents are written from the GB context and that Members of the Audit Committee will need to read and consider them within the Northern Ireland context. Some slight variations will be necessary in respect of the Information Assurance Guide, where mention is made of positions and support arrangements, which are slightly different in Northern Ireland

The Committee noted that all of the Good Practice Guides and an additional document entitled "Fraud and the Government Internal Auditor" issued by HM Treasury in May 2010, can be accessed through the website www.afmdni.gov.uk under the Fraud and Internal Audit Section.

17.8 Annual Report and Financial Statements 2009/2010

The Director of Finance presented the audited Annual Report and Financial Statements for the year ended 31 July 2010. The Audit Committee noted that the College had generated an operating deficit of £236k and had reported an historic outturn of a £1,075k surplus compared with the College's original estimated outturn of a £747k deficit. The original estimated budget did not include £1,188k of additional funding from DEL and £1,446k FRS 17 credit in respect of staff costs nor a £502k FRS 17 pension finance cost charge in the Income and Expenditure Account.

The Director of Finance provided a written commentary on the 2009/2010 budgetary performance, which indicated that out turn was £309k worse than budget. In particular the training net income was £420k less than budget due to the mix of trainees between Apprenticeships, PLA and SfW being different than anticipated. Ms Smyth raised a query regarding recontracting for training and was advised that the College was currently preparing its submission. The commentary also indicated that travel costs had exceeded budget by £226k. The Director of Finance stated that managers had incurred almost half of the travel costs; any curtailment of travel costs could lead to management deficiencies. She also stated that lecturing costs were £400k more than budget due to the delivery of 169 additional FLUs and the difficulty in predicting savings realised as result of implementation of the new contract

The Committee received a copy of the Letter of Representation to be forwarded by the Director to the Comptroller and Auditor General, which states that the accounts give a true and fair view of the state of affairs, deficit, total recognised gains and losses and cash flows of the Northern Regional College for the year ended 31 July 2010.

The Committee endorsed the letter for submission to the Comptroller and Audit General at the same time as the submission of the Annual Report and Financial Statements to the Department.

17.9 Report from Northern Ireland Audit Office to Those Charged with Governance on the audit of the Annual Report and Financial Statements

The Committee received a 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 2010.

Mr O'Neill made a number of observations regarding the Financial Statements and highlighted the need for the following:

a) Post Balance Sheet Event disclosure on reclassification of Colleges as NDPBs;

- b) Inclusion of outstanding CETV information from Teachers' Superannuation Branch; and
- c) Confirmation of treatment of FRS17 adjustment in respect of the NILGOSC pension scheme.

It was noted that the NIAO may wish to delay signing the accounts until the above information is available from the Teachers' Superannuation Branch and the Urgent Issue Task Force. . **It was agreed that, in the event of NIAO deciding to delay signing the financial statements, the revised Annual Report and Financial Statements should be approved for submission to the Department by the Accounting Officer and Chair of the Governing Body, on the advice of the External Auditors and reported to a subsequent scheduled meeting of the Governing Body. It was also recommended that this arrangement should be endorsed at the forthcoming Governing Body meeting.**

In presenting the Report from the NIAO Mr D'Arcy advised the Committee that the Comptroller and Auditor General is proposing an unqualified opinion on the truth and fairness of the Financial Statements and an unqualified opinion on the regularity of the financial transactions.

In view of the proposed unqualified opinion, the Committee agreed to recommend to the Governing Body that the Annual Report and Financial Statements for the year ended 31 July 2010 be approved for submission to the Department, subject to:

- a) Post Balance Sheet Event disclosure on reclassification of Colleges as NDPBs;**
- b) Inclusion of outstanding CETV information from Teachers' Superannuation Branch; and**
- c) Confirmation of treatment of FRS17 adjustment in respect of the NILGOSC.**

17.10 Audit Committee Annual Report

The Committee received the Audit Committee Annual Report 2009/2010 for consideration and submission to the Governing Body and subsequently to the Department for Employment and Learning. It was noted that the Report provides information relating to; committee membership; meetings; terms of reference; internal audit reviews; external audit function; and a number of miscellaneous issues such as risk management, value for money arrangements and the Business Improvement Plan.

Members of the Committee suggested some minor adjustments to the Report. The Chairperson advised the Committee that she had forwarded a number of comments regarding the Report, which had not been included in the document.

The Committee agreed that

- a) The Audit Committee Annual Report 2009/2010 be adjusted to include suggestions made by Members and comments from the Chairperson;**
- b) The revised text should be circulated to Members for ratification prior to submission to the Governing Body and the Department.**

17.11 Outstanding Internal Audit Issues

The Director of Finance provided the Committee with a progress report regarding outstanding audit issues. She informed Members that six of the 12 outstanding audit issues had been fully implemented as at 16 November 2010 and 6 partially implemented.

The Committee noted that details of current Service Level Agreements had also been provided. These had been set up by the College's predecessor institutions and extended by NRC until such time as a Centre of Procurement Excellence (COPE) is in place.

The Chairperson requested that the next Progress Report should include a timescale for implementation of all outstanding/partially implemented recommendations, as there was a need to ensure timely implementation of all outstanding issues.

17.12 Internal Audit Reports

Ms Smyth presented the Internal Audit Report to the Audit Committee, which provides the Internal Audit Plan for 2010/2011.

The Committee noted that no internal Audit Reviews had been scheduled for the period August 2010 – October 2010 to allow the External Audit to take place. A review of procurement and contracting began on 8 November 2010 and a review of cash handling arrangements and income receipt is scheduled to begin on 22 November 2010. The reports in respect of these reviews would be available at the next meeting.

17.13 Risk Management

The Committee received a Report from the meeting of the Risk Management Group held on 22 October 2010. It was noted that the following topics had been discussed:

- a) Departmental Risk Registers/Presentations. The Group agreed that the Director of Finance would inform all Departmental Heads that in future the focus of presentations to the Audit Committee would be "How Departments identify and deal with risk and how operational plans mirror risk management";
- b) College Risk Register. The Risk Register was discussed and amendments agreed;
- c) Mid-Year Assurance Statement 2010/2011. The Director of Finance undertook to discuss to discuss the Mid-Year Assurance Statement with the Director and submit it to DEL (see item 17.17 below).

17.14 Financial and Support Team (FAST) Inspections

The Committee received Reports from the Department's Financial And Support Team (FAST), which had undertaken audit inspections of the Ballymena Campus (5 May 2010), Causeway Campus (27 May 2010) and Felden Campus (9 June 2010) to provide an assurance on the propriety of DEL funding in relation to their financial administration of the Training for Success (TfS), Apprenticeship (NI) and residual Jobskills programmes.

Based on the inspection findings, FAST has provided an overall satisfactory assurance opinion on the system of control to ensure compliance with programme guidelines and accuracy of claims made to the Department in respect of all three campuses.

FAST has recommended recovery of funding resulting from instances of absences amongst TfS participants at Ballymena (£4,412), Causeway (£1,109) and Felden (£17,801). The College accepts that the recovery is acceptable.

FAST has also raised a query as to why the College cannot make suitable arrangements for the continued provision of training over the summer months. The College has informed DEL that it works with a planned college/trainee calendar, which maximises holiday leave/authorised absences over the summer months and takes into consideration the terms and conditions of staff

The Committee received a further Report regarding the Department's Additional Support Fund (ASF), which enhances the funding available to Colleges for discrete students with learning difficulties or disabilities. The Department's Financial Audit and Support Team visited

the Newtownabbey Campus on 22 December 2009 to examine learning agreements in respect of thirty-five students. Only fourteen agreements were available for inspection; the remainder could not be produced.

The College has subsequently liaised with DEL and has agreed to a recovery of funding in respect of these students where appropriate.

17.15 Audit Committee Terms of Reference

The Committee was reminded that it is necessary for all Committees of the Governing Body to review their Terms of Reference annually. It was noted that the Committee's Terms of Reference were last reviewed and agreed at its meeting on 17 November 2009.

The Committee reviewed its Terms of Reference and agreed that the Governing Body be informed that they remain unchanged.

17.16 Annual Consultancy Return

The Committee received the Annual Consultancy Return for 2009/2010, which indicates that three consultancy projects had been undertaken at a cost of £116,270, none of which were in excess of £50K. It was also noted that the Internal Auditors had completed an additional consultancy project, at a cost of £8,225, in respect of a Whistleblowing case.

17.17 Mid-Year Assurance Statement

The Committee received a copy of the Accounting Officer's Mid-Year Assurance Statement 2010/2011, which had been submitted to DEL. The Director explained that the Statement reflected the model provided by the Department.

17.18 Any Other Notified Business

As there was no other notified business to transact, the Chairperson concluded the meeting by thanking Mrs Moore and her team for their meticulous work in relation to the Annual Report and Financial Statements. She also thanked the secretariat and Ms Brannigan for their assiduous work in the collation and distribution of papers for the Committee.

Finally, the Committee expressed its thanks to KPMG and PWC and NIAO for their work in completion of their respective audits.

17.19 Next Meeting

The Committee noted that the next meeting is scheduled for 5.30 pm on Tuesday 22 February 2011 at the Farm Lodge, Ballymena Campus of the Northern Regional College.