

## **NORTHERN REGIONAL COLLEGE**

### **AUDIT COMMITTEE**

Minutes of the meeting of the Audit Committee held on 17 November 2009 at the Ballymena Campus of the Northern Regional College.

Present Mrs A Rankin (Chairperson), Rev T Jamieson, Ms J Fullerton (from item 12.10), Alderman PJ McAvoy and Ms C O'Neill.

In Attendance Mr J Darcy (KPMG), Ms J Hamill (DEL), Mrs C Moore, Mr S McCormick (NIAO), Mr M Pitt (PwC) and Mr J A Hunter.

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

The Audit Committee, less staff representatives, met with the Auditors prior to the main meeting. The Internal Auditor and the representative from NIAO stated that they had had full cooperation from management and had no points to raise with the Committee.

#### **UNRESERVED BUSINESS**

##### **12.1 Apologies**

The Chairperson welcomed back Alderman PJ McAvoy after his recent illness and Ms J Hamill (DEL), who was deputising for Mr R Monds.

Apologies were received from Mrs A M Campbell, Ms K Doey, Mr T Neilands and Mr R Monds.

##### **12.2 Declaration of Interests**

There were no declarations of interests.

##### **12.3 Minutes of the Last Meeting**

The minutes of the last meeting of the Audit Committee held on 22 September 2009 were approved.

##### **12.4 Matters Arising**

###### **12.4.1 Risk Management (minute 11.4.1)**

The Director of Finance advised the Committee that the Risk Management Group had not met since the last meeting of the Audit Committee. However the Risk Register had been reviewed and updated by the Executive Management Team in preparation for a meeting of the Risk Management Group prior to Christmas. Members stressed that this should be addressed as a matter of urgency.

The Director of Finance informed Members that Risk Registers and Stewardship Statements had been received from all Directorates. She advised the Committee that the EMT was also measuring the impact of each risk for inclusion in the Corporate Risk Register.

###### **12.4.2 Priority One Recommendations (minute 11.4.2)**

The Committee received a Report detailing the Internal Auditors' Priority One Recommendations 2007/2008 and 2008/2009 together with the External Auditors'

recommendations 2008. Mr Pitt advised Members that the majority of the recommendations had been fully or partially implemented; only one item relating to Estates Management had not been fully implemented and this area had been re-audited in October 2009. The Internal Auditor stated that he was satisfied with the follow-up action of Management.

The Chairperson expressed concern that certain Internal Auditors' recommendations dating to 2007/2008 had not been fully implemented and requested that these be implemented as a matter of urgency, in line with Risk 4 of the Northern Ireland Audit Office Report to those charged with Governance Audit results. The Director of Finance stated that the Sector was still working to develop an appropriate level of procurement expertise and this had delayed the implementation of the recommendation relating to procurement. She added that the residue of the partially implemented recommendations was now nearing completion.

## **12.5 Committee Terms of Reference**

The Committee received a copy of its Terms of Reference, which were agreed at its meeting on 16 November 2007.

**The Committee agreed that no changes were required to the Terms of Reference.**

## **12.6 Chairperson's Communications**

There were no Chairperson's Communications.

## **12.7 Correspondence.**

### **12.7.1 Correspondence from Department of Employment and Learning**

The Committee noted correspondence from FE Finance in relation to the Felden Training Centre running costs for 2008/2009 following a visit to the College on 14 October 2009. It was noted that the Inspection Team found the systems and controls in the areas examined to be effective and well operated and all information 100% correct.

## **12.8 Draft Annual Report and Financial Statements**

The Committee received the draft Annual Accounts and Financial Statements for the financial year ended 31 July 2009. It was noted that the College had generated a deficit of £2,617k on continuing operations during the financial year. The historic cost deficit outturn amounted to £1,305k compared with the original estimated deficit of £981k, which did not include the FRS 17 adjustment of £459k. The Cash at Bank and in hand had decreased from £7,686k in 2007/2008 to £5,397k in 2008/2009.

The Director of Finance expressed satisfaction with the risk and control framework. She said that the Internal Auditors had carried out reviews on a number of planned areas and all but one had received satisfactory or substantial ratings.

Mr McCormick drew attention to the Remuneration Report, which had been included in the Annual Report and Financial Statements for the first time. He also referred the Committee to the write-off of a bad debt in respect of the Causeway Childcare Limited amounting to some £83,700. In accordance with the Financial Memorandum, DEL approval is required to write-off the debt and the request is currently with the Department.

The Committee noted that the Annual Report and Financial Statements required only minor adjustments since the draft results were presented to the Committee in September and accordingly the final results would now be forwarded to the Governing Body prior to its meeting on 25 November 2009.

## 12.9 Report from Northern Ireland Audit Office

The Committee received a Report from the Northern Ireland Audit Office on the audit of the Annual Report and Financial Statements for the year ended 31 July 2009. It was noted that NIAO had sub-contracted the External Audit function to KPMG during 2008/2009.

Mr D'Arcy (KPMG) informed Members that an unqualified opinion on the true and fair nature of the Financial Statements had been given for the period ended 31 July 2009. He said that an unqualified opinion on the regularity of financial transactions had also been given.

Mr D'Arcy highlighted a number of Key Risks in relation to securing of funding, processing transactions, implementing internal audit recommendations, recognising income streams in the correct accounting period, capturing all liabilities at the year end, recovering outstanding liabilities, valuing assets, recording a provision for litigation and claims, reviewing the appropriateness of assumptions used in the calculation of pension liabilities, taking into consideration the worsening economic climate and preparing accounts in accordance with the Accounts Direction. He also referred to a number of significant observations and recommendations to management in relation to prompt payment policy, DEL approval for bad debt write-offs greater than £750, customer credit check policy and the review of contracts.

The Chairperson made a number of observations regarding the Report. She referred to a misleading statement regarding exceptional restructuring costs, which required adjustment. She enquired about the status of the deeds in respect of the sale of lands at Larne, which were still proving difficult to resolve. She questioned the need to adhere to the Confederation of British Industry targets in relation to prompt payment policy and was advised that the targets are regarded as good practice. She also expressed the need for a limit on the number and frequency of credit checks on customers for large contracts; she was advised, by the Director of Finance, that the policy would be reviewed, keeping in mind cost-benefit.

In respect of the write-off of bad debts in excess of £750, **it was agreed that an annual report on bad debt provision and write-off would be forwarded to the Finance and General Purposes Committee seeking approval in advance of a request being forwarded to DEL.**

Following receipt of opinion from the NIAO Report, **the Committee recommended to the Governing Body that the Annual Report and Financial Statements, adjusted to reflect Members' comments, be adopted for submission to the Department.**

**It was noted that the Report would be forwarded to the Governing Body prior to its meeting on 25 November 2009.**

## 12.10 Audit Committee Annual Report, Annual Assurance Return and Annual Assurance Statement

The Committee received the following documents:

a) The Audit Committee Annual Report for 2008/2009. The Director advised that the Report detailed the work of the Audit Committee during 2008/2009 and highlighted in particular the work carried out by PwC and NIAO (sub-contracted to KPMG) on behalf of the Audit Committee. The Chairperson suggested that the Report should include reference to value for money investigations, risk management and information regarding bad debt write-offs.

The Committee agreed that the Report be revised and circulated to Members for comment prior to submission to the Department by 30 November 2009;

b) Annual Assurance Return 2008/2009. The Director of Finance advised that the Return adhered to a standard format.

**The Committee agreed that the Return be approved for submission to the Department.**

**The Committee received and noted:**

a) Assurance Statement for the 2008/2009 Financial Year, which had been forwarded to the Department by the Director and Accounting Officer on 1 May 2009.

**12.11 Internal Audit Plan 2009/2010**

The Internal Auditor updated the Committee on progress made against the Internal Audit Plan 2009/2010. He informed Members that two reviews had been completed in draft format, one relating to Governance and the other in respect of the follow-up review of Estates. He said the Internal Audit Team was ahead of schedule although the Faculty Management review had had to be postponed to the New Year due to pressure of work in respect of the Business Improvement Plan.

**12.12 Any Other Notified Business**

There was no other notified business

**12.13 Next Meeting**

The Committee noted that the next meeting is scheduled for 5.30 pm on Tuesday 30 March 2010 at the Farm Lodge, Ballymena Campus of the Northern Regional College.

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A L Rankin, Chair

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J A Hunter, Secretary