

NORTHERN REGIONAL COLLEGE

AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on 20 September 2012 at the Farm Lodge, Ballymena Campus of the Northern Regional College.

Present Ms A Rankin (Chairperson), Alderman PJ McAvoy, Mr S McCartney.

In Attendance Mr T Neilands (Director), Ms J McAuley (DEL), Mrs C Moore, Mr B O'Hara (KPMG), Ms E Patton (KPMG), Mr R Ross (NIAO) and Mr J A Hunter.

Apologies Alderman J Brown and Mrs R Peters-Gallagher

Pre-Meeting with Auditors

The Audit Committee, less staff representatives, met with the Internal 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.

The Chairperson stated that the Director of Finance and Corporate Development would welcome a representative from Moore Stephens to attend each meeting of the Audit Committee to address any critical matters pertaining to the external audit function. Mr Ross explained that the Northern Ireland Audit Office is the appointed External Auditors but had contracted out the audit function to Moore Stephens. He added that a representative from the NIAO attended all meetings and that Moore Stephens, the sub-contractor, would only be expected to attend critical meetings relating to the Audit Strategy and the Report To Those Charged With Governance. He undertook to speak to the Director of Finance and Corporate Development regarding her concerns with a view to determining which committees Moore Stephens should attend.

UNRESERVED BUSINESS

26.1 Apologies & Membership

The Chairperson welcomed Mr Bernard O'Hara and Ms Emma Patton, representatives of the recently appointed Internal Auditors (KPMG), to their first meeting.

Apologies were received from Alderman J Brown and Mrs R Peters-Gallagher.

26.2 Declaration of Interests

There were no conflicts of interest declared.

26.3 Minutes of the Last Meeting

The minutes of the last meeting of the Audit Committee held on 26 June 2012 were approved.

26.4 Matters Arising

26.4.1 Evaluation Internal Audit Service (minute 25.12)

Mrs Moore, the Director of Finance and Corporate Development, reminded members that the Audit Committee (30 March 2010) had agreed that Key Performance Indicators should be prepared to review the performance of the Internal Audit Service. The Committee received a

Progress Report, which indicates that PwC has achieved all the targets, with the exception of KPI 2 for the financial year 2011/2012. This target has not been achieved as four audit review reports were not received within the planned timescale as a result of delays in the resolution of issues. Mrs Moore advised that satisfactory evaluations of review had now been received from the Review -process owners.

The Committee agreed that the overall Internal Audit Service provided by PwC be deemed to be Satisfactory for 2011/2012.

26.4.2 Other Matters Arising

There were no other matters arising from the meeting of the Audit Committee held on 14 May 2012.

26.5 Terms of Reference

It is necessary for all the Committees of the Governing Body to undertake an annual review of their Terms of Reference. Mrs Moore suggested that the Terms should be adjusted to reflect the Model Terms of Reference at Appendix A to the Code of Guidance on Audit for Governing Bodies of Further Education Colleges (The Audit Code). Reference should also be made in the Terms to the documentation to be supplied to members on appointment as specified in the Model Letter of Appointment at Appendix E to the Audit Code.

The Audit Committee agreed that the revised Terms should be forwarded to the Governing Body for approval.

26.6 Chairperson's Communications

The Chairperson reported that a letter had been received from DEL, dated 19 September 2012, outlining some of the key changes to the revised Health Check Document due in October 2012. She mentioned in particular that the Internal Audit Section would break down the audit ratings by grade (substantial or satisfactory) to provide greater transparency and to allow more effective benchmarking across the Sector.

26.7 Correspondence

The Committee noted the following correspondence:

a) Correspondence from the Department for Employment and Learning, dated 16 August 2012, providing an updated Audit Code to take effect from 1 September 2012. The Code makes reference to arrangements for Audit Committees and for Internal and External Audits. The Chairperson requested Members to pay attention to the section dealing with Internal Audit arrangements.

b) Correspondence from DEL, dated 1 August 2012, alerting Finance Directors to a continuing fraud threat first brought to their notice by FD (DFP) Circular 19/11 in December 2011. This correspondence relates to an ongoing fraud threat, where fraudulent requests are made seeking to amend the bank details of existing suppliers. It was noted that this matter had been brought to the attention of the Audit Committee on 15 February 2012. Mrs Moore advised the Committee that procedures had been updated to reflect the contents of Circular 19/11.

c) Correspondence from DEL, dated 29 June 2012, identifying a number of changes to the Accounts Direction. The Director of Finance and Corporate Development advised that the Annual Report and Financial Statements reflected the provisions of the Accounts Direction

d) Correspondence from DEL Circular FE 10/2012, dated 29 June 2012, detailing amendments to single tender actions, consultancy and procurement controls set out in the current Financial Memorandum. Mrs Moore confirmed that the College currently complied

with these guidelines and the procurement guidance was being updated to reflect the new procurement limits set out in Circular FE 10/2012.

e) Returns Timetable issued by DEL for the year 1 August 2012 to 31 July 2013.

26.8 Draft Annual Report and Financial Statements 2011/2012

The Committee received the draft 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 reported an historic cost deficit of £1,187k compared with the College's original estimated deficit, as per the College Development Plan, of a £1,230k. Income from Training and Entitlement Framework was lower than budget as a result of lower than anticipated trainee/student numbers. Staff costs were less than budget as a result of lower demand and tight control on staffing levels during the year.

The College has accumulated income and expenditure reserves, excluding pension reserves, of £1,865k (£3,088k – 2011) and cash balances of £3,168k (£4,530k – 2011).

Mrs Moore highlighted the various sections of the Financial Statements referring in particular to the: implementation of the Strategic Plan; performance indicators; financial results; student numbers and achievements; curriculum development; estate matters; the reduction in College full time equivalent staff from 724 to 682 during 2011/2012; remuneration report; corporate governance and responsibilities of the Governing Body; statement of internal control; and notes to the Financial Statements.

During discussion reference was made to the College's historic deficit as a % of total income, which was outside the DEL Target Range. The Director drew attention to the fact that the College was in line with the Business Improvement Plan and that mention should be made of this in the Audit Committee Annual Report 2011/2012.

It was noted that the Annual Report and Financial Statements would be forwarded to the Governing Body on 21 November 2012, following the audit process, for adoption and submission to the Department, subject to the recommendations of the NIAO.

26.9 Audit Committee Annual Report 2011/2012

The Committee received the draft 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 Report would not be finalised until completion of the external audit of the Annual Report and Financial Statements for the year ended 31 July 2012.

Mr Ross recommended that the Annual Report should indicate that the Committee had examined and confirmed the completion of the reviews specified in the Internal Audit Plan 2010/2011, and a review of the Report to Those Charged with Governance issued in October 2011. It was also suggested that mention should be made regarding the fluctuating membership of the Committee.

The Committee agreed that the Annual Report should be revised to reflect Members' comments and reconsidered at the next meeting.

26.10 Annual Assurance Return 2011/2012

The Committee received the draft Annual Assurance Return 2011/2012, prepared by the Director, for submission to DEL by 30 November 2012. The Committee noted the return.

26.11 Approval of Appointment of Internal Auditors

The Committee received a paper recommending the appointment of KPMG as providers of the College Internal Audit Service for the period 1 August 2012 to 31 July 2015, with provision for two further one-year extensions. It was noted that the recommendation had been made as a result of a procurement exercise carried out by the Northern Regional College on behalf of the Sector. The Chairperson congratulated the Director of Finance and Corporate Development and her team for their robust and meticulous work in relation to the procurement exercise.

The Committee agreed that KPMG be appointed as Internal Auditors

26.12 Internal Audit Plan

The Committee received the Internal Audit Plan 2012-2015 providing details of the KPMG Internal Audit team: Arthur O'Brien (Partner); Bernard O'Hara (Director); and Emma Patton (Associate Director). Mr O'Hara outlined the KPMG Internal Audit approach and the indicative Audit Plan for 2012/2013 to 2014/2015

It was noted that the Plan includes 49-51 audit days each year for the three-year period. It also includes the following internal audit reviews for the first year: General Financial Controls; Financial Planning and Budgeting; Procurement; Data Integrity; Business Continuity and Disaster Recovery; and Value for Money – Outsourcing of Services. Mr O'Hara said that his team would look at high level issues in the first year and drill down in subsequent years. It was noted that the Plan did not contain any contingency or reserve days and that it would be necessary to review the plan on an ongoing basis.

Members raised a number of comments. It was suggested that the Value for Money Review should give consideration to the proposed analysis of outsourcing versus in-house provision of Catering Services and other services. The Director questioned the necessity to review Quality Assurance Mechanisms. He expressed the view that this would be a duplication of effort in view of the work carried out by ETI and other bodies. The Chairperson stressed the need for the Audit Plan to reflect the Corporate Risk Register and was content that Terms of Reference and the scope for which review would be agreed between KPMG and the EMT in order to ensure optimum allocation of resource and value for money.

Following discussion the Committee agreed that

- a) The Internal Audit Plan 2012/2013 to 2014/2015 be approved;**
- b) The Director of Finance and Corporate Development should agree a timetable for Reviews with KPMG; and**
- c) The Director of Finance and Corporate Development should prepare Key Performance Indicators to review the supplier's performance.**

26.13 Any Other Notified Business

There was no other notified business.

26.14 Next Meeting

The Committee noted that the next meeting is scheduled for 5.30 pm on Tuesday 13 November 2012 at the Farm Lodge Building, Ballymena Campus of the Northern Regional College.

As there was no further business the meeting concluded at 6.30 pm.

A L Rankin, Chairperson

J A Hunter, Secretary