

NORTHERN REGIONAL COLLEGE

AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on 21 September 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 R Monds (DEL), Mrs C Moore,
Ms C O'Hagan (NIAO), Mr M Pitt (PwC) and Mr JA Hunter.

Pre-Meeting with Auditors

The Audit Committee, less staff representatives, met with the Auditors prior to the main meeting. Mr Pitt, Internal Auditor, and Ms C O'Hagan, representative from NIO, stated that they had had full cooperation from College Management and had no points to raise with the Committee.

UNRESERVED BUSINESS

16.1 Departmental Risk Registers

The Committee noted that it had agreed, at its meeting on 29 June 2010, that it would be good practice for different members of the Senior Management Team to come to each meeting to give presentations regarding their Departmental Risk Registers. The Chairperson stated that Mr Gerard Quinn, Head of the Faculty of Social Care and Early Years, Hair and Beauty Therapies, Access and Community, was the first member of the SMT to be invited to make a presentation.

Mr Quinn provided details of the structure, enrolments and staffing of his Faculty. He summarised the main risks facing his faculty and the mechanisms in place to minimise these.

Following the presentation discussion ensued concerning the work of the Faculty particularly in relation to enrolments for HND/Access courses and the merits of having a management structure across vocational areas or geographical areas. . In response to a query regarding processes for identifying and evaluating risks, Mr Quinn stated that the Faculty had a continuous monitoring process to inform its Faculty Risk Register and that the monitoring process was conducted in conjunction with the Faculty Operational Plan. It was further noted that Mr. Quinn had bi-annual reviews of the Departmental Risk Register, which are submitted to the Risk Management Group for consideration.

The Chairperson thanked Mr Quinn for an informative presentation.

16.2 Apologies and Membership

Apologies were received from Mrs AM Campbell, Mr J D'Arcy (KPMG) and Mr B O'Neill (NIAO).

16.3 Declaration of Interests

There were no declarations of interests.

16.4 Minutes of the Last Meeting

The minutes of the last meeting of the Audit Committee held on 29 June 2010 were approved.

16.5 Matters Arising

16.5.1 Risk Management (minute 15.4.1)

The Director of Finance informed the Committee that the Risk Management Group had not met since the last meeting of the Audit Committee. She advised the Committee that the next meeting of the Group would be in early November and a report would be forwarded to the meeting of the Audit Committee scheduled for 16 November 2010.

16.5.2 Catering Arrangements (minute 15.7)

The Director of Finance reported that the Governing Body (6 October 2010) would receive a presentation in relation to recommendations made by the Internal Auditor regarding catering arrangements at the College.

16.6 Chairperson's Communications

The Chairperson drew the Committee's attention to the following documents:

(a) **Managing Public Money Northern Ireland.** She stated that this reference document sets out the main principles for dealing with resources used by public sector organisations in Northern Ireland. She also indicated that The Annual Report and Financial Statements made reference to this document. The Director of Finance drew Members' attention to Annex 4.4 regarding procurement control limits, which did not reflect those indicated in the Financial Memorandum. Mr Monds advised that the Department was due to issue the revised Financial Memorandum regularised by 1 October 2010, and confirmed that the amendments to same would not be applied in retrospect.

(b) **Report of the Independent Review Team to the Accounting Officers of the Department for Regional Development and Northern Ireland Water.** The Chairperson explained that this review had been commissioned by the Accounting Officers of the Department for Regional Development and Northern Ireland Water to examine the procurement governance issues within NIW. The report sets out the findings and recommendations of an independent review team,

The Chairperson reminded Members that the Director of Finance had conducted a review of procurement governance within NRC when this issue first emerged and the College had introduced a system to deal with single tender actions, all of which had to be signed off by the Director. It was noted that DEL receives an annual report on such transactions.

It was agreed that the Committee should receive a mid-year report on all such transactions as well as the end of year report, which is forwarded to DEL.

16.7 Correspondence.

The Committee noted the following correspondence from the Department of Finance and Personnel:

(a) Letter dated 9 July 2010 regarding the Land and Property Service IT Replacement Project Lessons Learned Report. The Chairperson requested Members to note the key lessons learned from the IT Project.

(b) Letter dated 27 May 2010 regarding Memoranda of Reply to NI Assembly Public Accounts Committee Reports in relation to the performance of the Health Service and the performance of the Planning Service. The Committee noted the recommendations referred to in the following reports:

(i) 8th Report: The performance of the Health Service in Northern Ireland (DHSSPS). The Director of Finance advised the Committee that the College had a partnership with the Northern Trust and was meeting the guidance described in the Report. She confirmed that the Report would be passed to the HR Section for information and appropriate action.

(ii) 9th Report: The performance of the Planning Service (DOE).

16.8 Draft Annual Report and Financial Statements 2009/2010

The Director of Finance presented the draft Annual Report and Financial Statements for the year ended 31 July 2010. She advised the Committee that the Annual Report and Financial Statements would be forwarded to the Finance and General Purposes Committee (9 November 2010) and the Governing Body (24 November 2010) for approval and submission to the Department.

The Director of Finance circulated a paper 'An overview of Financial Performance 2009/2010', which provided a summary of the Financial Statements; the paper highlighted:

a) FLU Performance and Enrolments. The College had exceeded its targets in respect of FLUs for FE and HE. Enrolments had exceeded targets for full-time FE, HE and Entitlement Framework but enrolments had failed to reach targets for part-time FE and HE, and training.

b) Historical Financial Position. The College has reported an historic surplus of £939k compared with the College's original estimated deficit of £747k. The original estimated budget did not include the FRS 17 adjustment of £1,446k included in the Income and Expenditure Account. The College has an accumulated income and expenditure reserve of £2,945k and cash balances of £5,272k.

c) Commentary 2009/2010 Performance. The Director of Finance provided details of income and expenditure costs against budget. Reference was made to travel costs (£226k greater than budget) and lecturing costs (£400 greater than budget due to a difficulty in anticipated savings that would be realised as a result of implementation of the new Lecturers Contract); It was agreed that a grid summarising the substantive differences between budget and actual, would be available when the final Financial Statements are presented to the Governing Body.

d) Staffing. As a result of steps undertaken by the College, the number of FTE staff had reduced from 795 in 2007/2008 to 737 in 2009/2010 thus controlling staffing costs despite pay increases;

e) Key Performance Indicators. The Committee noted KPIs for solvency and sustainability. The KPI relating to Cash Days indicate that the number of Cash Days had declined to 58 It was also noted that the ratio of staff costs to expenditure had increased from 67.5 % (2007/2008) to 73.68 % (2009/2010) The College's ratio had increased as a result of declining expenditure on IT and maintenance.

f) Audit Reports. On the basis of audit work performed during the year, PwC has provided a satisfactory assurance in relation the adequacy of the systems of control in place within the College and their operation throughout the year ended 31 July 2010. There was only one priority one issue during the year, which related to the TMS system. The Internal Auditors identified weaknesses within DEL Training Branch regarding the system. Mr Pitt informed the Committee that DEL had now provided assurance to the sector to resolve this issue

g) Business Improvement Plan. The Director of Finance provided details of progress in relation to the Business Improvement Plan;

h) Risk Management. An appropriate structure is in place to support the implementation of the NRC Risk Management Policy. This structure includes a Risk Management Group, made up of members of the Senior Management Team and a representative from the Governing Body, that manages risk internally and reports to the Audit Committee.

The Committee drew attention to the need to make adjustments to a number of sections of the Annual Report and Financial Statements relating to membership of the Governing Body, the Review of Effectiveness and Remuneration Report.

16.9 Outstanding Internal Audit Issues

The Director of Finance provided the Committee with a progress report regarding outstanding audit issues. She informed Members that five of the 12 outstanding audit issues had been fully implemented as at 21 September 2010 and 7 partially implemented. It was noted that previous reports referred only to Priority One recommendations but the present and future reports would be all-embracing and include all outstanding issues.

The Chairperson stressed the need to fully implement all outstanding issues as a matter of urgency. She requested that all future reports should indicate definitive dates as to when outstanding issues would be addressed.

16.10 Internal Audit Reports

The Internal Auditor presented the following reports to the Committee:

(a) **Internal Audit Report to Audit Committee**, which provides the Audit Committee with a classification of audit assurance, a key to priorities and a summary status of the Internal Audit Plan 2010/2011.

(b) **Internal Audit Needs Assessment 2010/2011 Document**, which assesses the internal audit needs of the Northern Regional College and provides a revised Internal Audit Plan covering the twelve-month period ending 31 July 2011, reflecting suggested additions as discussed at earlier meetings

16.11 Any Other Notified Business

16.11.1 Accountability Meeting

The Director reported that he, the current and former Chairs of the Governing Body, the Chair of the Audit Committee and the Director of Finance had attended an Accountability meeting at the Department. He advised the Committee that the College had experienced a procurement problem in relation to the re-engagement of Grant Thornton to help complete the additional work on financial projections and scenario planning as required by DEL. The Director expressed his thanks to Mr Monds who had helped to resolve this matter; it had now been agreed that the College could process this as a single tender transaction as the sum involved amounted to some £2,000.

The Committee supported this course of action

16.12 Next Meeting

The Committee noted that the next meeting is scheduled for 5.30 pm on Tuesday 16 November 2010 at the Farm Lodge, Ballymena Campus of the Northern Regional College.

