

## **NORTHERN REGIONAL COLLEGE**

### **AUDIT COMMITTEE**

Minutes of the meeting of the Audit Committee held on 25 May 2010 at the Ballymena Campus of the Northern Regional College.

Present Mrs A Rankin (Chairperson), Rev T Jamieson, Mr R Jay, 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), Mr M Pitt and J A Hunter.

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

The Audit Committee, less staff representatives, met with the Auditors prior to the main meeting. The Auditors and representatives from NIAO and DEL stated that they had no points to raise with the Committee. In response to a query it was noted that the Auditors and the Audit Office had received a copy of the Business Improvement Plan, which would inform the auditors of the College's plans and which may need to be reflected in the Annual Report and Financial Statements.

### **UNRESERVED BUSINESS**

#### **14.1 Apologies and Membership**

Apologies were received from Mrs AM Campbell.

The Chairperson welcomed Mr R Jay as a replacement for Ms J Fullerton, who has resigned as a Governor.

#### **14.2 Declaration of Interests**

There were no declarations of interests.

#### **14.3 Minutes of the Last Meeting**

The minutes of the last meeting of the Audit Committee held on 30 March 2010 were approved.

#### **14.4 Matters Arising**

##### **14.4.1 Risk Management (minute 13.4.1)**

The Director of Finance informed the Committee that the Risk Management Group had not met since the last meeting of the Audit Committee. She informed Members that PwC would be providing a Risk Management Seminar for members of the Group and the Senior Management Team on 10 June 2010. A report would be forwarded to the next meeting of the Audit Committee.

##### **14.4.2 Priority I Recommendations (minute 13.4.2)**

The Committee received a Progress Report regarding outstanding Priority I Audit issues from the PwC Internal Audit recommendations 2007/2008, the NIAO External Audit 2008 recommendations and the PwC Internal Audit recommendations 2008/2009. The Committee noted that 15 of the 17 partially implemented recommendations have now been implemented,

1 had been partially implemented and one in relation to staffing within estates is no longer applicable.

#### 14.4.3 Director's Letter of Assurance (minute 13.7 b))

The Committee noted that a request for a Letter of Assurance had been received from the Department for Employment and Learning and the revised Letter of Assurance, agreed at the last meeting, had been forwarded to the Department.

#### 14.4.4 Banking Service Contract (minute 13.10)

The Committee noted that the Finance and General Purposes Committee (30 March 2010) had agreed that the College's current contract with the Northern Bank should be extended for a further two years from 1 August 2010.

### 14.5 Chairperson's Communications

There were no Chairperson's communications.

### 14.6 Correspondence

The Committee noted the following correspondence:

a) Correspondence from Director of Finance to PricewaterhouseCoopers, dated 14 May 2010, regarding the extension of the Internal Audit Service to 31 July 2012. It was noted that the Director of Finance had indicated in her letter that the College requires assignments to be delivered in time and to a standard detailed in the Key Performance Indicators, which she appended to her letter. It was also noted that she had stressed the need for effective and efficient management of the service and had requested that the daily rate for the service should remain unchanged at £350 per day.

It was noted that the KPI relating to feedback from designated process owners would be monitored by questionnaire. The Chairperson drew attention to the KPI concerning feedback from the Audit Committee; she said this would be carried out at the year-end review.

Mr Pitt informed the Committee that PwC would be confirming the extension of the Internal Audit Service in writing during the coming week.

b) Correspondence from the Department of Finance and Personnel, dated 12 May 2010, regarding the publication of the latest annual report on actual, suspected and attempted fraud within Northern Ireland departments and their arm's length bodies. The report indicates that the actual, attempted and suspected frauds reported was £638k covering 162 cases. The category of fraud with the highest value was contractor fraud. This was attributable, however, to one high case of over £277k.

In the majority of cases reported (37%) it was noted that the incident reported was opportunistic and that the controls in place were found to be appropriate to the risk found. Inadequate controls were cited in 19% of cases and failure to apply existing controls in 22%. 12% of the cases were payment process related and 13% grant related.

The Director of Finance confirmed that fraud awareness training would be addressed at the forthcoming PwC Risk Management Seminar.

The Chairperson requested and the Director of Finance agreed that the concerns regarding procurement governance, mentioned in the recent report within NI Water, would be considered by the Senior Management Team and the Procurement Group, in order to provide assurance to the Audit Committee and Governing Body that such incidents could not occur at NRC.

## **14.7 Internal Audit Reports**

The Committee received the following documents:

### **a) PwC Internal Audit Report to Audit Committee**

The Committee noted the PwC Internal Audit Report, which indicated progress made against the 2009/2010 internal audit plan. In particular the report outlined the internal audit reviews completed since the last Audit Committee meeting on 30 March 2010 and provided a summary status of the internal audit plan.

It was noted that the following internal reviews had been completed since the last meeting:

- i) Faculty/Unit Management, which received a substantial assurance rating;
- ii) Process Improvement Review with a focus on Catering. The Internal Auditors were awaiting information from EUREST Catering Company before finalising their non-assurance report;
- iii) Financial Controls Review with a focus on month-end processes. The audit work for this review was performed during the week commencing 10 May 2010 and the report would be considered at the next meeting of the Audit Committee.

The Committee noted that all of the internal audit reviews were progressing in line with the agreed timescales and all audit work would be completed and reported in advance of the financial year-end (31 July 2010) and within DEL requirements (30 September 2010).

### **b) Internal Audit Review of Faculty/Unit Management**

The Committee noted the Internal Audit Report, which provides assurance as to the appropriateness and effectiveness of key controls in respect of faculty/unit management at the College. The review focussed on: the Faculty of Social Care, Early Years, Hair and Beauty, Therapies, Access and Community; and the Department of Student Services and Marketing

It was also noted that the Internal Auditors had provided an overall assurance rating of substantial for all the key processes: faculty planning; monitoring arrangements for the attainment of faculty objectives; faculty structure; faculty financial planning and monitoring; communication arrangements and risk management arrangements. There were no Priority I issues identified during the course of the review.

The Committee congratulated the Director of Finance and her team on the successful outcome of the Faculty /Unit Management review. She attributed credit to the Senior Management Team and its interaction with faculty/unit staff.

A Member asked if the assurance rating in the faculty/unit assessed was reflected in the other academic and support areas. He was advised that both areas had been chosen, given their scope was representative of what was happening in other areas. The Internal Auditor stated that forthcoming reviews would focus on higher risk areas but if spare capacity existed it might be possible to review other academic and support areas.

The Chairperson raised a query as to whether all those involved in the risk management process had received risk management training; she was assured that initial training had been undertaken by PwC and this would be followed up at the forthcoming Risk Management Seminar.

## **14.8 External Audit Strategy for 2009/2020 Report and Financial Statements**

Mr D'Arcy provided details of how the Northern Ireland Audit Office plans to carry out the external audit of the College's accounts for the year ended 31 July 2010. He stated that KPMG had been contracted by the NIAO to carry out the audit on behalf of the Comptroller and Auditor General.

The document referred to the scope of the audit, which consisted of three main areas, financial audit, regularity audit and other assurances. He also referred to reporting arrangements and to the timetable for the audit culminating with the approval of the financial statements by the NRC Governing Body on 24 November 2010, the submission of the uncertified accounts to the NIAO on 26 November 2010 and the certification of accounts on 30 November 2010.

Mr D'Arcy referred to the External Auditors' approach to the audit risks facing the College. He detailed several ongoing sector related issues: financial position and pressure on securing funding; regularity of transactions; procurement; internal audit recommendations; revenue recognition; year end cut-off; recoverability of debtors; valuation of estates; provision for litigation; FRS17 retirement benefits; worsening economic climate impacts on financial performance; national fraud initiative; preparation of accounts in accordance with the Revised Accounts Direction 2009/2010; and International Financial Reporting Standards.

The Chairperson sought information regarding the data integrity surrounding the calculation of FLUs. She was informed that funding from DEL was based on the estimated FLU calculated by the College; if the FLU is less than the estimate there is a risk that DEL may reduce future funding. She also raised a query as to the level of outstanding debtor balances. The Director of Finance indicated that the level was not as high as in previous years as the Job Skills provision, which generated a high level of debtors, was being phased out.

## **14.9 Any Other Notified Business**

### **14.9.1 Internal Audit Strategy**

The Chairperson suggested that if Members had any suggestions for areas to be included in the Internal Audit Operational Plan for 2010/11 that they should forward these to the Director of Finance in advance of the next Audit Committee.

## **14.10 Next Meeting**

The Committee noted that the next meeting is scheduled for 5.30 pm on Tuesday 29 June 2010 at the Farm Lodge, Ballymena Campus of the Northern Regional College.