

## **NORTHERN REGIONAL COLLEGE**

### **AUDIT COMMITTEE**

Minutes of the meeting of the Audit Committee held on 26 June 2012 at the Farm Lodge, Ballymena Campus of the Northern Regional College.

Present Mrs A Rankin (Chairperson), Alderman J Brown, Alderman PJ McAvoy, Mr S McCartney.

In Attendance Mr T Neilands (Director), Mr A Cole (DEL), Mrs C Moore, Mr S McCormick (NIAO), Mr M Pitt (PwC), Mrs R Peters-Gallagher and Mr J A Hunter.

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

The Audit Committee, less staff representatives, met with the Internal and External Auditors and representatives from DEL and NIAO prior to the meeting. They stated that he had had full co-operation from College Management and had no issues to raise.

### **UNRESERVED BUSINESS**

#### **25.1 Departmental Risk Register**

The Committee received a presentation from Ms Julie Kerr, Head of MIS and Exams, regarding her Departmental Risk Register

At the outset Ms Kerr provided an overview of her Department's responsibilities and outlined the planning process leading to the production of the Departmental Risk Register, which informs the Corporate Risk Register.

She referred to the process of identifying and evaluating risks, and the action taken to reduce and eliminate them. By way of example she highlighted the risks specific to the implementation of e-registers and examined in detail one of these risks – failure to mark e-registers. She explained the process for identifying staff with unmarked registers and the action taken by Heads of School, ILT, MIS and Information Services to reduce and eliminate the risk making use of Sharepoint.

In response to a comment regarding the consequence of non-compliance, Ms Kerr advised the Committee that the College was encouraging rather than penalising staff during the introductory phase of e-registers. Mrs Moore, the Director of Finance and Corporate Development, informed the Committee that the scale of non-compliance would be analysed during the summer period.

The Chairperson thanked Ms Kerr for an informative presentation.

#### **25.2 Apologies & Membership**

The Chairperson welcomed Alderman James Brown to his first meeting as a Member of the Audit Committee. She also welcomed Mr Andy Cole to his first meeting as the DEL representative.

An apology was received from Mr I Goldsworthy.

### **25.3 Declaration of Interests**

Mr Pitt indicated that he had a conflict of interests with an item at Chairman's Communications; he added that he would excuse himself at the appropriate time. Alderman Brown said that he had a potential conflict of interests with an item referring to the NEELB and would absence himself if required.

### **25.4 Minutes of the Last Meeting**

The minutes of the last meeting of the Audit Committee held on 14 May 2012 were approved.

### **25.5 Matters Arising**

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

### **25.6 Chairperson's Communications**

a) Internal Audit Tender Exercise. The Chairperson informed the Committee that NRC had carried out the procurement process for the provision of Internal Audit Services on behalf of all 6 colleges. The tender was advertised on 16 March 2012 and closed on 15 May 2012. Following the evaluation process and presentations on 7 June 2012 the panel agreed the preferred supplier. Letters were sent to all suppliers on 12 June 2012 providing the name and details of the preferred supplier and the date of the termination of the cooling period – 25 June 2012. She said that the decision had been challenged by one of the suppliers and the cooling period had been extended until 29 June 2012. The Committee noted that if a legal challenge is received by the end of the cooling period it could delay the appointment of the College's Internal Audit Services. It was suggested that consideration should be given to a contingency plan and that advice should be sought from CPD.

Assuming that there will be no legal challenge by the end of the cooling period on 29 June 2012, final letters will be sent informing of the intention to award the contract subject to ratification at each of the colleges

### **25.7 Correspondence**

The Committee noted the following correspondence:

a) Correspondence from the Department for Employment and Learning, dated 23 May 2012, regarding the reporting of fraud. The Department of Finance and Personnel has worked with the Northern Ireland Audit Office, through the NICIS Fraud Forum, to agree a common reporting format, which was attached to the correspondence.

b) Northern Regional College Annual Fraud Return, which was submitted to DEL on 9 May 2012. The Return makes reference to the fraudulent cheque debited to the College's Bank Account, an invoice paid twice, two break-ins at the Antrim Campus and a theft at Trostan Avenue. Mrs Moore, referring to the invoice paid twice, said that the procedure regarding approval of invoices had been reviewed to ensure that it does not happen again,.

### **25.8 Risk Management Group**

The Committee noted the minutes of the meeting of the Risk Management Group on 23 April 2012, when the following issues were discussed:

a) College Risk Register. Following comments from the Audit Committee the term 'catastrophic' has been replaced by 'disastrous' and 'Up to 1,000 students' by 'Over 500 students' in the College Risk Register.

b) Departmental Risk Registers. The Group reported that all Departmental Risk Registers had now been updated and loaded to Sharepoint.

## 25.9 Internal Audit Reports

The Internal Auditor presented the following Reports:

a) Internal Audit Follow-Up Review. The purpose of the Review is to provide a comprehensive follow-up on the progress made with regard to prior findings and recommendations issued to the College. It was noted that work had commenced with regard to the implementation of 5 (16%) of 32 recommendations, work was not due with regard to the implementation of 2 (6%) and 25 (78%) have been implemented. Any recommendations not fully implemented will remain on the Register of Internal Audit Recommendations and the implementation status will be reported on periodically.

Mr Pitt examined in detail the 5 recommendations that had been partially implemented and indicated the follow-up status as at 1 June 2012. The Chairperson drew attention to the 25 recommendations, which had been fully implemented.

b) PwC Annual Internal Audit Report to Audit Committee 2011/2012. The Committee noted that the Report provides an overview of the Internal Audit reports issued during the year, six of which received a substantial and one a satisfactory assurance. It was also noted that the Internal Auditors had conducted a Follow-Up Review of all outstanding recommendations in June 2012; the Follow-Up Review has resulted in no revision of the initial assurances.

On the basis of the audit work performed during the year the Internal Auditors have provided a **SUBSTANTIAL** assurance in relation to the adequacy of the system of control in place within the organisation and their operation throughout the period of the Report.

Mr Pitt confirmed that the Internal Auditors had received positive responses from management on all issues raised. He also confirmed that risk registers form the basis for the College Strategic Audit Plan and ensure that the internal audit function demonstrates a risk-based approach, which is fully compliant with Government and Departmental requirements.

The Chairperson thanked Mr Pitt and his team for the high standard of work completed during the academic year 2011/2012 and also congratulated Mrs Moore, her team and the EMT on the implementation of the recommendations arising from the in – year reviews.. Mrs Moore also thanked Mr Pitt for an excellent service.

## 25.10 Outstanding Audit Issues

The Director of Finance and Corporate Development provided the Committee with a Progress Report regarding outstanding Internal Audit recommendations. She said that the Progress Report reiterated the findings of the Internal Auditors. The Committee noted that:

a) PwC Follow-Up Report 2011/2012. Five of the 7 recommendations have been partially implemented and two are not yet due;

b) PwC Outstanding Internal Auditors' Recommendations 2010/2011. One priority 1 and one Priority 2 recommendation have been partially implemented;

c) PwC Outstanding Internal Auditors' Recommendations 2011/2012. One priority 3 recommendation is partially implemented and one is not yet due;

d) Report To Those Charged With Governance (RTTCWG). Two recommendations, relating to inventory tagging and disclosure in the accounts, are not yet due.

## 25.11 Audit Strategy Memorandum

The Committee received a memorandum from the Northern Ireland Audit Office indicating how the NIAO plans to carry out the audit of the financial statements for the year ending 31 July 2012. Mr McCormick informed the Committee that the Comptroller & Auditor General

is the appointed independent External Auditor under the Further Education (Northern Ireland) Order 1997 but NIAO has contracted out the external audit function to Moore Stephens.

The Committee noted that a detailed timetable had drawn up for the audit. The key target dates are:

20 September 2012	Production of final accounts
24 September 2012	Audit Team to commence work
20 September 2012	Production of Annual Report
13 November 2012	Audit Committee Meeting to finalise accounts
21 November 2012	Governing Body Meeting
27 November 2012	Certification of Accounts

Mrs Peters-Gallagher stated that the memorandum followed a standard format and she highlighted the audit approach, communication process, materiality, fraud, and regularity and propriety issues.

Mrs Peters-Gallagher drew attention to a number of risks, which had been identified in relation to the College Development Plan, Procurement and Funding. Mr McCormick asked Governors to inform the NIAO if they had comments on additional key risks.

Mrs Moore referred to a number of issues relating to the audit of the financial statements. She said that the College would not be able to take the findings of the College Health Check (3<sup>rd</sup> Quarter) into account as DEL had decided not publish the document for the 3<sup>rd</sup> quarter. She asked the DEL representative to provide the College with list of updated addendums to the current Financial Memorandum. She added that the College was still awaiting details of the accounts direction from the Department. The DEL representative stated that this would be available by the end of June.

#### **25.12 Internal Audit Service Progress Report**

The Committee noted that on the appointment of PwC as the Internal Auditors, the Audit Committee agreed that Key Performance Indicators should be prepared to review the Company's performance.

The Committee received a Progress Report, which indicated that PwC had achieved all the targets with the exception of KPI 2 for the academic year 2011/2012. This target has not been achieved as four audit review reports were not received within the planned timescale due to issue resolution. The Committee expressed the view that it was better to have resolved these issues rather than being constrained by target dates, but requested that feedback be received nonetheless from the Review Sponsors for the outstanding questionnaires.

Mr Pitt said that he agreed with the findings of the Progress Report.

#### **25.13 Any Other Notified Business**

There was no other notified business.

#### **25.14 Next Meeting**

The Committee noted that the next meeting is scheduled for 5.30 pm on Thursday 20 September 2012 at the Farm Lodge Building, Ballymena Campus of the Northern Regional College.

The Chairperson thanked Members of the Committee, the Internal and External Auditors, Representatives from DEL and NIAO, and the Director of Finance and Corporate Development for their contribution to the workings of the Committee during 2011/2012.

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

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A L Rankin, Chairperson

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J A Hunter, Secretary