

NORTHERN REGIONAL COLLEGE

AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on 11 February 2014 at the Ballymena Campus at 5.15 pm.

Present Ms A Rankin (Chairperson), Alderman J Brown, Mr I Goldsworthy and Mr S McCartney.

In Attendance Mr T Neilands (Principal), Ms M McAleer (DEL), Mrs R Peters-Gallagher, Mr R Ross (NIAO), Mrs C Moore, Mr A O'Brien (KPMG), Mr B O'Hara (KPMG) and Mr J 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.

Reference was made to forthcoming items on the agenda:

a) KPMG's Final Report on the effectiveness of the financial controls and key processes within the College. The Report examined: the reasonableness of key factors highlighted by College management as having given rise to the unplanned deficit in 2012/2013; and the approach taken to the development of the 2013/2014 budget. It was noted that the Finance and General Purposes Committee would be responsible for monitoring the recommendations emanating from the Report;

b) Paper prepared by the Internal Auditors regarding proposed changes to the current KPMG KPIs.

The Auditors and representatives from DEL and NIAO stated that they had had full co-operation from College management and had no further issues to raise.

UNRESERVED BUSINESS

33.1 Presentation Risk Management.

The Committee was scheduled to receive a presentation from Dr C O'Mullan, Director of Curriculum, on risks associated with the Student Experience domain. This commitment coincided with a requirement for Dr O'Mullan to attend the Skillbuild Competition at Newtownabbey to present prizes. It was agreed that the presentation should be deferred to the next Committee meeting.

33.2 Apologies

An apology was received from Alderman PJ McAvoy

33.3 Declaration of Interests

There were no conflicts of interest declared.

33.4 Minutes of the Last Meeting

The minutes of the last meeting of the Audit Committee held on 12 November 2013 were approved subject to the insertion of 'suggested wording on this to encourage consistency in the sector' instead of 'wording of this to ensure consistency in the Sector' at minute 32.11 c).

33.5 Matters Arising

There were no matters arising from the minutes of the last meeting.

33.6 Chairperson's Communications

33.6.1 Proposed KPIs for KPMG

The Committee considered a paper prepared by the Internal Auditors regarding proposed changes to the current KPMG KPIs. It was noted that the current KPIs had been agreed with the management of each of the six Colleges for the 2012/2013 year. NIFON has reassessed the KPIs and has proposed a number of changes, which are being brought to the Audit Committee of each College for ratification. The proposed changes are as follows:

- Removal of KPI relating to the implementation of recommendations
- Reduction of the target on the feedback on quality of work of staff from 90% to 83.3%
- Extension of the issue of draft reports from 10 to 12 days
- Introduction of an additional KPI, which would measure performance in completing the programme of work by the end of September.

Mrs Moore stated that KPMG currently provides the College with a draft Assurance Statement by the end of June each year, which proved useful in the preparation of the draft Accounts and Financial Statements. She requested that consideration should be given to the inclusion of this specific deliverable in the proposed KPIs. It was noted that KPMG may still have additional work in relation to Reviews and Follow-Up Reports in the summer months and it would be best to persist with the current arrangements; however KPMG indicated that it would be their intention to continue to provide a draft assurance statement to the College by the end of June.

The Committee agreed that the proposed changes be approved.

33.7 Correspondence

There was no correspondence to report.

33.8 Risk Management Group

The Committee received the report of the meeting of the Risk Management Group held on 21 January 2014, which discussed and updated the College Risk Register and received an overview of Departmental Risk Registers.

Mrs Rankin informed the Committee that she had been present for the meeting but technical difficulties prevented connection between the College and the University of Ulster. She had had a telephone conversation with Mrs Moore after the meeting and had been apprised of a discussion at the meeting regarding infrastructure issues. She asked for the minutes to be adjusted to reflect the discussion which took place during the meeting in relation to the issues raised at the DEL Accountability meeting regarding the risk scores associated with some risks.

33.9 Financial Controls and Key Processes Review

The Committee received KPMG's Final Report on the effectiveness of the financial controls and key processes within the College. In presenting the Report Mr O'Brien stated that the overall objective of the assignment was to provide the Audit Committee with assurance as to:

- a) The reasonableness of key factors highlighted by College management as having given rise to the unplanned deficit in 2012/2013.

Mr O'Hara confirmed that the majority of key process failures, which contributed to the failure to predict the likely deficit position in 2012/2013, had been identified by management within

their 'Report on Financial Out-turn for the year ended 31 July 2013'; this was presented to the Finance and General Purposes Committee (16 September 2013). The Internal Auditors have noted that the recommendations appear reasonable and should assist in addressing the key issues identified. They have also made additional recommendations in relation to training for budget holders, the review of the MVR1 form and the inclusion of finance on all SMT agendas. The Principal stated that these recommendations would be added to the College's Financial Monitoring Plan, which is considered at each meeting of the Finance and General Purposes Committee.

b) The approach taken to the development of the 2013/2014 budget.

The Internal Auditors noted that as a result of both the prior year deficit in 2012/2013 and resulting reductions on the current budget, there is a material risk that such funding constraints will result in increased pressures on management to achieve the budget plan. They have recommended that management, on a timely and monthly basis, undertake a review of performance against budget, identify trends in operating performance and implement remedial actions to reduce or limit such financial impacts on the full year budget and report matters to each meeting of the Finance and General Purposes Committee.

Mr O'Brien referred to the Jobs and Economy Initiative, which had been overstated in the Budget by £143,000, as a result of a misinterpretation. He added that there had been compensatory budgetary factors; an additional £45,000 in discrete income and an electricity rebate of £102,000 had not been budgeted for in 2013/2014

Mr O'Brien drew attention to several risks and vulnerabilities referred to in the Report including retention and attendance rates on training courses, estate and infrastructure failures, sickness absences, marketing, overtime and redundancy costs. He indicated that these should be closely managed and monitored. He also mentioned that management had not budgeted for any contingencies within the budgeted staff cost assumptions for 2013/2014

The Principal stated that there had been a joint meeting of the Finance and General Purposes Committee and the Staffing Committee on 27 January 2014, which had given consideration to and agreed the level of redundancies for 2013/2014.

33.10 Internal Audit Update

The Committee received a Progress Report regarding the Internal Audit Plan for 2013/2014, which provided details of reviews in respect of planning, finance, operations, governance and contract management. It was noted that the following reviews would be completed by May 2014: IT General Controls; Human Resources; Health and Safety; and Value for Money. A query was raised as to whether the date of the next Audit Committee meeting on 8 April 2014 should be arranged for a later date in order to receive these reports. It was agreed that the timing of the April meeting should be reassessed closer to the scheduled date.

33.11 Internal Audit Reports

The Internal Auditors presented the following documents:

a) Procurement and Contract Management. The objective of the assignment was to assess the appropriateness and effectiveness of key processes and controls over Procurement and Contract Management at the College. The Internal Auditors have issued a 'Satisfactory' rating. There was one priority 1 issue, relating to Policy and Procedures, identified during the course of the Review. The Internal Auditors noted that the College has currently no procedure in place to ensure all non-purchase order spend has been appropriately procured. They have recommended that adequate procedures should be put in place to ensure that goods and services procured both via purchase orders and non-purchase orders are procured in line with Departmental procurement guidance. The Internal Auditors have also noted two priority 2 issues and two priority 3 issues and have made recommendations to assist management in enhancing the control environment.

b) Core Financial Processes. The objective of this assignment was to assess the appropriateness and effectiveness of key processes and controls over Core Financial processes at the Northern Regional College. The key sub-processes covered within this review were: Bank/Treasury Management; Cash Handling; and Payments to Creditors. The Internal Auditors have issued a 'Satisfactory' rating to Bank/Treasury and Payments to Creditors. A 'Limited' assurance has been given to Cash Handling. Based on the work performed, the internal auditors have noted three priority 2 issues with recommendations to assist management in enhancing the control environment in respect of Bank/Treasury Management and Cash Handling. They have issued two priority 2 and one priority 3 in respect of Payments to Creditors. There were no priority 1s issued. The Committee noted the recommendations arising and advised management to address the issues promptly, in order that at follow-up, the assurance rating for cash specifically, might be revised upwards.

c) Corporate Governance and Risk Management. The objective of this assignment was to assess the appropriateness and effectiveness of key processes and controls over Corporate Governance and Risk Management at the College. Based on the work performed the Internal Auditors have issued a 'Substantial' rating for both Corporate Governance and Risk Management. They have noted two priority 3 issues in respect of Corporate Governance and one priority 3 issue in relation to Risk Management.

33.12 Progress Against Outstanding Recommendations

The Committee received a report providing the following details of progress against outstanding audit recommendations:

a) KPMG Follow-up Report 2012/2013 Recommendations. One of the 7 recommendations has been implemented and six partially implemented.

b) Report To Those Charged With Governance (RTTCWG) 2012/2013 Recommendations. Five of the 7 recommendations have been implemented and two partially implemented. The partially implemented recommendations relate to the payment of purchase invoices within 30 days of receipt and credit balances.

c) KPMG Internal Audit Reviews 2013/2014 Recommendations. The Internal Auditors have made 21 recommendations as at 11 February 2014. Progress against the implementation of these recommendations will be reported in detail to subsequent Audit Committee meetings.

The Chair drew attention to the delay in the implementation of recommendations. She stated that it was essential to implement recommendations by target dates, and the Director of Finance and Corporate Development provided assurance that the outstanding actions would be implemented by the next meeting of the Committee.

33.13 Purchase Order Direct Award Contracts

The Committee received details of Direct Award Contracts for the months of November 2013, December 2013 and January 2014. There were no Direct Award Contracts greater than £5,000 in all three months.

The Committee noted that there was one Procurement Exception in respect of a Library Discovery Service Package, which was not open to a competitive process. Mrs Moore stated that such exceptions would be reported to the Committee.

33.14 FE College Health Check Report Issue 1 2013/2014

The Committee received a copy of the FE College Health Check Report Issue 1 2013/2014 prepared on the 2012/2013 Final Accounts and the 2013/2014 1st Quarter information submitted to the Department in December 2013. The Report provides a range of comparative information in financial, economic, staffing, learning and quality areas.

It was noted that the Report would be issued to all four Committees, who would be responsible for forwarding comments on appropriate sections to the Governing Body

The Audit Committee noted the following sections:

- a) Section 7, which provides comparative information in relation to Risk Management. The risk rating of the College has remained the same since the last Health Check.
- b) Section 8, which provides a summary of the Priority 1, 2 and 3 issues detailed in the Report To Those Charged With Governance.

The Committee noted that the Health Check was now a lengthy document and consideration would need to be given to the provision of such papers by electronic means to Governors.

33.15 Any Other Notified Business

There was no other notified business

33.16 Next Meeting

The Committee noted that the next meeting is scheduled for 5.30 pm on Tuesday 8 April 2014 at the Farm Lodge Building, Ballymena Campus of the Northern Regional College. It was noted, however, that this date would be kept under review.