

NORTHERN REGIONAL COLLEGE

AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on 16 September 2014 at the Ballymena Campus at 5.00 pm.

Present Ms A Rankin (Chairperson), Mr I Goldsworthy, Alderman PJ McAvoy and Mr S McCartney. Mr S Davidson and Dr D Lennox, members of the Finance and General Purposes Committee, attended for items 36.1 to 36.7:

In Attendance Ms J McAuley (DEL), Ms E Patton (KPMG) and Ms S Walsh (NIAO) attended for items 36.1 to 36.11. Mrs C Moore and Mr J Hunter

Pre-Meeting with Auditors

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

UNRESERVED BUSINESS

36.1 Apologies & Membership

Apologies were received from Professor T Scott, Mrs K Collins, Mrs G McConnell and Alderman J Brown. The Chair welcomed Ms Suzanne Walsh, the NIAO representative, to her second meeting.

36.2 Declaration of Interests

There were no conflicts of interest declared. The Committee noted that all Governors with the exception of two had completed Registers of Interests for 2014/2015.

36.3 Minutes of the Last Meeting

The minutes of the last meeting of the Audit Committee held on 17 June 2014 were approved

36.4 Matters Arising

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

36.5 Chairperson's Communications

a) Chair of Governing Body. It is hoped to have a new Chair appointed with effect from 17 November 2014; publicity commenced on 15 September 2014 with an advertisement placed in the press. Publicity has also been circulated to all members of the Governing Body

b) Audit Committee Training. Members of Audit Committee have been asked to indicate their availability for training at the Dunsilly Hotel, Antrim on Wednesday 29 October 2014. The Chair undertook to ascertain the timings of the training session and forward them to members of the Committee. Note: it has now been confirmed that the session will commence around 9.30 am and conclude at 4.00 pm.

36.6 Correspondence

It was noted that the following correspondence had been received since the last meeting:

a) Correspondence from DEL, dated 1 July 2014, regarding an inspection by the Department's Financial Audit and Support Team (FAST) of the administration of the Additional Support Fund (ASF), Basic and Discrete, at the College in February 2014. No issues were found;

b) Letter of Understanding from NIAO dated September 2014, setting out the basis on which the Comptroller and Auditor General (C&AG) audits the accounts of the Northern Regional College; and the respective responsibilities of the Chief Executive as Accounting Officer and the NIAO acting on behalf of the C&AG. This engagement will be conducted with the sole objective of NIAO expressing an opinion on the Financial Statements. It was noted that Professor Scott had accepted the arrangements for the audit, which will be conducted by the C&AG in accordance with the International Standards on Auditing.

36.7 Draft Annual Report and Financial Statements 2013/2014

The Audit Committee was joined by the Finance & General Purposes Committee to discuss the draft Annual Report and Financial Statements 2013/2014. The document has been prepared in accordance with the relevant Statement of Recommended Practice and the template and guidance as detailed in the Department for Employment and Learning's Account's Direction, issued on 3 July 2014.

Mrs Moore, the Director of Finance and Corporate Development, provided a detailed presentation of the document. She stressed the fact that this was a draft of the Annual Report and Financial Statements. The operating and financial review will be updated prior to the preparation of the final accounts and the revised document will be forwarded to the Audit Committee (11 November 2014) for recommendation for approval to the Governing Body (19 November 2014).

Referring to the Financial Statements Mrs Moore stated that the College had reported an historic cost surplus of £686k for 2013/2014 compared with a deficit of £1,147k in 2012/2013. The College had also accumulated income and expenditure reserves, excluding pension reserves, of £1,371k (£690k in 2012/2013) and cash balances of £2,510k.

During discussion Members made a number of observations relating to:

- Implementation of the Strategic Report. Material in the operating and financial review was considered repetitive, irrelevant and complex and a suggestion was made that it should be omitted. Ms McAuley advised Members that discussions were taking place at DEL regarding the inclusion of a Strategic Report section. It appears that the section will be retained but possibly changed to a more appropriate location
- Staffing Ratio. It was noted that the staff cost to income ratio had been raised to 71% in 2014/2015 budget (70% in 2013/2014). It was suggested that some explanation regarding reasons for this increase should be included in the document
- Bespoke Training Costs. The Committee was advised that there were guidelines for Bespoke Training costs, but the cost was also market dependent
- Balanced Scorecard. A Member reminded the meeting that it had been agreed that a column relating to Risk Tolerance should be included in the Balanced Scorecard
- Financial Statements Caveat. A view was expressed that some indication should be inserted in the Financial Statements to the effect that the implementation of the recommendations of the Tribal Report would necessitate changes particularly to the forecasts for 2015/2016 and 2016/2017.

36.8 Risk Management Group

The Committee received notes of the Risk Management Group meeting held on 11 September 2014, during which consideration was given to the College Risk Register. Attention was given to risk scores associated with each risk and the Register was updated. The Chair stated that Members, if they wished, could request a copy of the revised Register from Mrs Moore.

The Group noted that, in light of the recommendations of the Tribal Report, the current Staffing Plan will need to be reviewed.

36.9 Annual Statement of Assurance

The Committee received the Internal Audit Assurance Statement to the Audit Committee of the Northern Regional College in respect of the year ended 31 July 2014

On the basis of the programme of work performed during the year, the Internal Auditors have concluded that the Northern Regional College has established procedures that are adequate to meet management's control objectives in the systems audited and consequently have provide a **Satisfactory level of assurance** over the control environment at the organisation.

Overall 25 new recommendations have been identified in the current year, 18 have been addressed to date. In addition to this, three recommendations were brought forward from prior years, two of which have now been fully addressed, leaving eight recommendations to carry forward into 2014/15. Mrs Moore advised the Committee that she would provide a Report regarding outstanding recommendations prior the next meeting.

Ms Patton drew attention to the KPIs in respect of the performance of KPMG in 2013/2014, during which it had achieved or exceeded its KPIs. The Chair referred to the added value provided by KPMG during 2013/2014 and, by way of example, referred to the recent publication 'Audit Committee Effectiveness', which has been circulated to all Members

36.10 Internal Audit Strategy, Audit Plan and Charter

The Committee received a copy of the College's Internal Audit Strategy for the three year period 2012/2013 – 2014/2015, an Operational Internal Audit Plan for 2014/2015 and an Internal Audit Charter prepared by the Internal Auditors

The Operational Audit Plan covers the third year of the three year period between 2012/2013 and 2014/2015. The Plan includes audits covering key areas across the business of the College and will require an expected total of 51 days of audit time in 2014/2015. Ms Patton stated that fieldwork was planned in relation to Core Financial and Payroll Reviews in October 2014 and Procurement in November 2014. Mrs Moore informed the Committee that the Catering Procurement exercise was nearing completion. It was noted that there had been suggestions regarding Value for Money reviews but that these were currently under consideration.

The Internal Audit Charter sets out the mission, scope, authority, responsibility, relationships, confidentiality, standards and key performance indicators of the Internal Audit function. Ms Patton said that there had been adjustments to the section relating to definitions.

Attention was drawn to the Institute of Internal Auditors' Code of Ethics; KPMG's internal audit work is conducted in compliance with this Code

36.11 Purchase Order Direct Award Contracts

The Committee received details of Direct Award Contracts for the months of June, July and August 2014 and a Procurement Exception Report for August 2014, in respect of a Tender advertisement in the Belfast Telegraph. It was noted that there were no procurement exceptions to report in June and July 2014.

The Chair queried the Direct Award Contract regarding the programming of tags for photocopier card readers, which amounted to £5,208 and was estimated to amount to £12,000 during the current year. It was noted that this contract had been necessary as there had been no request for this software in the photocopier tender.

36.12 Next Meeting

The Committee noted that the next meeting is scheduled for 5.30 pm on Tuesday 11 November 2014 at the Farm Lodge, Ballymena Campus of the Northern Regional College.

A L Rankin, Chairperson

J A Hunter, Secretary