

NORTHERN REGIONAL COLLEGE

AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on 27 May 2014 at the Ballymena Campus at 5.15 pm.

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

In Attendance Ms J McAuley (DEL), Mrs C Moore, Ms E Patton (KPMG) and Mr J Hunter.

Pre-Meeting with Auditors

The Audit Committee, less staff representatives, met with representatives from the Internal Auditors and DEL prior to the meeting.

They stated that they had had full co-operation from College management and had no issues to raise.

UNRESERVED BUSINESS

34.1 Presentation Risk Appetite and Risk Tolerance

The Chair and Mrs Moore, Director of Finance and Corporate Development were scheduled to provide a training session in relation to Risk Appetite and Risk Tolerance. The Chair suggested that the training session be postponed to the next meeting, when it was anticipated that there would be a full turn-out of Members

It was agreed that the training session should be rearranged prior to the next meeting of the Audit Committee on Tuesday 17 June 2014 from 5.00 pm to 6.00 pm. This would be followed by a pre-meeting with Auditors at 6.00 pm.

The Secretary was to remind Members to retain the documents issued for the session to avoid having to circulate the same documentation.

34.2 Apologies

Apologies were received from Alderman J Brown, Mr T Neilands and Mrs R Peters-Gallagher.

34.3 Declaration of Interests

There were no conflicts of interest declared.

34.4 Minutes of the Last Meeting

The minutes of the last meeting of the Audit Committee held on 11 February 2014 were approved

34.5 Matters Arising

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

34.6 Chairperson's Communications

The Chair reported that Professor Terri Scott has been appointed Chief Executive of the College. She has been President of the Institute of Technology Sligo for the past 8 years. The

Chair indicated that Professor Scott has had extensive experience in Further and Higher Education.

34.7 Correspondence

The Committee noted the following correspondence received since the last meeting:

- a) DEL Circular FE 02/2014 dated March 2014 providing summary information from College Accounts for the year 2012/2013 and the preceding five years. It was noted that the information contained in this document had already been published in Governance Health Checks.
- b) Letter from the Department of Finance and Personnel, dated 18 March 2014, advising Accounting Officers of the introduction of the Audit and Risk Assurance Committee Handbook, which has been circulated to all Members of the Audit Committee;
- c) Annual Theft and Fraud Report 2012/2013, compiled by the Department of Finance and Personnel. Attention was drawn to the fact that 68% of frauds were opportunistic (the controls were deemed appropriate for the risk faced). It was noted that all NRC frauds were reported to the Audit Committee as well as to DEL and Auditors. In response to a query Mrs Moore advised that Risk Awareness training was given to all Senior Managers every two years and training was also provided during staff induction courses.

34.8 Risk Management Group

The Committee received the report of the meeting of the Risk Management Group held on 10 May 2014, which discussed and updated the College Risk Register; updated the Risk Management Policy; considered the Risk Management Check List; and noted that Departmental Risk Registers were currently being collated in line with the College's planning and monitoring cycle.

34.9 Internal Audit Progress Report

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 and governance. The Committee noted that three reviews in respect of IT General Controls, Health and Safety and Prompt Payment Process were being reported to this meeting. Two outstanding Reviews on Human Resources and Counselling Services would be reported to the next meeting enabling the Internal Auditors to deliver the College's 2013/2014 Audit Plan and a draft level of assurance by 17 June 2014.

34.10 Internal Audit Reports

The Internal Auditors presented the following documents:

- a) IT General Control Environment. The Internal Auditors' approach to the assignment was to review and assess the key processes and controls in place over the IT General Control Environment within the Northern Regional College and to test the effectiveness of their operation.

The Internal Auditors have issued a **Substantial** rating. During the course of the review they identified two priority 3 issues and had made recommendations to assist management in enhancing the control environment. It was noted that the recommendations, relating to the provision of guests accounts and timely communication regarding new starts, had already been implemented.

- b) Health and Safety. The objective of the assignment was to assess the appropriateness and effectiveness of processes and controls over Health and Safety within NRC. The Internal Auditors' approach to the assignment was to review and assess the key processes and

controls in place over Health and Safety within the Northern Regional College and to test the level of compliance with those processes and controls.

The Internal Auditors have issued a **Satisfactory** rating. During the course of the Review they identified one priority 2 issue (Fire Safety Checks) and two priority 3 issues (Health and Safety Audits and Accident Reporting).

The Committee noted with concern that, although not a statutory or regulatory requirement, there may not be a sufficient number of trained first aid staff within the College to ensure cover at evening sessions. It was also noted that in cases where students have disclosed that they have a disability or a specific need, the appropriate members of staff would have been given the necessary training to deal with any incidents. **The Committee agreed that the former issue should be discussed at the next Risk Management Group meeting.**

c) Internal Audit Report Review of Prompt Payment Process within the Sector. The Report details the findings of prompt payment processes within the Further Education Colleges in Northern Ireland. The Review, undertaken by KPMG, considered whether key aspects of prompt payment processes could be improved in order to ensure that the Colleges are capable of making payments in line with government prompt payment targets. All public authorities are required to pay 95% of suppliers within 30 calendar days of receipt of an undisputed invoice. The Northern Ireland Executive has made a commitment to paying suppliers as quickly as possible and, whenever possible, within 10 working days. The Colleges, as Non Departmental Public Bodies (NDPBs), are required to disclose their performance, both in terms of paying invoices within 30 days and 10 days. It was noted that the 10 working day target was aspirational and the 30 day target was mandated.

Ms Patton drew attention to the College's performance against the 30 day and 10 day targets. NRC had average prompt payments against the 30 day target but performed less well against the 10 day target. It was noted that the FE College and ELB performance in relation to the 30 day target is closely aligned. Arms Length Bodies, however, are significantly better than the FE and ELB sectors.

Referring to the number of staff employed against invoices processed, Ms Patton stated that NRC is the best performer in the Sector with each member of staff processing a larger number of invoices than any other college

The Auditors have made recommendations in relation to: the 10 day prompt payment target; completeness checks; chasing of unapproved invoices; frequency of supplier payment runs; transactions included within prompt payment calculation; date of invoice; disputed invoices; and performance during summer months. The Chair suggested and the **Committee agreed that the Director of Finance and Corporate Development should prepare a paper for the next meeting regarding action to be taken in relation to these recommendations.**

34.11 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. Three of the 7 recommendations have been implemented and four 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 25 recommendations; 17 have been implemented, 5 partially implemented and 3 are not yet due.

The Chair impressed upon management the need to ensure timely implementation of all audit recommendations, and made particular reference to the limited assurance received earlier in the year in respect of cash handling, and asked that these recommendations be specifically addressed in order to allow KPMG to assess a satisfactory assurance rating in advance of year end.

34.12 Purchase Order Direct Award Contracts

The Committee received details of Direct Award Contracts for the months of February, March and April 2014. The Committee noted a Procurement Exception Report for March 2014 in respect of a Sector Retailing Course.

34.13 Statement of Recommended Practice (SORP)

The Committee received papers relating to:

a) New SORP Project Workshop (17 April 2014). The new SORP will entail a move to adopt principles of International Finance Reporting Standard (IRFS), which will apply for the Financial Year 2015/2016. It was noted that the Accounts will be presented in a different format.

b) Implementation Plan. The Committee noted detailed plans, which have been drawn up by the Sector for the adoption and implementation of the new SORP by 2015/2016.

The Chair expressed contentment that there was convergence across the Sector in relation to the new SORP, that a KPMG associate was assisting with the process and that the Sector will meet its 2015/2016 deadline, as asked that periodic updates be provided to the Committee as the project progresses.

33.14 FE College Health Check Report Issue 2 2013/2014

The Committee received a copy of the FE College Health Check Report Issue 2 2013/2014 prepared on the 2013/2014 Quarter 2 information provided in March 2014. 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 1, which provides comparative performance information for the Sector. Mrs Moore drew attention to the staff costs as a % of student related income ratio, which indicates that NRC is above the Sector average. It was noted that the calculation of this ratio was currently being examined by DEL;

b) Section 5, which provides information regarding Inspections and Audit Reports. The Department's Financial Audit Support Team (FAST) has undertaken inspections at the NRC in relation to the financial administration of DEL training programmes and has issued a satisfactory grading;

c) Section 6, which provides a comparative summary of Internal Audit Reviews undertaken throughout the Sector. It was noted that the College's Reviews were phased evenly throughout the academic year whereas some Colleges seemed to concentrate their reviews at specific periods

d) Section 7, which provides comparative information in relation to Risk Management.

34.15 Any Other Notified Business

There was no other notified business

34.16 Next Meeting

The Committee noted that the next meeting is scheduled **for 6.00 pm on Tuesday 17 June 2014** at the Farm Lodge Building, Ballymena Campus of the Northern Regional College. This meeting would be **preceded by a Training Session commencing at 5.00 pm.**