

NORTHERN REGIONAL COLLEGE

AUDIT & RISK COMMITTEE

Minutes of the meeting of the Audit Committee held on 28 April 2015 at the Farm Lodge Ballymena Campus at 5.30 pm.

Present Ms A Rankin (Chairperson), Mrs J Eve, Alderman PJ McAvoy and Mr S McCartney
In Attendance Mr C Andrews (DEL), Ms E Patton (KPMG), Ms C O'Hagan (NIAO), Professor T Scott, Ms C McKinney, Mrs C Moore and Mr J Hunter

Pre-Meeting with Auditors

The Audit Committee, less staff representatives, met with representatives from the NIAO, Internal Auditors and DEL prior to the meeting. Mr Andrews questioned why there had been no agenda item relating to the College Risk Register at the last two meetings particularly as the College was in the recovery phase. The Chair stated that she attended all meetings of the Risk Management Group, which gave consideration to the College Risk Register and Departmental Risk Registers at every meeting and which reported to the Audit Committee. She explained that the College Risk Register would need revision when the Strategic Improvement Plan is introduced. In the meantime it will remain in its current format. It was noted that the Risk Register had been circulated to all Members of the Audit Committee and Governing Body during the last academic year. **It was agreed to circulate the current copy to all Members of the Audit Committee and to representatives in attendance.**

Mr Andrew also asked how the College was dealing with the risk associated with the College's failure to achieve its FE FLU target in 2013/2014. **It was noted that the Risk Management Group had given consideration to this matter.**

UNRESERVED BUSINESS

39.1 Apologies & Membership

There were no apologies. The Chair welcomed Mrs Eve to her first meeting.

39.2 Declaration of Interests

There were no conflicts of interest declared.

39.3 Minutes of the Last Meeting

The minutes of the last meeting of the Audit Committee held on 20 January 2015 were approved.

39.4 Matters Arising

39.3.1 New Financial Memorandum

It was noted that the revised Financial Memorandum will be effective from 1 August 2015. Mr Andrews stated that roadshows could be arranged to provide training on the content of the new Financial Memorandum. It would be for the College to request assistance. It was agreed to defer these roadshows until the appointment of new Governors.

39.3.2 Value For Money Review (minute 38.8)

The Chair proposed and **the Committee agreed that the seven days earmarked for a Value for Money Review during the current year should be deferred to next year's Audit Plan**, given the current development of the Strategic Improvement Plan.

39.5 Chairperson's Communications

There were no Chair's communications

39.6 Correspondence

The Committee received the following correspondence:

a) Correspondence from DEL, dated 16 February 2015, regarding the Department of Finance & Personnel's Annual Theft and Fraud Report 2013/2014. There was an increase of almost 20% in reported cases from 2012/2013, with a value of approximately £750k. One third of the fraud was a result of theft of assets. 72% of the cases were considered opportunistic in nature, with 32% discovered by an external third party and 48% discovered either by internal members of staff or normal controls. Mrs Moore noted that the College was aware of the controls such as segregation of duties or authorisation controls; these controls were integrated into College procedures.

The Report made reference to the National Fraud Initiative and Mrs Moore reported that the College has recently participated in its third Initiative.

b) Correspondence from KPMG, dated 24 March 2015, regarding KPMG's Financial Statement Benchmarking Exercise for 2013/2014, which shows how NRC performs against KPMG's clients in the FE Sector. The Committee noted the performance of the College against a number of measures, focusing on the areas in which the College was below the benchmark of participating institutions. The Chair highlighted the measures relating to staff, current ratio and cash. Mrs Moore noted that holding excess cash and returning historic cost surpluses will be precluded with the introduction of the new Financial Memorandum.

c) Correspondence from DEL, dated 3 April 2015, regarding Whole Government Accounts (WGA), a consolidated set of accounts for the entire UK public sector. DFP has advised DEL that colleges are to be included in WGA from the 2016/17 year onwards with a comparison requirement for 2015/16. The accounting period for these accounts is April to March. The information required will be similar to the information required for NDPB returns. There will also be a requirement for transactions and balances with other Government Departments to be identified and agreed. There will be no separate audit requirement, but assurances regarding controls will be required from the Accounting Officer. The action required of colleges was noted by the Committee and **it was agreed that Mrs Moore would take this forward and provide an update to Audit Committee as required.** It was also noted that this will be an additional administrative burden on the Finance Department.

39.7 Risk Management Group

The Committee received notes of the Risk Management Group Meeting held on 20 April 2015, during which consideration was given to the following issues:

a) College Risk Register. The current Risk Register will continue in its current format until the Strategic Improvement Plan is introduced with new Strategic Objectives, which will require the development of a new Register.

b) Departmental Risk Registers. Departmental Risk Registers are to be requested from Heads of Faculty/Department based on current objectives.

39.8 Internal Audit Update

The Committee received an Internal Audit Progress Report, which provided details of progress against the programme of work detailed in the Annual Plan for 2014/2015. No new Reviews were considered at the meeting but it was noted that the Data Integrity Review has been partially completed and the Terms of Reference for the Payment of Part-Time Lecturers

have been agreed, The Reports of these two Reviews will be presented to the June 2015 meeting.

39.9 Progress Against Outstanding Audit Recommendations

The Committee noted progress against outstanding audit recommendations:

a) KPMG Follow-Up Report 2013/2014. As at 28 April 2015 six of the 8 recommendations have been implemented and 2 partially implemented (Contract Management Policy and Business Continuity and Disaster Recovery Plan). Contract Management is included in the overall review of finance processes and the Business Continuity is due to be fully implemented by May 2015.

b) Report To Those Charged With Governance (RTTCWG 2013/2014). As at 28 April 2015 all recommendations that were accepted by the College have been implemented.

c) KPMG 2014/2015. Ten recommendations have been made; six have been implemented and four partially implemented.

The Chair impressed upon management the need to ensure the implementation of all outstanding recommendations before the next meeting scheduled for 16 June 2015. Mrs Moore agreed that this would be possible, following the peer review of all Financial Policies and Procedures due to be completed in May 2015

39.10 National Fraud Initiative

Mrs Moore explained that this is the third National Fraud Initiative data matching exercise in which the College has participated. The core data sets submitted by the College were Payroll and Trade Creditors. NFI has returned 157 matches for 2014/2015 and has recommended that at least 9 matches are investigated. 138 of these matches are internal to NRC and 19 relate to a match to another organisation's data

It was agreed that any suspected irregular matches, or lessons learnt, would be reported to the Audit and Risk Committee.

39.11 Purchase Order Direct Award Contracts

The Committee received details of Direct Award Contracts for the month of January 2015 and noted that two contracts of less than £1k each had been reported. One is for a statutory requirement for certification related to welding machinery. There were nil returns for February and March 2015.

39.12 Further Education Sector Procurement

Mrs Moore advised Governors that Further Education Colleges, as NDPBs, require that procurement spend needs to be subject to the professional influence of a Centre of Procurement Expertise (CoPE).

A Business Delivery Proposal was prepared by the FE Sector Shared Services Working Group in 2012-13 detailing the future procurement arrangements for FE colleges. The main element of this proposal was the transfer of College procurement activity above £30,000 to Central Procurement Directorate (CPD). It established the scope and volume of procurement services across the FE sector. A project board was established, including representation from CPD, DEL and the Colleges, to oversee the migration of procurement activity for supplies and services above £30,000 to CPD from 1 April 2015.

The overarching outcome of the project was the development of a Local Operating Agreement between the Colleges and CPD, under the Service Level Agreement between CDP and the Department, and the transfer of procurement activities above £30,000 to CPD by 1 April 2015. It was noted that the CDP administrative fees would cost the sector

approximately £250k plus VAT annually. Colleges are to be included in the use of eTenders for both <£30k and >£30k by the end of 2015. It was further agreed that following implementation, consideration would be given to the impact of the transfer on local resources.

39.13 Any Other Notified Business

38.12.1 Audit Strategy

The Governing Body received a copy of the Audit Strategy, which indicates how the Northern Ireland Audit Office plans to audit the financial statements for the year ending 31 July 2015. The College is required to comply with the DEL timetable for producing and laying audited accounts. Key target dates include:

- The production of draft financial statements to NIAO for audit by 18 September 2015
- The provision of signed Financial Statements and Letter of Representation by 17 November 2015
- Final Report to those Charged with Governance issued on 27 November 2015.

These are in line with previous years.

Members' attention was drawn to:

a) Section 1.3, which requires those charged with governance to consider and discuss;

- Whether the audit team assessment of the potential risks of material misstatement to the financial statements is complete
- Whether management's responses to these risks are adequate
- The team's proposed audit plan to address these risks and
- Whether the financial statements could be materially misstated due to fraud and communicate any areas to management and the audit team

b) Section 1.12 which sets the quantitative materiality threshold as approximately 2% of gross expenditure, which equates to £490,000. A Member expressed concern regarding the error reporting threshold; it was intended to treat any misstatements below £13,000 as trivial and therefore not requiring consideration by the Audit Committee. **The Committee agreed that all errors should be adjusted for or reported to the Committee. The NIAO representative agreed to adjust the Audit Strategy accordingly.**

c) Section 3.4 which identifies two risk factors. The first concerns the continuing budgetary pressures faced by the College (which are right across the public sector). This may lead to the results as presented in the financial statements being manipulated in order to meet DEL requirements and targets. The audit team will review journals, any estimations or judgements and the cut off in areas such as receivables/income and payables/expenditure

d) Section 3.5 indicates that the audit team will keep in view the out workings of the external review commissioned by DEL during 2013/2014 on the management and operations at the College. As the C&AG reported on this matter in his 2013/2014 audit certificate the team will monitor the progress made in implementing the recommendations throughout the audit and consider if C&AG needs to provide an update report on progress made

38.12.2 Conflict of Interests

Ms O'Hagan informed the Committee that NIAO had produced a 'Good Practice Guide to Conflict of Interests', which could be accessed online. Ms McKinney advised the Committee that she had obtained sufficient copies of the publication at the recent launch for circulation to all members of the Governing Body on 29 April 2015.

As there was no further business the meeting concluded at 6.40 pm

39.14 Next Meeting

The Committee noted that the next meeting is scheduled for 5.30 pm on Tuesday 16 June 2015 at the Farm Lodge, Ballymena Campus of the Northern Regional College, with the pre-meeting to commence at 5.15 pm.

A L Rankin Chair

Date

J A Hunter Secretary