

NORTHERN REGIONAL COLLEGE

AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on 17 June 2014 at the Ballymena Campus at 5.00 pm.

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

In Attendance Ms J McAuley (DEL), Mrs C Moore, Mr T Neilands (Principal), Mr A O'Brien (KPMG), Ms S Walsh (NIAO) and Mr J Hunter

Pre-Meeting with Auditors

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

The Chair informed the meeting that she had met with Mr A O'Brien, Mr A O'Hara and Ms E Patton to review KPMG's performance across the Sector. She said that KPMG had circulated questionnaires to all Colleges to elicit information regarding its performance and service provision. She reported that there had been a very positive response from all Colleges; only two areas of dissatisfaction had been found, both from NRC. It was noted that these issues had since been addressed. Mr O'Hara added that KPMG had endeavoured to deliver excellence in service to the Sector

UNRESERVED BUSINESS

35.1 Presentation Risk Appetite and Risk Tolerance

Mrs Moore, Director of Finance and Corporate Development provided a training session in relation to Risk Appetite and Risk Tolerance. During the session reference was made to the following documents: the Risk Management Policy, Key Questions for an Audit Committee and the Risk Management Check List.

Mrs Moore advised the Committee that the last training session for SMT had been held in January 2012 and it was now an appropriate time to hold another session. At the outset she defined Risk as 'real or potential events, which reduce the likelihood of the College achieving its strategic aims'. She highlighted the College's Risk Management Policy, which detailed the roles and responsibilities for all individuals involved in Risk Management.

She gave consideration to addressing risks and suggested risks could be terminated, tolerated, transferred or mitigated. She explored the process of reporting risk at various levels in the College.

Mrs Moore gave an outline of the definitions of risk universe, risk appetite and risk tolerance. Risk appetite is about the range of impact that the realisation of a risk can have on an organisation i.e the range of variation from plan that an organisation is capable of dealing with. Risk tolerance is about the range of variation from plan that an organisation is prepared to accept. She examined aspects of risk appetite: Risk aversion; Openness to Risk; and Hunger for Risk. She said that Risk Management must take into account different College activities. It may be necessary for some activities to avoid risk whereas other activities may attract greater inherent risks in pursuit of higher rewards. In conclusion Mrs Moore considered Key Questions for Audit Committees extracted from the HM Treasury Audit Committee Handbook.

During discussion several comments were made: a need was stressed for relevant, timely and accurate information to enable Governors to determine the level of risk; risk should be embedded in the Balanced Scorecard; more explicit definitions of risk appetite and risk tolerance are required; consideration should be given to the extension of risk training to the Governing Body; and the training session should be repeated every two years.

The Director of Finance and Corporate Development expressed the view that Risk Management Training for the whole Governing Body is not deemed necessary as the Audit Committee is seen as the Governing Body experts in this area and should bring that expertise to Governing Body discussions

The Committee agreed that the Balanced Scorecard presented to the Governing Body in September should have a risk appetite against target. The risk tolerance should also be presented by detailing RAG tolerance levels for each target

35.2 Apologies

Apologies were received from Alderman J Brown and Mr I Goldsworthy

35.3 Declaration of Interests

There were no conflicts of interest declared.

35.4 Minutes of the Last Meeting

The minutes of the last meeting of the Audit Committee held on 27 May 2014 were approved

35.5 Matters Arising

35.5.1 Review of Prompt Payment Process (minute 34.10 c))

The Committee (27 May 2014) received an Internal Audit Report of the Prompt Payment Process within the Sector. Several recommendations were made by the Auditors and the Committee agreed that a paper should be prepared for the next meeting regarding the action to be taken in relation to these recommendations.

The Committee received a paper indicating the action the College has taken in regard to these recommendations. Mrs Moore, Director of Finance and Corporate Development, said that the College did not plan to increase frequency of supplier payment runs to more than once a week as recommended. The weekly payment run was considered adequate in the context of staff resources and management of cash flow. She also said that procedures for disputed invoices would be discussed at the Sector level and she would update the Committee in due course.

The Committee noted that the % of invoices paid within 30 days has increased from 65% in August 2013 to 80% in May 2014.

35.4.2 First Aid Cover (minute 34.10 b))

The Committee received a paper providing details of current first aid provision at each campus. It was noted that the College intended to provide training in first aid, to a number of recently appointed caretakers. This will ensure that first aid cover will be available at all times during opening hours, including evenings. Mrs Moore advised the Committee that the Health and Safety team would be seeking additional volunteers for first aid training from all members of staff.

It was noted that the College, in line with other FE Colleges, is considering the acquisition of an automated external defibrillator (AED) for each of the four campuses from the College

budget; the approximate cost of each AED is £1,000 and associated training for the use of each AED a further £1,000.

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

35.6 Chairperson's Communications

There were no Chairperson's communications.

35.7 Correspondence

It was noted that the following correspondence had been received:

a) Correspondence from DEL extending the deadline for submission of budgets to the Department from the end of June 2014 to 30 September 2014. It was noted that it had been agreed at the Chairs' meeting on 16 June, that a special meeting of the Governing Body would be arranged to approve the Budget prior to 1 August 2014, to allow for approval of the budget, and distribution of the budget allocation letters to budget holders in advance of year end.

35.8 Tribal ITS Report

It was noted that the Chair of the Governing Body and the Principal would meet with DEL representatives on 27 June to discuss the Tribal Report.

35.9 Internal Audit Reports

Mr O'Brien (KPMG) presented the following documents:

a) Human Resources. The objective of the assignment was to assess the appropriateness and effectiveness of key processes and controls over Human Resources at the Northern Regional College and to test the effectiveness of their operation.

The Internal Auditors have issued a Substantial rating. There were no recommendations

b) Counselling Services. This report details the findings of the Internal Auditors' 2013/14 Review of Counselling Services: Baseline Arrangements at Northern Regional College. This was performed in accordance with the Internal Audit Plan for the year ended 31 July 2014, as approved by the Audit Committee.

As agreed with the Audit Committee, an assurance rating has not been provided in respect of the review. Observations and recommendations which have been made are intended to be useful to management in facilitating further analysis of the preferred counselling service offering and delivery method within the College.

The Report recommends that: management should seek to standardise the counselling services across the College; a formally agreed policy in relation to the provision should be implemented; the College should ensure that formal contract arrangements are in place; management should implement appropriate quality assurance systems; and an accurate and appropriately profiled budget should be provided for counselling services.

Members praised the report and thanked KPMG for the quality and content of same, and it was noted by one member that the Report had given a proposed structure for the provision. Mrs Moore undertook to produce an appropriate action plan, in collaboration with staff within the area.

35.10 Internal Audit Year End Report Against Audit Plan 2013/2014

The Committee received the Internal Audit Year End Report Against Audit Plan 2013/2014. It was noted that, at 17 June 2014, the Internal Auditors had completed their programme of

Internal Audit reviews for the 2013/14 year. They have provided a summary of Assurance Ratings for each individual area reviewed during the year together with Follow-up Reviews in regard to outstanding recommendations. Two days were allocated to following up on progress in implementing recommendations. Three Internal Audit recommendations were brought forward from the prior year and 25 new recommendations have arisen during the current year, giving a total of 28 Internal Audit recommendations. 20 of the 28 recommendations have now been addressed (18 relating to current year recommendations and two to prior year issues), leaving eight to be followed up in the next financial year. It was noted that there were no priority 1 recommendations outstanding.

Based on the Internal Audit work performed during 2013/14, the Internal Auditors have provided a **Satisfactory [TBC]** assurance over the internal control environment at Northern Regional College.

35.11 Northern Ireland Audit Office External Audit Strategy

The Committee received the Northern Ireland Audit Office External Audit Strategy 2013/2014, which is designed to give an opinion on whether the College's Financial Statements are true and fair and to highlight how it is planned to audit the Financial Statements for the year ending 31 July 2014. Ms Walsh (NIAO) advised the Committee that responsibility for the external audit had been brought in-house in accordance with sector rotation arrangements

The NIAO has identified a number of significant risks, which require special audit consideration. Ms Walsh drew attention to the following risks: the achievement of a break-even financial position; completion of payroll expenses; valuation of assets; procurement procedures; and regularity of transactions.

The College is required to comply with the DEL timetable for producing and submitting audited accounts. The timetable commences with the provision of a draft of year-end financial statements to NIAO for audit by 19 September 2014 and concludes with the issue of the Final Report to Those Charged with Governance on 28 November 2014.

35.13 Purchase Order Direct Award Contracts

The Committee received details of Direct Award Contracts for the month of May 2014. The Committee noted a Procurement Exception Report in respect of a Sector Advice on VAT sharing.

35.14 Any Other Notified Business

35.4.1 National Fraud Initiative Report

The Committee received a copy of the Executive Summary of a lengthy National Fraud Initiative (NFI) Report; it was agreed that a full copy of the Report would be emailed to Members. The Report provides details of a major data matching exercise undertaken every two years which enables public audit agencies in the UK to participate in cross-jurisdictional data matching for the purposes of identifying fraud, error and overpayment.

It was noted that NRC had 247 matches and had investigated 123 matches during the period of the Report; Ms Moore confirmed that as a result of the NFI matching process, no fraud or error had been identified.

The Committee noted that the outcomes for the first three NFI exercises amounted to almost £30 million. This figure represents both current and past fraud stopped and potential fraud in the future averted. Nationally, outcomes from data matching through the NFI stand at over £1 billion

35.4.2 DEL Procurement Sub-Committee's Annual Report

The Committee received the DEL Procurement Sub-Committee's Annual Report to the Departmental Board of the work undertaken, and of the Sub-Committee's findings and recommendations resulting from that work, during the course of the year ended 31 March 2014. The purpose of the Procurement Sub-Committee is to allow the Department;

- a) To take a corporate view of the procurement environment;
- b) To build a better understanding of procurement needs and requirements across the spectrum of core Department and Non-Departmental Public Bodies (NDPB); and
- c) To ensure appropriate dissemination of NICS Procurement Board policy.

It was noted that the Sub-Committee included a representative from each College; Mrs Moore is the NRC representative.

35.4.3 Retirement of Principal

The Chair said that this was Mr Neilands' last Audit Committee meeting. She wished him a happy, healthy and long retirement and thanked him for his massive contribution to the work of the Committee over the last 7 years.

As there was no other notified business the meeting closed at 7.15 pm.

35.16 Next Meeting

The Committee noted that the next meeting is scheduled for 5.15 pm on Tuesday 16 September 2014 at the Farm Lodge Building, Ballymena Campus of the Northern Regional College.

A L Rankin, Chair

J A Hunter, Secretary