

## **NORTHERN REGIONAL COLLEGE**

### **AUDIT & RISK COMMITTEE**

Minutes of the meeting of the Audit & Risk Committee held on 15 June 2016 at Farm Lodge Ballymena Campus commencing at 5.30 pm.

Present Dr D Lennox (Chair), Mrs J Eve, Mr B Hutchinson, and Ms K Reilly

In Attendance Professor T Scott, Mr M Higgins, Mr S Brankin (left at 6pm), Ms C O'Hagan (NIAO), Mr B O'Hara (KPMG), Mrs M McAleer (DfE), Miss K Hamilton

#### **Pre-Meeting with Auditors**

The Audit & Risk Committee, less staff representatives, met with representatives from DfE, KPMG and NIAO prior to the meeting at 5:15 pm.

#### **UNRESERVED BUSINESS**

##### **46.1 Apologies**

Apologies received from Jim Brown.

##### **46.2 Declaration of Interests**

There were no declarations of interests.

##### **46.3 Minutes of the Last Meeting**

The Committee approved the minutes of the last meeting of the Audit & Risk Committee held on 6 April 2016 subject to one minor amendment.

##### **46.4 Matters Arising**

There were no matters arising

##### **46.5 Chair's Communications**

There were no Chair's Communications.

##### **46.6 Correspondence**

No correspondence was noted.

##### **46.7 Risk Register**

Mr Higgins presented the revised version of the Risk Register to the Committee which has been updated to reflect reputational risk. Risk 6 has been updated as, 'The College does not meet the needs of stakeholders and manage reputational risk.' It was agreed that a section would be added to the risk register to highlight changes since the most recent review of the register.

Mr Higgins outlined the next stage of the process, Directors and Head of Departments will have a Risk Register specific to their division and this will feed into the Corporate Risk Register. One representative from each division will be invited to Audit & Risk Committee meetings throughout the year to present their Departmental Register. It was agreed that Mr Higgins will devise a schedule for this process.

**Action: Risk Register name to change to Corporate Risk Register and document to include a front page to detail any changes made since previous Audit & Risk Committee meeting.**

#### **46.8 FE College Health Check Report Issue 2 2015/2016**

It was noted that this FE College Health Check Report was presented to the Governing Body at the meeting in May 2016. Prof. Scott noted that the data within the Health Check Report portrays a positive story and consideration must be given to the delay in the recruitment of key posts. Prof. Scott also commented on the timeliness of the report as it was based on financial information as at 31 January 2016, highlighting that the value of the data diminishes as time lapses.

#### **46.9 Budget Process**

The draft Budget Delegation Policy and Scheme of Budget Delegation were presented by Chief Operating Officer and approved by the Committee, subject to minor changes. Mr Higgins commented that increased delegation limits are in line with the SIP, they will enforce greater accountability across all levels within organisation and give a wider selection of staff experience in budget management.

Mr Higgins explained that the documents would be presented at the next Resources Committee meeting on 20<sup>th</sup> June '16 and if approved will be implemented in the new academic year. Further discussion was held on the new budget process in response to the findings of the internal audit report on Financial Planning and Budgetary Control – see 46.13 for details.

#### **46.10 Audit Strategy**

Ms O'Hagan presented the 15/16 Audit Strategy to the Committee and highlighted the main aspects. These included the risk based audit approach, reliance on work of others and the materiality level, calculated at approximately £690,000. Ms O'Hagan noted that the 'trivial' error reporting level is £14,000 but the Committee agreed that NIAO would report on all errors found, consistent with last year's approach.

It was agreed that the audit fieldwork would commence on 16<sup>th</sup> September 2016 and the deadline for signed financial statements is 15<sup>th</sup> November 2016. It was also agreed that the 15/16 audit fee would remain at £23,000 with an additional £4,000 fee for the audit of FRS 102 opening balances.

The Audit Strategy was noted by the Committee.

#### **46.11 FRS 102**

Mr Higgins summarised the implications of the transition to FRS 102 on the opening balances of 15/16 accounts. The three main changes were as follows:

- a) Holiday Pay Accrual for support and lecturers based on holiday entitlement and number of days leave remaining at the end of the financial year.
- b) Deferred Capital Grant is disclosed within creditors in the Balance Sheet
- c) Endowment Funds are shown at market value and any movement in value is shown in Income & Expenditure account as a gain or loss on investment.

Mr Higgins noted that there is one other potential change relating to 'agency arrangements' and how they should be disclosed in the financial statements. Ms O'Hagan commented that the treatment of these arrangements is currently being considered by the NIAO and their contractors to ensure that consistency is applied across the 6 FE Colleges.

The adjusted opening balances were audited in April by NIAO and Ms O'Hagan stated the NIAO will report on audit fieldwork in July 2016.

#### **46.12 Progress Against Internal Audit Plan**

The Committee received a Progress Report providing details of the status of the programme of work detailed in the Annual Internal Audit Plan for 15/16. It was noted that the Plan is on schedule: a review of Financial Planning and Budgetary Control was presented at this meeting. The final review of the year, the review of the Strategic Improvement Plan was conducted week commencing 6<sup>th</sup> June and the audit report will be presented at the Audit & Risk Committee meeting in October.

#### **46.13 Internal Audit Reports**

The Committee received a report on the review of Financial Planning and Budgetary Control which received overall 'Satisfactory' assurance; two Priority 2 issues and one Priority 3 issue. The Chief Operating Officer stated that the College had accepted the Internal Audit recommendations however noted that there has been significant progress in the College budget process since this review including a new draft Budget Delegation Policy and Scheme of Budget Delegation.

Issue 1 within the report relates to the understanding of the financial planning process and the roles of budget holders. Prof. Scott noted that one of the most significant changes to the budget process is that budget holders will have greater responsibility for their own budget and subsequently there will be an improved focus on accountability. It was noted that previously, budgets were 'centrally controlled'. However, budget management has now been incorporated into the job descriptions of new Head of Departments and budget management skills were tested as part of the selection process.

The Chair queried how this new system will be managed and controlled. Mr Higgins outlined that the Finance Department will issue monthly accounts reports to budget holders and they will provide timely commentary on any variances from budget. There will also be a Finance Sub-Committee established that will meet quarterly to oversee expenditure to date and ensure that any underspends or overspends are covered internally within the College. Mr Higgins reported that another big change will be that FLU income will be allocated to individual departments based on student numbers and other pertaining factors. This would give budget holders a more realistic view of the contribution their department is making and they would be operating 'mini business units' within the College.

Mr Higgins also noted that presently the 15/16 budget was inherited by the HODs, however the 16/17 budget has been set using a 'bottom-up' approach with significant input from all budget holders.

In relation to the new budget process Mr Hutchinson had a query on how the budget holders will be trained and how much they know about the risk involved in the process. Mr Higgins informed the Committee that it is part of the Change Programme to upskill staff in this area and as a result all budget holders have attended a Risk Management Workshop in February 2016 and a Budget Management Working in early June 2016. They will also receive Tender Evaluation Training at the end of June. In addition to training, the College has appointed an interim Budget Manager to assist budget holders with the new process; this individual will remain in place for the first few months of the academic year to ensure the budget process is fully embedded. The Interim Budget Manager will also be responsible for revising monthly reporting templates to assist budget holders. Prof. Scott noted that budget holders who needed additional training would be identified and additional assistance provided.

Issue 2 relates to the monitoring of variances. This was covered in earlier discussions and the new Budget Delegation Policy states that budget holders must explain all variances greater than £10,000 or 5%. KPMG reiterated that visibility is vital in budget monitoring processes, despite increased ownership in the budget process there needs to be 'helicopter view' over the devolving of the budget.

Issue 3 relates to the process of KPI reporting to Resources Committee and was accepted by the College. Prof. Scott noted that a Chartered Accountant had joined Resources Committee in an advisory capacity.

#### **46.14 Progress against Outstanding Audit Recommendations**

The Committee received a Progress Report, as at 31 May 2016, against outstanding audit recommendations:

a) KPMG Follow-Up Report 2014/2015. Three of the 4 recommendations have been implemented and one is partially implemented.

The partially implemented recommendation relates to Data Integrity over the Consolidated Data Return and Mr. Higgins noted this will be assessed at the end of June when the academic year is over.

b) Report To Those Charged With Governance (RTTCWG 2014/2015). One of the recommendations has been implemented and two of the recommendations are not yet due.

Mr. Higgins noted that the College is still in discussion with Education Authority over the ownership of the Portrush building. He also noted that the Intangible Asset Policy is still under review by DfE and the College are awaiting an update.

c) KPMG 2015/2016. Five recommendations have been made; three have been implemented, one is partially implemented and one recommendation has not been accepted.

#### **46.15 Registers**

Mr Higgins presented the following reports:

- 1) Direct Award Contracts – there was one DAC to report relating to the provision of a marketing campaign by Royal Mail which provides a door-to-door distribution service to 210,000 households in the catchment area of the College. The supplier, Whistl, act as agents to Royal Mail.
- 2) FOI Register – there were 2 FOIs reported, one from a tutor employed by the College regarding a complaint and the other from an employee requesting information.

Both reports were noted by the Committee.

#### **46.16 Any Other Notified Business**

##### **46.16.1 FE Benchmarking Document**

KPMG provided this report based on an annual financial statements benchmarking exercise across their FE client base. Chair commented that this is a useful and interesting document. Prof. Scott noted that while the FE sector in England differs from NI in terms of cohort of students and funding streams, the document is useful for College to compare position from one year to the next.

##### **46.16.2 GB Meetings Calendar 16/17**

A draft calendar of Committee dates for upcoming year was presented for discussion.

Ms O'Hagan commented that Governing Body Meeting was scheduled for 23<sup>rd</sup> November 2016. In this meeting the GB will be required to sign off the College Annual Report, which is a tight timeframe for NIAO as accounts must be laid by 30<sup>th</sup> November 2016.

**Action: Mr Higgins to discuss with Chair of Governing Body the possibility of rescheduling the November 2016 meeting a week earlier to give NIAO sufficient time to finalise the Annual Report.**

#### **46.17 Next Meeting**

The Chair reminded Members that the next meeting is scheduled for Wednesday 5 October 2016 at Farm Lodge Ballymena Campus at 5.15pm

The meeting concluded at 7pm.

**D Lennox Chair** \_\_\_\_\_

**Date** \_\_\_\_\_

**K Hamilton Acting Secretary** \_\_\_\_\_