

NORTHERN REGIONAL COLLEGE

AUDIT & RISK COMMITTEE

Minutes of the meeting of the Audit & Risk Committee held on 18 November 2015 and 25 November 2015 at the Newtownabbey Campus

Meeting 18 November 2015

Present Dr D Lennox (Chair) and Ms K Reilly

In Attendance Mr M Higgins (Chief Operating Officer designate), Ms E Patton (KPMG), Mr D Lynn (NIAO), Professor T Scott, Mrs C Moore and Mr J Hunter

Pre-Meeting with Auditors

The Audit & Risk Committee, less staff representatives, met with representatives from the NIAO and KPMG prior to the meeting.

UNRESERVED BUSINESS

42.1 Membership & Apologies

The Chair welcomed Ms Kerry Reilly (the Non-Teaching representative on the Governing Body) to her first meeting. An apology was received from Mrs J Eve.

The Chair noted that the meeting was inquorate. He said that the meeting would be able to give consideration to all items on the agenda but any item requiring a decision would have to be referred to the meeting scheduled for 25 November 2015.

42.2 Declaration of Interests

There were no conflicts of interest declared.

42.3 Minutes of the Last Meeting

The Committee noted the minutes of the last meeting of the Audit & Risk Committee held on 7 October 2015 and **referred them for approval to the meeting scheduled for 25 November 2015**

42.4 Matters Arising

42.4.1 Membership of Audit & Risk Committee (minute 41.13.1)

Following the discussion at the previous meeting in relation to financial expertise/ qualified accountant on the GB, the Secretary advised that DEL had confirmed that this was not a requirement. The Committee members shared the view that the Governing Body should have a full range of skills to provide stewardship and oversight of College operations and resources.

The Principal said that it was highly desirable to have a qualified accountant as a member of the Governing Body. She added that it was possible to invite a person with accounting experience to join Committees for a period of up to one year. It was suggested that the Principal should seek DEL approval for the appointment of a person with appropriate financial expertise. Mr Lynn indicated that he supported this proposal.

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

42.5 Chair's Communications

The Chair referred to correspondence he had received from DEL that afternoon regarding a half day training session for audit committee members in conjunction with CIPFA on 4 December 2015. The

session will be held at the SWC Dungannon Campus. He asked the Secretary to inform Members of the Audit & Risk Committee and encourage them to attend.

42.6 Correspondence

There was no correspondence to report.

42.7 Progress Report against Annual Audit Plan for 2015/2016

Ms Patton provided a progress report against the Annual Audit Plan for 2015/2016. She said the reviews of Bank & Cash and Month End Close Processes were being presented at this meeting. The field work had commenced on the review of Procurement and the report would be presented at the January 2016 meeting. She added that the Plan was on schedule.

The Chair suggested that the College was planning to organise a half-day risk Register Workshop in January 2016. It was intended to invite the Senior Leadership Team, Heads of Department and Assistant Heads of Department to the Workshop with a view to aligning the College's current Corporate Risk Register and Departmental Risk Registers with the Strategic Improvement Plan (SIP). This session would help to embed risk throughout the College.

The Chair said that the Corporate Risk Register would be forwarded to every meeting of the Audit Committee and quarterly to the Governing Body. It was suggested that HoDs were to be invited to Committee meetings, on a rota basis, to present their Departmental Risk Registers.

Ms Patton said that she would investigate the possibility of removing one day from the time allocated in the Audit Plan to the Strategic Improvement Plan and devote it to the Risk Register Workshop. The College requested that this was at the Internal Audit blended rate.

42.8 Internal Audit Reports 2015/2016

The Committee received the Internal Audit Report which provided details of the findings of KPMG's internal audit review of systems and controls at NRC relating to Core Financial Processes. The Internal Auditors have issued a 'Substantial' assurance for Bank & Cash/Treasury Management (with one Priority 3 recommendation) and a 'Satisfactory' assurance for Month-End & Close Protection (with two Priority 3 recommendations). It was noted that management do not accept the recommendation in relation to the authorisation of journals in advance of posting and do not believe that it is a control risk.

42.9 Draft Annual Report and Financial Statements

The Committee received a copy of the draft Annual Report and Financial Statements 2014/2015, which indicate that the College has generated an historic cost outturn surplus of £29k compared with the College's original planned outturn, as per the College Development Plan, of a £0.4k surplus.

The Committee's attention was drawn to two adjustments:

- £649k originally classified as assets has been reclassified as other operating expenditure as NIAO judged that it did not meet the current definition of assets. These assets were funded from capital grant from DEL. This grant will be paid back to DEL between November 2015 and March 2016. This accounting adjustment has reduced the historic cost surplus to £29k for the year ended 31 July 2015. DEL has requested that the adjustment be removed from the 2015/16 monthly NDPB return as the items were purchased before 31 March 2015. The College has amended the monthly NDPB return and has re-submitted the return for the year ended 31 March 2015.

It was noted that NIFON and DEL are discussing amendments to the tangible fixed assets policy for inclusion in the accounts direction 2015/16.

- The valuation of buildings has been increased by approximately £9m to include VAT on the valuation received from Land & Property Services. This adjustment has no net impact on the income and expenditure account.

The meeting expressed its satisfaction with the content of the Annual Report and Financial Statements but noted that it would be **necessary for the Audit & Risk Committee (25 November 2015) to approve the document for submission to NIAO on 26 November 2015**

42.10 Report To Those Charged With Governance

Mr Lynn presented the Report To Those Charged With Governance, which summarises the key matters arising from the NIAO audit of the 2014/2015 financial statements. Mr Lynn anticipates recommending to the Comptroller and Auditor General that he certifies the 2014/2015 financial statements with an **unqualified audit opinion**, however, he will include a reporting paragraph on the progress made on the implementation of the plan to address the recommendations made in the Tribal Report in October 2014.

Mr Lynn stated that there was one priority 1 recommendation and two priority 3 recommendations. The priority one recommendation related to the issue regarding capitalisation of revenue items. This issue resulted in a £649k reduction to the historic cost surplus which has been corrected by the College.

Mr Lynn referred to a number of audit adjustments made to the initial draft financial statements presented for audit. NIAO does not consider that the adjusted misstatements indicate a significant weakness in accounting or control, which needs to be reflected in the Governance Statement

He also drew attention to the Letter of Representation and the proposed Audit Certificate

42.11 Annual Audit & Risk Committee Report 2014/2015

The Committee received the Annual Audit & Risk Committee Report for 2014/15, which includes the Audit & Risk Committee's opinion on the adequacy and effectiveness of the College's risk management control and governance arrangements and its arrangements for promoting economy, efficiency and effectiveness.

The meeting was satisfied with the content and accuracy of the Report, subject to an amendment to note the repayment of capital grant to DEL, but noted that it would be **necessary for the Committee (25 November 2015) to approve the document for submission to the Department.**

42.12 Risk Register

It was agreed that the Risk Register for the Change Programme would be presented to the next meeting scheduled for 13 January 2016

42.13 Direct Award Contracts

The Committee noted that the DACs for September and October 2015.

42.14 Any Other Business

The next meeting is scheduled for Wednesday 13 January 2016 at the Farm Lodge Ballymena Campus at 5.30 pm

D Lennox Chair

Date

JA Hunter Secretary