

Pre-Meeting with Auditors

Governing Body members of the Audit & Risk Committee met with representatives from KPMG, DfE, and NIAO prior to the full committee meeting.

Minutes of the unreserved business meeting of the Audit & Risk Committee held on 6 June 2017 at Farm Lodge Campus, Ballymena commencing at 5.30pm.

Present: Dr D Lennox (Chair), Mrs I Allison, Mrs J Eve, Mr W Hutchinson

In Attendance: Mr Chris Andrews (DfE), Mr A Brown (Item 52.7 only), Mr D Hewitt, Mr M Higgins, Mr S Lavery Mrs C O'Hagan (NIAO), Ms E Patton (KPMG), Prof T Scott, Mr V Taggart.
Mrs C Robinson (Secretary)

52.1 Apologies

Dr S Brankin

Non Attendee: Mr B McCluggage

The Chair welcomed the IT Network and Application Development Manager, Mr Alan Brown to the meeting. He noted that in light of discussion of ransomware issues at an earlier GB meeting, Mr Brown had been invited to provide an update on the controls in place and actions taken to mitigate any risk of cyber attack to the College.

52.2 Declaration of Interests

There were no declarations of interests.

52.3 Minutes of the Last Meeting

The minutes of the meeting held on the 3 May 2017 were approved.

52.4 Matters Arising

No matters arising.

With members' agreement the IT update was taken at this point in the meeting.

52.7 Risk Update

Mr Brown spoke about the recent widespread ransomware attack on other external organisations. He outlined how attacks happened, why organisations were vulnerable and summarised how NRC mitigated the risk. He indicated that the IT department was proactive with regard to security, that appropriate systems were well established and were monitored and updated regularly. Support from external systems was also in place, backups were undertaken and there was ongoing collaboration with other Colleges. In response to the attacks immediate action was taken to inform/train users on the risks; monitor traffic and review all incidents; and identify/update unprotected equipment, areas of weakness.

In response to a query from the Chair, Mr Brown noted that maintaining a secure system and/or having dedicated IT security staff had cost implications. Mr Brown also confirmed that there was ongoing consideration of risks associated with IT and that any key risks would be escalated to the corporate risk register.

Mr Higgins advised that an IT strategy had been agreed by SLT and that there were plans to upgrade IT systems further across all campuses over the summer months. This would result in a greater level of security.

A brief discussion on IT Assist and the STS project followed. The risk associated with use of potentially unsupported systems was noted.

Dr Lennox thanked Mr Brown for the update.

Mrs Allison joined the meeting and Mr Brown left.

52.5 Chairperson's Communications

i) DfE Audit Training

Dr Lennox referred to the recent audit training organised by the Department which had been open to all Governing Body members. He noted that he had attended along with Mr Jay, Ms Mallon and Mrs Robinson. Several other members had expressed an interest but had been unable to attend. Dr Lennox said the session facilitated by David Nichol (On Board Governance) had been a very useful refresher.

Mr Andrews stressed the importance of ensuring attendance at training events organised and said that the Department would where possible organise relevant sessions when made aware of any training/development needs identified by Governing Body members.

ii) Committee Self Evaluation

Dr Lennox advised members that it was good practice to undertake an annual review of effectiveness and acknowledged that this should be undertaken by the Committee. He stated that several toolkits are available to assist this process and highlighted the National Audit Office Self-Assessment Checklist as a good option. Dr Lennox suggested that members could complete this individually and follow up with a discussion of collated results at Committee. He proposed that in light of the recent change to committee membership it might be best to defer this to a later date.

Mr Andrews indicated that the assessment was not mandatory but it was considered good practice for Audit Committees to carry out an evaluation.

The Committee agreed to return to the assessment during the next financial year.

Action: Dr Lennox requested that the NAO document be circulated to committee members. A copy would also be uploaded to Minutepad for reference of all Governing Body members.

52.6 Correspondence

i) DfE letter – Internal Audit Strategy for FE Colleges

Mr Andrews spoke to the communication outlining that with the changes to the public procurement process it was a good time for the Department to consider removing the items previously mandated in audit strategies and refocus on risk within internal audit plans.

Committee members and SLT agreed this was an acceptable proposal.

Ms Patton indicated there was a decreasing value in auditing these areas and indicated that internal audit supported the proposal also.

The consensus of support was noted and Mr Andrews undertook to relay the Committee's response.

ii) NIAO Marking Study

The Committee noted the correspondence from Denver Lynn detailing the outcome of the marking study. Ms O'Hagan advised that NIAO would come back formally once the C&AG had reached a decision.

Dr Lennox noted that Mr Lynn's letter had been shared with the Governing Body.

52.7 Risk Update

Item taken earlier in the meeting.

Dr Lennox enquired about the risk register. Mr Higgins advised that there had been no significant changes to the risk register reported at 3 May 2017 to the Audit & Risk Committee. He advised the register would be reviewed and revised for the next meeting. He noted that the register had been circulated to the last Governing Body meeting and the discussion had been beneficial.

52.8 NIAO Audit Strategy

Dr Lennox drew attention to the cover letter and audit strategy circulated.

Ms O'Hagan spoke to the strategy highlighting key areas of action outlined within the approach to audit. She advised that the audit would be risk based and would cover several mandated areas within auditing standards. No significant risks of misstatement had been identified. Reference was made to the risk associated with the construction of the new campus, which would be monitored. No major change to financial reporting guidance was expected.

Ms O'Hagan referred to the agreed timetable and highlighted target dates. She indicated that Mr Lavery had produced a very detailed timetable for the internal processes and she was confident that the audit would progress to plan.

Dr Lennox sought clarity on the process of reporting misstatements above the trivial level. He also referred to lessons learned from the previous year and looked to management for assurances that the timetable was acceptable.

Mr Higgins reported that there had been discussions with NIAO and Mr Lavery had produced a PID for the preparation and audit of the accounts. A complete management team was in place along with dates and mechanisms to ensure material would be produced on time and targets would be achieved. The schedule of Committee and Governing Body meetings was also in line with key dates.

Mr Higgins also pointed out that Mr Taggart had commenced the SER process which would produce information relevant to the annual report, prior to the end of the summer term.

In response to the Chair's comments on the significant changes to the 2015/16 annual report, Mr Higgins assured that the format of the report was now well embedded and it was unlikely that the accounts direction would bring any substantial changes to this.

Dr Lennox commended Mr Lavery on the work carried out in preparation for the accounts process. The PID and Action Plan tabled were helpful documents and he felt assured that appropriate processes were in place.

The Committee noted the NIAO Audit Strategy for 2016/17.

52.9 Internal Audit Reports

ii) Corporate Governance and Risk Management

Ms Patton referred to the report noting that both areas had received separate satisfactory assurances.

With regard to the review of Corporate Governance details of the recommendations for training and policy were outlined and it was noted these had been accepted by management.

Mr Andrews advised that the Department currently provided an annual induction session that covered the issues raised in relation to training. He noted that the course title would be changed and all GB members would be made aware that they were eligible to attend. The course was not mandatory but attendance would be encouraged.

Action: Dr Lennox stated this would be reported back to all GB members.

Prof Scott also reported that presentations to help improve members' knowledge and understanding of College business areas were incorporated into GB meetings.

Ms Patton noted the comments and that the Department maintained a record of training offered and attendance/non-attendance. The Chair's role in assessing training needs etc as part of the appraisal process was also noted.

Ms Patton reported that management had accepted the recommendation on the regular review of key policies.

Ms Patton reported on the three recommendations identified in the risk management review and management had accepted the recommendations.

Dr Lennox acknowledged the Committee's responsibility in these areas.

Dr Lennox praised the report overall. He commented on the good practice recommendations at the end of the report and proposed that as the recommendations applied across the Board it was prudent to circulate the report to the Governing Body.

Action: Review report to be presented to June Governing Body meeting.

In response to the Chair's question about management accounts being circulated to the Governing Body on a regular basis, Mr Higgins stated that the Resources Committee had delegated authority with regards the accounts and depending on the scheduling of meetings there was potential for this to be duplicated but would consider at the next Resources Committee..

Action: Mr Higgins to discuss regular circulation of accounts with the Chair of the Governing Body and Resources Committee.

The recommendation on the Code of Conduct was noted.

Action: Secretary to address amendments to the Code of Conduct.

The Committee noted the auditor's observations/recommendations along with management responses.

i) Progress Report against Annual Audit Plan 2016/17

Ms Patton spoke to the summary report on progress highlighting that internal audit was on track to complete its work programme on schedule. She reported that one remaining report had been circulated in draft for management comments and follow up work would be completed over the summer. The report also reflected the increased days agreed against the SIP review and a footnote as agreed with management. In conclusion Ms Patton advised that the annual Statement of Assurance would be ready for the September committee meeting.

Dr Lennox referred to the wording of the description for assurance relating to the SIP review and requested greater clarity to avoid any confusion. Ms Patton agreed to include the term 'not applicable'.

The Committee noted the reports and the Chair's comments on the satisfactory assurance across all reports to date. Members agreed that it was a very positive position for the College.

52.10 Progress against Outstanding Recommendations

The outstanding recommendations report which had been uploaded under agenda item 52.11 just prior to the meeting was noted.

Mr Higgins reported that minor adjustments were highlighted, but there had been no major amendments to the document previously presented at the May committee meeting. The report would be revised before coming back to the September committee meeting.

The Committee noted the report.

52.11 Accounts Direction

Mr Andrews advised that the accounts direction was not yet ready and assured that this would not impede any other plans in place.

Mr Higgins indicated that College Finance Directors met monthly and Department representatives were in attendance. He was confident that there would be no significant changes in the accounts direction.

52.12 Direct Award Contracts

Mr Higgins reported on the additional contract as outlined in the paper.

The Committee noted the updated DAC register.

52.13 Committee Meeting Dates 2017/18

Dr Lennox advised that committee dates for the coming year had been planned around the accounts timetable and confirmed the first two meeting dates as Wednesday 27 September 2017 and Wednesday 8 November 2017. The remainder of the meeting dates would be discussed in conjunction with all other committee and GB meeting dates and approved at the June GB meeting.

Action: Dates to be uploaded on Minutepad at the earliest convenience following approval.

52.14 Any Other Business

No other business was raised.

52.15 Date of Next Meeting

The next meeting of the Committee was confirmed as Wednesday 27 September 2017 at 5.30pm following a pre-meeting at 5.15pm.

The meeting ended at 6.35pm.

Dr D Lennox David Henry
Chair

Date 27/9/2017
27 September 2017

Mrs K Wallace K Wallace
Secretary