

## **NORTHERN REGIONAL COLLEGE**

### **AUDIT COMMITTEE**

Minutes of the meeting of the Audit Committee held on 13 June 2011 at the Ballymena Campus of the Northern Regional College.

Present Mrs A Rankin (Chairperson), Rev T Jamieson, Mr R Jay,  
Alderman PJ McAvoy and Ms C O'Neill

In Attendance Mr T Neilands (Director), Mr S McCormick (NIAO), Ms S Hamill  
(DEL), Mrs C Moore, Mr M Pitt (PwC) and Mr JA Hunter.

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

The Audit Committee, less staff representatives, met with the Internal Auditor and the NIAO representative prior to the main meeting. They had no points to raise with the Committee.

### **UNRESERVED BUSINESS**

#### **20.1 Apologies**

Apologies were received from Mrs AM Campbell and Mr R Monds.

#### **20.2 Declaration of Interests**

There were no other declarations of interests.

#### **20.3 Risk Management**

##### **20.3.1 Faculty Risk Registers**

The Committee received a presentation from Mr S Bell, Head of Professional and Leisure Studies, regarding his Faculty Risk Register.

At the outset Mr Bell provided an overview of the Faculty Structure and outlined the activities in the three Schools: Business & Hospitality; Sport, Travel & Tourism; and Essential Skills.

Mr Bell addressed the Faculty Risks for 2010/2011 drawing attention to the risks associate with curriculum improvement, essential skills initiatives, the closure of the Antrim Campus and the achievement of performance targets. He advised the Committee that the Faculty had three main objectives for the forthcoming year 2011/2012: Phase 1 of the Hospitality and Tourism Plan; Phase 2 of the Essential Skills Initiatives; and the Curriculum Development Plan. Referring to these objectives he stated that there was a risk that the Hospitality and Tourism strategy could falter through lack of engagement with industry; a risk that lack of improvement in Essential Skills could impact on the reputation and performance of the Faculty; and a risk that reduced course hours could impact on quality and retention, reducing the Faculty's ability to meet financial targets. In conclusion Mr Bell detailed the key tools used by the Faculty in Risk Management.

During subsequent discussion queries were raised and assurances received regarding; the uptake of best practice from the Sector in relation to Essential Skills; remedial action to

address quality improvement; the determination of success; and sanctions regarding absenteeism.

The Chairperson thanked Mr Bell for an informative presentation.

#### **20.4 Minutes of the Last Meeting**

The minutes of the last meeting of the Audit Committee held on 3 May 2011 were approved.

#### **20.5 Matters Arising**

##### 20.5.1 Procurement (minute 19.3.1 a))

The Chairperson reminded the Committee that new regulations required at least two quotations for all levels of spend and that the monitoring of purchases was taking an increasing amount of staff time in the Financial Accounting Section. She stated that a suggestion had been made at the last meeting of the Committee that low value purchases could be delegated to budget holders and monitored by the Section.

The Director of Finance stated that the Finance Department would be undertaking an analysis of transactions at the year-end and would report its findings to the next meeting of the Audit Committee.

##### 20.5.2 Managing Public Money (minute 19.5.2).

Ms Hamill informed the Committee that DEL intended to issue a circular, in the near future, to update certain financial matters until the revised Financial Memorandum is published.

##### 20.5.3 Joint Procurement of Internal Audit and Banking (minute 19.7 b))

In response to a query regarding retrospective approval to proceed with a joint procurement exercise, the Director of Finance advised that NIFON was taking forward this matter and was establishing an Evaluation Team, which would have a representative from each College. The Director of Finance stated that she would have further information regarding this matter for the next meeting of the Audit Committee.

#### **20.6 Chairperson's Communications**

##### a) Internal Audit Key Performance Indicators

The Chairperson reminded the Committee that, on the appointment of PwC as the Internal Auditors, the Audit Committee (30 March 2010) had agreed that Key Performance Indicators should be prepared to review the company's performance.

The Chairperson referred the Committee to a Progress Report, which had been prepared to review the Internal Audit Service's performance during 2010/2011. She said that seven of the eight KPIs were on target, the exception being KPI 7. This KPI relates to feedback from designated process owners on staff delivering audit work. It was noted that action has been taken by PwC and NRC to address this matter.

The Committee thanked the Internal Auditors for an excellent service during 2010/2011.

b) Ulster Bank Mandate. **The Committee agreed that the Chairperson be authorised to sign an Ulster Bank mandate to allow the transfer of funds between the Ulster Bank and another bank for investment purposes.**

## **20.7 Correspondence**

The Committee noted:

a) Correspondence from the Department of Finance and Personnel providing details of Treasury Minutes on the latest Westminster PAC. The correspondence draws attention to the following reports: PAC 3<sup>rd</sup> Report Inequalities in life expectancy; PAC 4<sup>th</sup> Report VFM Savings and lessons for cost reduction programmes; PAC 5<sup>th</sup> Report Passenger rail capacity; PAC 6<sup>th</sup> Report Cafcass's response to increased demand for services; PAC 7<sup>th</sup> Report Funding renewal energy; PAC 8<sup>th</sup> Report Delivery of student finance; PAC 9<sup>th</sup> Report Financing PFI projects in the credit crisis; PAC 10<sup>th</sup> Report Managing defence budget and estate; PAC 11<sup>th</sup> Report Community care grant; PAC 12<sup>th</sup> Report Use of consultants and interims; and PAC 13<sup>th</sup> Report Bilateral support for primary education.

b) Correspondence from the Northern Ireland Audit Office, dated 27 May 2011, advising that NIAO had awarded the external audit of the Northern Regional College to Moore Stephens for a three year period, starting with the audit of the 2010/2011 accounts, with an option to extend for a further two years. It was noted that the NIAO had asked the College to confirm that there were no conflicts of interest between Moore Stephens and NRC, which would prevent NIAO awarding the Contract to the firm. The Chairperson stated that she had responded to this communication indicating a potential conflict between herself as Director of Finance and Planning at the University of Ulster and Mrs Peters-Gallagher, a partner in Moore Stephens and Honorary Treasurer of the University of Ulster. It was deemed that there was no conflict of interest.

## **20.8 Risk Management Group**

The Committee noted the minutes of the meeting of the Risk Management Group on 20 April 2011, when the following issues were discussed:

a) Departmental Risk Registers. All Departmental Risk Registers have been received and the Director of Finance, at the request of the Group, has placed them on Sharepoint and has notified Budget Holders.

b) College Risk Register. The Director of Finance has been asked to distribute a revised Risk Register to reflect the new strategic objectives agreed by the Governing Body and to include the amendments discussed at the meeting of the Risk Management Group. It was noted that the Director of Finance would circulate the Register during the forthcoming week.

## **20.9 Outstanding Internal Audit Issues – Report To Those Charged With Governance (RTTCWG)**

The Director of Finance provided the Committee with a progress report regarding outstanding RTTCWG recommendations. Ten of the eleven recommendations have been implemented and the remaining recommendation in relation to the preparation of accounts is no longer applicable.

## **20.10 Internal Audit Follow up Review**

The Committee received a Follow-Up Review on progress made with regard to prior findings and recommendations issued to the College by the Internal Auditors. The follow-up audit covers the following reports:

a) PwC Internal Audit Recommendations 2008/2009. All five recommendations have been fully implemented;

b) PwC Internal Audit Recommendations 2009/2010. Ten of the eleven recommendations have been fully implemented. One in relation the Disaster Recovery Plan is partially implemented with a full test of the Plan to be completed in the third quarter of 2011;

c) PwC Internal Audit Recommendations 2010/2011. Ten of the sixteen recommendations have been fully implemented, four partially implemented and two have not yet reached their target date;

d) HELM Training and Appraisal Process. The one outstanding recommendation has been fully implemented;

e) McClure Watters Cash Handling. The one outstanding recommendation has been fully implemented.

Mr Pitt advised the Committee, as at 3 June 2011, 80% of outstanding recommendations had been fully implemented, 15% partially implemented and 5% had not reached their target date. He added that it was a very positive outcome.

### **20.11 Internal Audit Report to Audit Committee**

Mr Pitt presented the Internal Audit Report to the Audit Committee, which provided an update on progress made against the 2010/2011 Internal Audit Plan.

The Report indicates that the following Internal Audit Reviews have been completed since the last Audit Committee meeting:

a) Review of HR Operations

b) Review of Business Continuity Planning and Disaster Recovery; and

c) Follow-Up Review.

Mr Pitt confirmed that all Internal Audit work for 2010/2011 had been completed and reported well in advance of the financial year-end (31 July 2011) and within DEL requirements (30 September 2011).

### **20.12 Internal Audit Reviews**

The Committee received the following Internal Auditors Reviews:

a) Internal Audit Review of Human Resource Operations. The Internal Auditors have given an overall substantial assurance rating for Human Resource Operations. They have set out the assurance ratings for all of the key processes, all of which have received substantial ratings. There were no Priority 1 issues identified during the review.

As part of the Review of Human Resource Operations the Internal Auditors were asked to undertake a Review of Controls regarding the Time Recording and Payment of Part-Time Lecturing Staff; the Internal Auditors have given an overall limited assurance rating for this review. The Internal Auditors undertook this Review as a result of a whistleblowing allegation, which had been made to the Northern Ireland Audit Office in September 2010 to the effect that some part-time lecturers had falsified claim forms. The Internal Auditors reviewed the controls regarding time recording and payment controls relating to 45 part-time lecturing staff across the College. The Auditors indicated that there was no fraudulent activity. They have recommended that the current claim form-based system for making payments to part-time lecturers is replaced with a more efficient system.

It was noted that the College intends to pilot a revised payment scheme with effect from the first quarter of 2011/2012; the payment would be made on the basis of contract and by e-register data. It was also noted that it was planned to re-train and raise the awareness of line managers and Heads of School to ensure stronger controls are in place.

The Director of Finance advised the Committee that the Review had been forwarded to DEL. Mr McCormick indicated that the Review would subsequently be forwarded to the NIAO.

In response to a query regarding the level of part-time lecturer payments, the Committee was informed that it amounted to £2.5m. The Director of Finance stated that the Internal Auditors would be addressing this matter as part of the overall Payroll review during 2011/2012.

The Director said that the Head of HR had expressed concern that the review of Human Resource Operations might be tainted by the review of payments to part-time lecturers, which had been given a limited assurance rating. The Director was assured that the part-time Lecturers' review would not invalidate the substantial assurance for HR Operations.

b) Internal Audit Review of Business Continuity Management and Information Security Management. The Internal Auditors have given an overall satisfactory assurance rating for this review. They have also given satisfactory assurance ratings for the key processes Business Continuity and Information Security. There were no Priority 1 issues identified during the review. Mr Pitt drew attention to number of Priority 2 & 3 recommendations relating to Business Continuity Documentation, the Classification of Data, Remote Desktop on home PCs, Mobile Media Policy and Data Retention Policy.

### **20.13 Annual Internal Report to Audit Committee**

The Committee received the Annual Internal Audit Report to the Audit Committee, which summarises the findings from the work performed by PwC Internal Auditors in 2010/2011 and provides assurance to both the Audit Committee and ultimately the Governing Body in relation to the effectiveness of the internal controls in the areas reviewed during the current year.

During 2010/2011 the Internal Auditors issued nine reports, including a follow-up review of all outstanding recommendations in June 2011. On the basis of the audit work performed during the year, the Internal Auditors were able to provide a **Satisfactory Assurance** in relation to the adequacy of the systems control in place within the organisation and their operation throughout the period under review.

Mr Pitt advised the Committee that the Internal Auditors had received positive responses from Management on all issues raised and that the College's Risk Register is fully compliant with Government and Departmental requirements.

### **20.14 College Internal Audit Needs Assessment 2011/2012**

The Committee noted the Audit Needs Assessment Report 2011/2012, the purpose of which is to assess the internal audit needs of the Northern Regional College and to provide the College with an Internal Audit Plan covering the twelve-month period ending 31 July 2012. The Report sets out the methodology to be used to deliver the Internal Audit Plan and indicates how the Internal Audit activities have been matched to corporate risks.

It was also noted that the Internal Auditors had assigned indicative days to each proposed area of the Internal Audit Plan 2011/2012. Five of the 60 days assigned to the Audit Plan, however, had been set aside for contingencies. It was suggested that these days could be assigned to estate utilisation.

Mr Pitt said that Internal Audit Plan reflected the views of the Executive Management Team and he asked Members of the Audit Committee to contribute to the Plan.

**The Committee agreed that the Internal Audit Plan 2011/2012 be approved.**

### **20.15 Any Other Notified Business**

#### **20.15.1 Draft DEL Document**

Mr McCormick referred to a draft DEL document, which was currently circulating within the NIAO. He stated that mention was made of FAST Reports, the Business Improvement Plan and Value for Money Reviews of Advertising and Marketing.

The Committee noted that consideration had been given to the FAST Report at a previous meeting and that the BIP had been subsumed into the College Development Plan. It was suggested that the Governing Body may wish to decide whether it wishes to have an Internal Audit Review of the CDP.

It was also noted that PwC was preparing a general paper on Advertising and Marketing based on Sector findings. NRC would benefit from the reviews of other Colleges without having to devote time to an Internal Audit Review.

#### 20.15.2 Ms O'Neill Retirement.

The Committee thanked Ms C O'Neill, who was attending her last meeting, for her contribution to the work of the Committee. Ms O'Neill said that she had had a positive working relationship with the Committee over the past three years and she had been impressed with the dedication and professionalism of its Members.

#### **20.16 Next Meeting**

The Committee noted that the next meeting is scheduled for 5.30 pm on Tuesday 20 September 2011 at the Farm Lodge, Ballymena Campus of the Northern Regional College.