

NORTHERN REGIONAL COLLEGE

AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on 15 February 2012 at the Farm Lodge, Ballymena Campus of the Northern Regional College.

Present Mrs A Rankin (Chairperson), Mr I Goldsworthy, Mr S McCartney.

In Attendance Mr T Neilands (Director), Mrs C Moore, Mr M Pitt (PwC) and Mr J A Hunter.

Pre-Meeting with Auditors

The Audit Committee, less staff representatives, met with the Internal Auditor prior to the meeting. He stated that he had had full co-operation from College Management and had no points to raise.

The Chairperson reminded the meeting that a Conflict of Interest issue, relating to a Member of the Governing Body, had been discussed at the last meeting. She advised the Committee that she had written to the Department regarding this matter and the Chairman of the Governing Body had received a response. On the basis of the advice received the Governor, Mr P McCudden, has decided to offer his resignation as a Member of the Finance and General Purposes Committee with immediate effect. In the meantime he will continue as a Member of the Governing Body, in a restricted capacity, until the end of the academic year 2011/2012. It was noted that Mr McCudden would also continue to represent the College on the NRC/SRC Estate Management Committee until the end of the academic year.

The Chairperson undertook to write to Mr McCudden, on behalf of the Audit Committee, to express its thanks for his services to the College and its disappointment that he had felt it necessary to resign over a potential conflict of interest. It was also noted that the Secretary would have to inform the Department regarding this resignation

UNRESERVED BUSINESS

23.1 Departmental Risk Register

The Committee received a presentation from Mr Steven Walls, Head of IT Infrastructure, regarding his Departmental Risk Register.

At the outset Mr Walls provided an overview of the Annual Risk Management Cycle commencing with the Departmental Operational Plan and Self Evaluation Review. He said that Internal Audit recommendations were taken into consideration during the preparation of the Departmental Risk Register.

By way of example he highlighted two areas of risk from his departmental risk register: the Business Continuity Plan (BCP) and Information Security (IS). Referring to the BCP he indicated some of the controls in place such as BCP training for the SMT and advised that training for Middle Managers was ongoing. He added that the BCP was reviewed and tested annually. In relation to IS he drew attention to training undertaken during Staff Development Days and Staff Induction Courses. He stated that there had been Student Awareness Training at Fresher events. He made mention of the use of Internal and External Ethical Hackers for control purposes.

In response to comments Mr Walls informed the Committee that there was a constant risk to the system from both hackers and viruses necessitating regular changes to passwords and user names.

The Chairperson welcomed the availability of BCP Training for Middle Management but noted that training was still incomplete. She asked and was advised that the IS Policy document would be in draft form by the end of February 2012. She also expressed satisfaction regarding the external check on the NICIS BCP.

The Chairperson thanked Mr Walls for an informative presentation.

23.2 Apologies

Apologies were received from Mrs R Handley, Rev T Jamieson, Ms J McAuley (DEL), Alderman PJ McAvoy, Mr S McCormick (NIAO), Mr R Monds (DEL) and Mrs R Peters-Gallagher (Moore Stephens).

23.3 Declaration of Interests

Mr Pitt stated that he would absent himself for item 23.11, 'Internal Audit Service Progress Report against KPIs' if the Committee considered it necessary. There were no other declarations of interests.

23.4 Minutes of the Last Meeting

The minutes of the last meeting of the Audit Committee held on 14 November 2011 were approved.

23.5 Matters Arising

23.5.1 Committee Terms of Reference (minute 22.2 c))

It was noted that the Committee at its meeting on 14 November 2011 had reviewed its Terms of Reference and had suggested a number of adjustments.

The Committee received and approved the revised Terms.

23.6 Chairperson's Communications

23.6.1 Notification of Cheque Fraud

The Chairperson reported that on 23 January 2012 the Management Accounting Technician had detected a difference between the value of a cheque being debited to the bank account and the value that was recorded on Agresso, while carrying out the weekly reconciliation of bank statements. She informed the bank that there had been a fraud. It was noted that the full amount of the fraudulent cheque had been credited back into the College's account and PSNI/ Metropolitan Police are investigating the matter.

The Chairperson drew Members' attention to correspondence from DEL reminding Colleges of the importance of ensuring that all actual or suspected frauds are dealt with in line with guidance in the Colleges' Financial Memorandum and are reported to College Audit Committees as well as to the Department and, where appropriate, PSNI. The Director of Finance confirmed that the College complies with the guidance given by DEL. It was noted that in future the Annual Fraud Return would be forwarded to the Audit Committee for approval prior to submission to the Department.

There were no further Chairperson's Communications.

23.7 Correspondence

The Committee noted the following correspondence:

a) Correspondence from Department of Finance and Personnel regarding the Annual Theft and Fraud Report 2010/2011(DAO (DFP) 05/11), which provides details of actual, suspected and attempted theft and fraud within Northern Ireland departments and arm's length bodies. It was noted that the main way in which cases were discovered was through the operation of normal control procedures, emphasising the importance of having well designed and operating processes in place. In response to a query, the Director of Finance confirmed that all examples of fraud cited in the document had been considered in the context of the College, and confirmed that appropriate controls were in place to ensure such frauds did not occur at NRC.

b) Correspondence from Department of Finance and Personnel regarding a Fraud Alert (FD (DFP) 19/11 relating to an emerging fraud threat, where fraudulent requests are made seeking to amend the bank details of existing suppliers. DFP has advised organisations to have appropriate procedures in place for authenticating and approving such requests

23.8 Risk Management Group

The Committee noted the minutes of the meeting of the Risk Management Group on 6 February 2012, when the following issues were discussed:

a) Risk Management Training. Training on the updated Risk Management Policy and Processes was delivered to the Senior Management Team on 16 January 2012;

b) College Risk Register. Adjustments have been made to the College Risk Register, splitting risks into those pertinent to the current year, and those deemed longer term risks; the Director of Finance will distribute the revised document to Members of the Group; and

c) Departmental Risk Register. The Group received an overview of Departmental Risk Registers. Copies of Departmental Risk Registers have been placed on Sharepoint for Senior Managers to view.

23.9 Outstanding Internal Audit Recommendations

The Director of Finance provided the Committee with a progress report regarding outstanding Internal Audit recommendations. The Committee noted:

a) PwC Recommendations 2011/2012. Six of the recommendations have been implemented and one recommendation relating to procurement guidelines has been 40% implemented. The Internal Auditors have recommended and management has agreed that staff, when purchasing all goods and services, should follow procurement guidelines and the purchase order process as much as practical.

b) PwC Outstanding Internal Audit Recommendations 2010/2011. Eight of the 12 recommendations have been implemented and four partially implemented. The Committee noted progress in relation to the following partially implemented recommendations: the claim form-based system for making payments to part-time lecturers (40% implemented and to be completed by May 2012); Business Continuity Planning documentation (95% implemented); Information Security Training (95% implemented); and Records Retention Policy (80% implemented).

c) Report To Those Charged With Governance (RTTCWG) Recommendations 2010/2011. Four of the 7 recommendations have been implemented; one has been partially implemented but is subject to a legal process with no end-date identified; and two of the recommendations relating to inventory tagging and the register of interests are not yet due. The Director of

Finance informed the Committee that an inventory tagging exercise would commence on 20 February 2012 and would be completed by the due date.

23.10 Internal Audit Reviews

The Committee received the following Reports:

a) Internal Auditor Report to the Audit Committee. The Report provides an update on progress against the 2011/2012 Internal Audit Plan. In particular the Report provides details of the following Internal Reviews completed since the last Audit Committee meeting: Review of Risk Management, Review of Procurement and Review of Operating Expenses. A substantial assurance has been issued in respect of the Risk Management and Operating Expenses Reviews and a satisfactory assurance for the Procurement Review. The Report also provides a summary status of the Internal Audit Plan and highlights three Reviews to be completed prior to the next Audit Committee meeting: Review of E-Registers, Review of Data Quality and Review of Estates Management. It was noted that the Internal Auditors were ahead of schedule.

b) Internal Audit Review of Procurement and Contracting. The Internal Auditors have issued a satisfactory assurance for the Review of Procurement and Contracting. There were no Priority One issues identified during the course of the Review. The Internal Auditors have identified one Priority Two issue regarding the use of sundry suppliers and three Priority Three issues relating to the tendering process, single tender actions and the non-purchase order process. As part of the audit testing process the Internal Auditors have given consideration to the issues and recommendations made in the Procurement Review of 2010 and have further recommended that the College should finalise its three-year plan to ensure that all expenditure is procured in line with procurement guidelines. **The Committee expressed concern at the nature of some spend for which purchase orders are not raised in advance and asked that this be addressed as a matter of urgency.**

c) Internal Audit Review of Operating Expenses. The Internal Auditors have issued a substantial assurance for the Review of Operating Expenses. There were no Priority One issues identified during the course of the Review. Two Priority Three issues have been identified relating to the classification of expenditure within the postings in Agresso and the reconciliation of supplier statements. Referring to supplier statements the Chairperson observed that if supplier statements were not reconciled in future on a cyclical basis then some suppliers may never be reconciled. The Director of Finance advised that this is now less likely as a new procedure is in place whereby the College has increased the number of random suppliers to be reconciled.

23.11 Internal Audit Service Progress against Key Performance Indicators 2011/2012

The Committee agreed that it was appropriate for Mr Pitt to remain for this item.

The Director of Finance reminded Members 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 Director of Finance referred the Committee to a Progress Report, which had been prepared to review the Internal Audit Service's performance for the year up to 1 February 2012. She said that the seven KPIs reviewed were on target

23.12 Financial Audit & Support Team (FAST) Report College's Hardship Fund

It was noted that FAST had undertaken an audit inspection of NRC on 8 & 9 November 2011 to provide an assurance on the propriety of DEL funding made in relation to the College's financial administration of the Hardship Fund (Discretionary) for the period 1 August 2010 – 31 July 2011.

Based on the work completed, FAST has provided a satisfactory assurance on the College's administration of the Hardship Fund. It was noted that the Team had made a recommendation to FE Finance Branch in relation to the apportionment of Student Awards, an operation which is carried out at NRC.

23.13 International Financial Reporting Standards

The Committee received a paper regarding proposals to align financial reporting standards on a global basis. It was noted that the new financial reporting landscape would be governed by the International Accounting Standards Board. There are four tiers of entities within the reporting spectrum; colleges are likely to reside within the non-public accountable entity. It was noted that the first set of College Accounts to be prepared under the new standards will be for the year 2014/2015; a set of shadow accounts will be required for 2013/2014.

The Committee noted the action undertaken to date to prepare the Sector for the new financial reporting standards. It also noted the organisational structure and necessary steps to be taken by the College to implement the new Standards.

23.14 Any Other Notified Business

23.14.1 Appointment of College Bankers

The Director of Finance reported that the Evaluation Panel for the joint procurement of banking had proposed the appointment of First Trust Bank as the College bankers. The Director of Finance assured the Committee that the appointment of First Trust Bank was in line with the College's Treasury Management Policy and agreed bank credit rating.

On this basis, the Committee agreed that the First Trust Bank be appointed as the College's Bankers with effect from 1 May 2012.

It was noted that it may be necessary to make transitional arrangements for the termination of the current bankers, the Northern Bank.

23.15 Next Meeting

The Committee noted that the next meeting is scheduled for 5.30 pm on Tuesday 8 May 2012 at the Farm Lodge Building, Ballymena Campus of the Northern Regional College.

As there was no further business the meeting concluded at 6.45 pm.

A L Rankin, Chairperson

J A Hunter, Secretary