

## **NORTHERN REGIONAL COLLEGE**

### **AUDIT COMMITTEE**

Minutes of the meeting of the Audit Committee held on 29 June 2010 at the Ballymena Campus of the Northern Regional College.

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

In Attendance Mr T Neilands (Director), Ms J Hamill (DEL), 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 Auditors prior to the main meeting. Mr Pitt, Internal Auditor, and Ms J Hamill, representative from DEL stated that they had had full cooperation from College Management and had no points to raise with the Committee.

#### **UNRESERVED BUSINESS**

##### **15.1 Apologies and Membership**

Apologies were received from Mrs AM Campbell, Mr J D'Arcy (KPMG), Alderman PJ McAvoy, Mr S McCormick (NIAO) and Mr B O'Neill (NIAO).

##### **15.2 Declaration of Interests**

Mr Pitt declared a potential conflict in respect of item 15.4.3.

##### **15.3 Minutes of the Last Meeting**

The minutes of the last meeting of the Audit Committee held on 25 May 2010 were approved.

##### **15.4 Matters Arising**

###### **15.4.1 Risk Management (minute 14.4.1)**

The Director of Finance informed the Committee that the Risk Management Group had met on 10 June 2010. It was noted that the Group, facilitated by PwC, had updated the Corporate Risk Register

It was also noted that the Group had asked the Audit Committee to decide if it would like Heads of Department to deliver Departmental Risk Registers at Audit Committee meetings. A view was expressed that it would be good practice for a member of the Senior Management Team to come along to each meeting to present a Departmental Risk Register. This would afford an opportunity for the Audit Committee to meet each member of the Senior Management Team over a two/three year period.

**It was agreed that Heads of Department, in turn, should be invited to each meeting of the Audit Committee to make a five-minute presentation in regard to their Departmental Risk Registers.**

The Director of Finance advised Members that the revised Corporate Risk Register had categorised identified risks making use of both '3x3' and '5x5' risk quantification matrices. Members were asked to state a preference for one of the matrices.

**The Committee agreed that use should be made of the '5x5' matrix, as it provided increased sensitivity and better reflected identified risks.**

The Director of Finance stated that the College Strategic Aims 2010/2013 had been incorporated in the Risk Register to reflect any risk associated with College/Department objectives. It was noted that there had been a need to revise the wording of some of the risks.

**It was agreed that the Director of Finance should e-mail a revised version to Members**

The Committee received a copy of the Powerpoint Presentation used at the Risk Management Workshop, which followed the Group meeting on 10 June 2010. The Committee noted that the following topics had been considered at the workshop:

- a) Public Accountability;
- b) Risk Management Structure;
- c) Update of Corporate Risk Register;
- d) Risk Management at Departmental level; and
- e) Future Developments in regard to Risk Management.

It was noted that the Powerpoint Presentation Notes were incomplete. **It was agreed that the full document should be e-mailed to all members with the exception of Rev Jamieson and Alderman McAvoy, who required hard copies.**

#### 15.4.2 Priority I Recommendations (minute 13.4.2)

The Committee received a Progress Report regarding outstanding Priority I Audit issues from the PwC Internal Audit recommendations 2007/2008, the NIAO External Audit 2008 recommendations and the PwC Internal Audit recommendations 2008/2009.

The Committee noted that 88% of the Priority One Issues at 29 June 2010 were fully implemented, 6% partially and 6% were no longer applicable. Only one Priority One Issue (PwC Internal Audit Recommendations 2008/2009) was not fully implemented.

The Director of Finance stated that she intended to report all recommendations arising which remained unimplemented to future meetings of the Audit Committee.

In response to a query regarding the Priority One Issue relating to contracts, which had not been fully implemented, the Director of Finance advised that the Contracts Manager was currently reviewing all maintenance service level agreements as and when they came up for renewal, and assured the Committee that the College was not in breach of procurement legislation

#### 15.4.3 Internal Audit Service (minute 14.6 a))

The Committee noted that a letter has been received from PwC, dated 31 May 2010, confirming acceptance of the College's invitation to extend the provision of Internal Audit Services by PwC for the two-year period to 31 July 2012. It was noted that PwC had accepted the Key Performance Indicators as proposed by the College to measure the Internal Audit Service provided by the company, which would be applied from August 2010.

### 15.5 Chairperson's Communications

There were no Chairperson's communications.

## **15.6 Correspondence.**

The Committee noted the following correspondence:

a) Correspondence from the Northern Ireland Audit Office, dated 7 June 2010, regarding a forthcoming NIAO Review of Good Practice in Risk Management.

b) Correspondence from the Department of Finance and Personnel, dated 28 April 2010, providing details of Treasury Minutes on the latest Westminster PAC Reports. DFP had highlighted the relevant NI Departments affected by particular reports. The Director of Finance advised the Committee that these reports had only an indirect impact on College business.

## **15.7 Internal Audit Reports**

The Committee received the following documents:

### **a) Internal Audit Report to Audit Committee 2009/2010.**

The Internal Auditor said that the purpose of the report was to provide the Audit Committee with an update on progress made against the 2009/2010 Internal Audit Plan. He indicated that all of the internal reviews were progressing in line with the agreed timescales, and all audit work had been completed and reported in advance of the financial year-end (31 July 2010) and within DEL requirements (30 September 2010). He thanked College Management for their cooperation.

### **b) Internal Audit Process Improvement of College Catering Arrangements.**

Mr Pitt explained that the objective of this non-assurance review was to identify the advantages and disadvantages of various options in relation to Catering arrangements at the College.

He said that the Internal Auditors had focused on three alternatives:

Option One: Do nothing and continue with existing arrangements. A significant deficit was projected for 2009/2010;

Option Two: Fully outsource all Catering arrangements; and

Option Three: Provision of all College Catering from in-house capabilities.

He stated that a number of suggestions had been made for the College to consider in the short and in the long term.

The Director of Finance explained that the proposed new builds at Coleraine and Ballymena may bring a solution in the course of time. A Member suggested that the three options should be considered as a matter of urgency. The Chairperson said that it was incumbent upon the College to address this matter over the next financial year, and to consider the recommendations of the Internal Auditors as detailed in the report in terms of action to be taken in the next twelve months, and issues to be considered as part of the BIP.

**The Committee agreed that the Governing Body and Management should examine these issues accordingly.**

### **c) Internal Audit Review of IT Infrastructure and Computer Related Controls.**

Mr Pitt said that the objective of the assignment was to provide assurance as to the appropriateness and effectiveness of key controls in respect of IT Infrastructure and Computer Related Controls employed by the College. He indicated that the Review had

focussed on the following key systems: Agresso, QL and the Time Management System (TMS).

The Internal Auditors provided an overall assurance rating of satisfactory. The assurance ratings for the key processes were either satisfactory or substantial. Members questioned the assurance rating given the severity of the potential risk associated with these issues.

There was only one Priority One Issue relating to the TMS, which was managed and owned by DEL but holds personal data relating to NRC Personnel. Mr Pitt indicated that the number of DEL staff with access to this data was considered to be excessive. The Director of Finance said that the College was unaware of the situation and had no control over DEL usage. She added that the College would conduct an immediate review of all user access to TMS in conjunction with DEL, and provide assurance that leavers and non-essential users access rights were disabled.

Mr Pitt drew attention to additional recommendations relating to the College Disaster Recovery Plan, NRC Leavers Procedures and the reporting of security incidents. The Committee noted Management's response to the recommendations.

#### **d) Internal Audit Review of Month-End Processes**

Mr Pitt advised the Committee that the objective of the assignment was to provide assurance as to the appropriateness and effectiveness of key controls in respect of financial processes at the College, specifically in relation to month-end processes.

The Internal Auditors provided an overall assurance rating of substantial. They also provided substantial ratings for all the key processes with the exception of the preparation and review of key month-end reconciliations, which was given a satisfactory rating.

Mr Pitt said that there were no priority one issues identified during the course of the review but he mentioned a recommendation relating to supplier statement reconciliations. He added that supplier statement reconciliations were not part of the formal month-end processes. Failure to complete such reconciliations on a regular basis could result in a delay in or the failure to identify College liabilities.

He also referred to the need for balance sheets and bank reconciliations to be signed and dated by the Management Accountant Technician and the reviewer as part of the month-end process.

#### **e) Internal Audit Follow-Up Review**

Mr Pitt provided a comprehensive follow-up report on progress made with regard to prior findings and recommendations issued to the College. The Report outlined the status on all recommendations not yet implemented at the date of the last internal audit follow-up review (June 2009), recommendations raised by PwC Internal Audit since that date in relation to reports finalised at the time of the follow-up visit and any internal audit recommendations raised by DEL.

It was noted that eighty or 58% of outstanding recommendations as at 16 June 2010 had been fully implemented. Work had commenced with regards to the implementation of 12 or 9% of recommendations and 45 or 29% did not require further action as they are either deemed no longer applicable or have been superseded with more recent recommendations. No action has been taken in respect of 5 or 4% of outstanding recommendations.

A Member referred to the recommendation regarding the necessity to raise purchase orders in advance of any committed spend. The Director of Finance stated that Purchasing Guidelines had been issued to all staff across the College. Attention was drawn to the need for Attendance Registers to be prepared on a consistent basis across the College making use of QL and for contingency measures to deal with difficult situations such as industrial action. It was noted that a suitable contingency will be implemented during the next academic year.

## **15.8 Annual Internal Audit Report to Audit Committee 2009/2010**

The Committee received the Annual Internal Audit Report, which summarised the findings from the work performed by PwC Internal Audit in the current academic year, and which provided 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 2009/2010.

On the basis of the audit work performed during the year the Internal Auditors have provided a **Satisfactory Assurance** in relation to the adequacy of the systems of control in place within the organisation and their operation throughout the period under review.

The Chairperson sought assurance that the recommendations in relation to IT, discussed at minute 15.7 e), would be addressed before the end of the current academic year.

## **15.9 Internal Audit Plan 2010/2011**

The Committee received the Internal Audit Needs of the College Report, which provided the following information:

- a) An outline of PwC's Internal Audit approach;
- b) An assessment of the requirements of the College in relation to Internal Audit;
- c) Planning methodology;
- d) The proposed Audit Plan for the twelve months ending 31 July 2011, including days for each audit review;
- e) Internal Audit protocols;
- f) Assessment of Internal Audit function; and
- g) Internal Audit Charter defining the Internal Audit activity's purpose.

The Committee considered the section relating to Planning Methodology and noted that a number of review areas had been identified for internal audit. It also noted the proposed Audit Plan for the twelve months ending 31 July 2011.

Queries were raised as to whether a review should be undertaken of training costs as part of the Audit Plan. The Director stated that the Director's Group was discussing this currently and the Committee should await the outcome. It was suggested that any such review could be undertaken as a Value for Money Review /Business Performance review. The Director stated that it was important to address income generation and to ascertain how the College related to the commercial world. It was proposed that this area should be included in the Audit Plan and to accommodate this change the Review of the HR function could perhaps be included under the Review of Fundamental Assurance. It was agreed that the EMT would work with Mr. Pitt to facilitate both reviews, considering the 2.5 unused audit days from the 2009/10 plan.

### **The Committee approved:**

- a) The Internal Audit Plan for the twelve months ending 31 July 2011 subject to the inclusion of a Value for Money Review of Business Performance (the HR function review would be included in the Fundamental Assurance Review to accommodate this addition);**
- b) The Internal Audit Protocol outlining how PwC delivers the Internal Audit function;**

**c) Key Performance Indicators determining how PwC measures the Internal Audit service; and**

**d) The Internal Audit Charter defining PwC's purpose, authority and responsibility.**

**15.10 Any Other Notified Business**

There was no other notified business.

**15.11 Next Meeting**

The Committee noted that the next meeting is scheduled for 5.30 pm on Tuesday 21 September 2010 at the Farm Lodge, Ballymena Campus of the Northern Regional College.