

NORTHERN REGIONAL COLLEGE

AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on 3 May 2011 at the Ballymena Campus of the Northern Regional College.

Present Mrs A Rankin (Chairperson), Rev T Jamieson 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), Ms H Smyth (PwC) and Mr J A Hunter

Pre-Meeting with Auditors

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

UNRESERVED BUSINESS

19.1 Apologies

Apologies were received from Mrs AM Campbell, Mr R Jay, Alderman PJ McAvoy and Mr R Monds.

19.2 Declaration of Interests

There were no other declarations of interests.

19.3 Risk Management

18.3.1 Departmental Risk Registers

The Committee received a presentation from Ms Janice Higgins, Financial Accountant, regarding her Section Risk Register.

Ms Higgins explained that the Finance Department was divided into two sections: Financial Accounting and Management Accounting. She stated that she would concentrate on the Financial Accounting section and provide an overview of her section's Risk and Planning Process.

She outlined the process leading to the development of the section Operational Plan from which the Department Risk Register is derived. She added that additional risks were identified and added to the Risk Register during the course of the financial year.

Ms Higgins highlighted the following key risks facing her section:

a) Procurement. She said that the new regulations required at least two quotations for all levels of spend. The monitoring of purchases was taking an increasing amount of her team's time and her staff were being placed under pressure to ensure full compliance. She advised that it may be necessary to remove resources from another area if her section was to continue to achieve full compliance. It was suggested that low value purchases could be delegated to budget holders and monitored by her section. **The Committee agreed that the**

Department should undertake an analysis of transactions and bring back recommendations in relation to levels of devolution to the Audit Committee.

b) System Failure. She stated that the section had developed a detailed plan to intervene should systems fail. This issue highlighted the relationship between risk management and business continuity planning for each Department.

c) Absence of Key Staff. Ms Higgins informed the Committee that her team was structured to ensure that there was cover in the absence of key staff. All processes and procedures are fully documented. Like many other Departments, however, absence of key staff becomes more of an issue as budget pressure drives decreases in resources.

The Chairperson thanked Ms Higgins for an informative presentation.

The Chairperson informed the Committee that she and the Director of Finance had attended the Chief Executive's Forum on Risk Management and they had been impressed with the section devoted to Whistleblowing.

19.4 Minutes of the Last Meeting

The minutes of the last meeting of the Audit Committee held on 22 February 2011 were approved.

19.5 Matters Arising

19.5.1 College Risk Register (minute 18.3.2 b))

The Audit Committee (22 February 2011) agreed that in light of the significant changes to the Northern Ireland Executive's Budget, the updated College Risk Register should be brought to the next meeting of the Audit Committee.

The Committee received a copy of the updated Register outlining the key risks facing the College as identified by the Risk Management Group on 12 January 2011 and reviewed on 20 April 2011. The document provided details of management's assessment of key risks, associated controls and actions required to minimise the risk occurring. The risks have been identified as events/potential events that would prevent the College achieving its strategic aims.

It was noted that there would need to be a review of the College Risk Register at the next meeting of the Risk Management Group following the review of the College's Strategic Aims and the impending budget cuts.

19.5.2 Managing Public Money (minute 18.5.1).

Ms Hamill acknowledged the delay on DEL's part and informed the Committee that DEL intended to issue a circular, within the next fortnight, to update certain financial matters until the revised Financial Memorandum is published.

19.6 Chairperson's Communications

The Chairperson referred the Committee to two documents, which she had received since the last meeting:

- a) The NIAO National Fraud Initiative 2008/2009;
- b) A Report to the PAC on Combating Organised Crime (January 2010).

Both documents are available at the Northern Ireland Audit Office web site.

19.7 Correspondence

The Committee noted:

- a) Correspondence from the Department of Finance and Personnel, dated 23 February 2011, advising that the Government Internal Audit Standards had been updated. The 2001 version of GIAS is available on the AFMD website at Government Internal Audit Standard (HMT 2011). The Internal Auditor indicated that he was aware of the revised version of GIAS.
- b) Correspondence from NIFON, date 8 March 2011, regarding a Joint Procurement Proposal in relation to Internal Audit & Banking. **The Committee agreed that it would be happy to proceed with the joint procurement exercise.**
- c) Correspondence from the Department for Employment and Learning, dated 8 March 2011, regarding Felden Training Centre running costs. FE Finance DEL visited the Felden Training Centre on 8 March 2011 to check the running costs in respect of 2009/2010 and April 2010 to December 2010 (100% check). The team found the systems and controls in the areas examined to be effective and well operated.
- d) Correspondence from the Department for Employment and Learning, dated 14 April 2011, reminding Accounting Officers of the protocols that should be applied when dealing with Public Accounts Committee (PAC) and the Northern Ireland Audit Office (NIAO) reports, including comment on matters under consideration by the PAC. Agreed protocols for the handling of reports, which have been in existence for some time, are detailed in the HMT document 'Guide to the Scrutiny of Public Expenditure' and is available on the AFMD website [www.afmdni.gov.uk/Guide to the Scrutiny of Public Expenditure](http://www.afmdni.gov.uk/Guide_to_the_Scrutiny_of_Public_Expenditure).

19.8 Outstanding Internal Audit Issues

The Director of Finance provided the Committee with a progress report regarding the following outstanding audit issues:

- a) PwC Outstanding Internal Audit Recommendations 2009/2010. Eleven of the 12 recommendations have been fully implemented and 1 partially implemented;
- b) PwC Outstanding Internal Audit Recommendations 2010/2011. Eleven of the 16 recommendations have been fully implemented, 4 partially implemented and 1 in relation to cash handling is not yet due. The Chairperson raised a query regarding the implementation date (11 September 2011) in respect of PAT testing and was advised that the delay was to enable a programme of works to be carried out.
- c) Report to those Charged with Governance (RTTCWG) Recommendations 2009/10. Nine of the 11 recommendations have been fully implemented, 1 partially implemented and one recommendation in relation to the preparation of final accounts is no longer applicable.

19.9 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 Committee noted that a Review of Compliance with Health and Safety Requirements has been completed since the last Audit Committee meeting and has been given an overall satisfactory assurance rating, despite the limited assurance in respect of compliance. The Committee impressed upon Management the need to implement the recommendations made as a matter of urgency

It was also noted that the Internal Auditors are satisfied that all of the outstanding internal audit reviews are scheduled in line with the agreed timescale, and all audit work will be completed and reported in advance of the financial year end (31 July 2011) and within DEL requirements (30 September 2011).

It was noted that there were five saved days in respect of the Internal Audit Plan 2010/2011; it was suggested that some of this time could be used for a presentation on whistleblowing similar to that presented at the Chief Executive's Forum.

The Chairperson requested Members to forward any suggestions for next year's Internal Audit Plan to the Director of Finance.

In response to a query it was noted that the Catering Review Team had drawn up its recommendations in regard to catering arrangements and had presented them to the Executive Management Team. The recommendations have been presented to the Finance and General Purposes Committee.

19.10 Internal Audit Reviews

The Committee received a copy of the Internal Audit Review of Compliance with Health and Safety Requirements. The Committee noted that the Internal Auditors have given a satisfactory assurance rating for compliance with Health and Safety Requirements. They have set out the assurance ratings for all of the key processes, all of which have received substantial ratings with the exception of Health and Safety requirements for which a limited rating has been given. There were no Priority 1 issues identified during the review.

Concern was expressed in relation to issues arising from within one of the key process areas, where recommendations have been made in relation to emergency lighting, portable appliance testing, fire alarm testing and lightning protection systems. The Director advised that many of these issues were location specific and that the Health and Safety Officer was addressing the need for consistency across campuses.

The Committee noted that the Health and Safety Officer engages with the College's insurers regarding risk assessment matters.

19.11 Internal Audit Service Key Performance Indicators

The Chairperson 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 presented a Progress Report in relation to the eight KPIs, which had been prepared to review the company's performance. She said that she had been pleased with progress and everything was on target.

Attention was drawn to the response to the review of income generation and income diversity (KPI 6&7), which elicited an ambiguous response from the designated process owner. It was noted that this matter has been addressed.

19.12 Any Other Notified Business

There was no other notified business

19.13 Next Meeting

The Committee noted that the next meeting is scheduled for 5.30 pm on Tuesday 28 June 2011 at the Farm Lodge, Ballymena Campus of the Northern Regional College.