

NORTHERN REGIONAL COLLEGE

AUDIT & RISK COMMITTEE

Minutes of the meeting of the Audit Committee held on 16 June 2015 at the Farm Lodge Ballymena Campus at 5.30 pm.

Present Ms A Rankin (Chairperson – by teleconference), Mrs J Eve, Alderman PJ McAvoy and Mr S McCartney

In Attendance Mr C Andrews (DEL), Ms E Patton (KPMG), Mr D Lynn (NIAO), Professor T Scott (by teleconference), Mrs C Moore and Mr J Hunter

Pre-Meeting with Auditors

The Audit Committee, less staff representatives, met with representatives from the NIAO, Internal Auditors and DEL prior to the meeting. The Chair welcomed Mr D Lynn, the NIAO representative.

Mr Andrews provided an update on a number of events. He referred to the regular monthly planning meetings between DEL representatives and the Chair of the NRC Governing Body and the Principal. He stated that the management of risk, the risk register and the Strategic Improvement Plan had been discussed at the last meeting. Mrs Rankin explained that the College Risk Register would need revision when the Strategic Improvement Plan is introduced. In the meantime it will remain in its current format. She added that risks are events/potential events that will prevent the College from achieving its strategic aims. It would, therefore, be necessary to define the College's aims from which future risks would be determined. Only high level risks at the strategic level would be forwarded to the Governing Body. She said that the Risk Register would also be circulated to the Governing Body once a year unless a substantive matter arose in the interim.

Mr Andrews also alerted members to the In-Year Accountability meeting scheduled for 23 June 2015, and advised that DEL had requested this given the College's slow progress in addressing the Tribal report recommendations. He went on to advise that three issues, Risk, FLU Performance and the Estates Plan, would be discussed at the meeting, which would be attended by the Permanent Secretary, C Bell, M McIvor, the Principal and the Chair of the Governing Body. The Audit Committee Chair advised that she understood that these matters were being dealt with as part of the SIP,

Mr Lynn stated that having presented the Audit Strategy at the last meeting that the NIAO was currently in a "fallow period" and his office's involvement would be at the end of the financial year on receipt of the Annual Accounts.

Ms Patton advised that KPMG had completed its programme of work for 2014/2015

UNRESERVED BUSINESS

40.1 Apologies & Membership

An apology was received from Alderman J Brown.

40.2 Declaration of Interests

There were no conflicts of interest declared.

40.3 Minutes of the Last Meeting

The minutes of the last meeting of the Audit Committee held on 28 April 2015 were approved. Mr Lynn referred to minute 39.13.1 b). He said the NIAO were committed to adjusting all errors but would not be prepared to change the Audit Strategy as suggested in the minutes as this is a standardised NIAO strategy.

40.4 Matters Arising

There were no matters arising from the last minutes.

40.5 Chairperson's Communications

There were no Chair's communications

40.6 Correspondence

There was no correspondence to report

40.7 FE College Health Check 2014/2015 Issue 2

The Committee received Sections 6 and 7 of the Health Check Report. It noted that the full document will be forwarded to the meeting of the Governing Body on 24 June 2015. Section 6 provides an Internal Audit summary and Section 7 a Risk Management summary for the Sector. It was noted that this information relates to the six month period to 31 January 2015. The Committee has received more recent updates on NRC Internal Audit reviews and the current College Risk Register is being presented at today's meeting.

40.8 Risk Management Group

The Chair stated that the Risk Management Group Notes were unconfirmed and in draft; she had not had the opportunity to approve them. She highlighted the following issues addressed by the Group:

a) College Risk Register. The Committee received the current Risk Register, which will continue until the Strategic Improvement Plan is introduced and Strategic Objectives have been identified for 2015/2018. The Chair stated that the new Register should be reformatted from a starting point of the objectives. All risks should be identified as risks that would prevent the College from achieving each of the objectives. She also encouraged members to consider a re-categorisation of risks between Strategic, Tactical and Operational, with strategic reported to Governing Body and tactical and operational at Departmental Level. Mrs Eve referred to an error in relation to the calculation of Risk 3

b) Departmental Risk Registers. It was noted that Departmental Risk Registers have been requested by the Director of Finance and Corporate Development by 19 June 2015.

c) Standing Item on Agenda. DEL, at its monthly Review Meeting, requested and the **Committee agreed that the College Risk Register should be presented at each meeting of the Audit & Risk Committee and at least once a year to the Governing Body.**

40.9 Internal Audit Reports

The Committee received the following Internal Audit Reports:

a) Data Integrity relating to Key Funding Returns (Focusing on Achievements and Progression). Based on the work performed the Internal Auditors have provided a **Satisfactory Assurance** rating. They have also provided a recommendation to assist management in enhancing the control environment in this area. There was one Priority 2 recommendation relating to the completion of Achievement and Progression Forms. Ms Moore confirmed that there was a number of awarding bodies from which automated results were not available, and following a discussion regarding members lack of clarity in respect of the wording management action addressing the recommendation arising, **it was agreed that it would be necessary to adjust a part of the Management Action to read as follows: 'for those awarding bodies for which it is not possible to have automatic data entry, the College will put in place checks of sample sets of results -----'**

b) Review of Payments to Part-Time Lecturers. Based on the work performed the Internal Auditors have provided a **Limited Assurance** rating. They have also provided a number of recommendations relating to the control environment in this area. They have noted one Priority 1, two Priority 2 and one Priority 3 issues. The Committee gave consideration to the recommendations in turn:

a) Priority 1 Issue: Claims during February/March 2015. The Review indicates that a lack of control to prevent or detect instances of overlapping activities or advance register/activity dates within claims over this period represent a risk that overpayments will potentially be made to lecturers. The Internal Auditors have recommended that management should implement a validation check on the system on e-claim payments made to part-time lecturers. The Chair expressed grave disappointment at the result of the review, noting that the monetary quantum was immaterial, and showed that the internal control, framework surrounding the system was not fit for purpose. She also recommended, and it was accepted by the CEO, that a system of Project Governance should be introduced which would mitigate against such occurrences in the future, as it was evident from the review that the User Requirement Specification for the system development had been inadequate. The NIAO representative stated that it was essential to have details of the extent of overpayments as a matter of urgency for the whole financial year 2014/2015 for External Audit purposes. Mrs Moore confirmed that additional manual controls had been implemented and further IT technical controls would be in place by the middle of August 2015. **It was agreed that it would be necessary for KPMG to revalidate the 'Management Action' and 'Target Date' sections in light of these comments.**

b) Priority 2 Issue: Timesheet Approval. **It was agreed that the 'Management Section' should be amended to indicate that the Scheme of Delegation should be adjusted to ensure that only staff at the appropriate level are responsible for approving timesheets.** It was noted that all technical controls would be implemented by the middle of August 2015 rather than at the end of October 2015, **and it was agreed to update the target date section accordingly.**

c) Priority 2 Issue: Deadlines for Timesheet Approval and Authorisation. The Internal Auditors have recommended that management should enforce a maximum time-limit for part-time lecturers to submit and get paid for registers taught or activities undertaken. It was noted that management had initially indicated that it intended to limit claims to a three-month period, but legal advice had been sought and a revised recommendation to introduce additional approval processes for claims over 3 months was to be introduced.

d) Priority 3 Issue: Control Log for Manual Adjustments to ensure Payroll Accuracy. **It was agreed that the 'Target Date Section' should be adjusted** to indicate that a control log had been put in place outlining the number and reasonableness/validation checks that the Payroll Department is required to carry out to ensure that data is accurate and correct.

ACTION: Mrs Moore to make a number of adjustments to the Review as indicated above and bring it to the next meeting

40.10 Internal Audit Year-End Report including Draft Annual Statement of Assurance 2014/2015

The Committee received the Internal Audit Year-End Report 2014/2015 providing details of the programme of Internal Audit Reviews completed by the Internal Auditors during 2014/2015. The Internal Auditors have supplied a summary of Assurance ratings for each individual area reviewed during the year, together with a summary of current issues noted. Ms Patton advised that Payroll had received a 'Substantial' assurance rating but payments to part-time lecturers were outside the scope of the Review.

It was noted that three days were allocated to following up on progress in implementing recommendations to ensure that, at the financial year-end, the number of outstanding recommendations would be as low as possible. Eight Internal Audit recommendations were brought forward from the prior year and 15 new recommendations have arisen in the current year; 16 of the 23 recommendations have now been addressed (eight relating to current year recommendations and eight prior year issues), leaving seven to be followed up in the next financial year. It was noted that five of these issues were not yet due and work was in progress in relation to two of these.

It was further noted that management had agreed to allow utilisation of 1 reserve day to conduct further investigatory work in respect of the Payments to Part-Time lecturers. It was further noted and, following discussion, **agreed that the 7 days unutilised in 2014/15 for the VFM had been deferred to 2015/16, 5 for use in a future VFM review and 2 for additional follow up in 2014/15 on the Payments to**

Part-Time lecturers review in order to provide assurance to Audit Committee, Governing Body and NIAO, that the control weaknesses noted have been addressed.

Based on the Internal Audit work performed during 2014/15, the Internal Auditors have provided a **Satisfactory [to be confirmed] Assurance** over the internal control environment at Northern Regional College, except for **Payments to Part-time Lecturers, which received a Limited Assurance** rating.

The Report provides details of KPMG's performance against KPIs for 2014/2015 set by the Audit Committee (16 September 2014). KPMG has achieved its target in regard to all of the KPIs with the exception of completion of the plan on time and on budget, and there are two still KPIs to be confirmed.

40.11 Draft Internal Audit Strategy 2015/2018

The Governing Body received a copy of the draft Internal Audit Strategy, which sets out the Internal Audit Strategy for 2015/2016 – 2017/2018 and the detailed Operational Plan for 2015/2016. It was noted that seven days from the 2014/2015 Internal Audit Plan had not been utilised and it had been agreed by the Audit Committee that they should be carried forward to the 2015/2016 year. **It was suggested and agreed that two of these days should be used to validate and provide assurance in relation to the Audit Review of Payments to Part-time Lecturers during the current year 2014/2015** as a result of a late notification of a Limited Assurance arising from a management decision to defer this Review to later in the Operational Plan for 2014/2015. The Principal stressed the need to have an independent assurance prior to the External Audit of Accounts for 2014/2015. As a consequence only five days were being carried forward to the 2015/2016 year.

The Audit Committee agreed that the Internal Audit Plan for 2015/2016 be approved.

The Chair queried whether it was necessary to devote so much time to procurement given that the establishment of a COPE was supposed to ease the workload for the Sector. **The Committee agreed to review this situation further.**

The Chair also asked the continuing members of the Audit Committee to take cognisance of the new Strategic Plan and associated Risk Register in refinement of the Audit Strategy and Operational Plan in 2015/16.

40.12 Direct Award Contracts

The Committee received details of Direct Award Contracts for the months of April and May 2015; it was noted that a contract of £547 was reported for catering at an event at Coleraine Borough Council in April and a contract for less than £5k for legal advice in May 2015.

40.13 Any Other Notified Business

40.13.1 Fraud Case.

Mrs Moore reported that a member of staff had been given a suspended four-month prison sentence after she admitted three charges of fraud by abuse of position between November 2012 and January 2013. A total of £2,480 had been misappropriated, all of which had been repaid,

As there was no further business the meeting concluded at 7.15 pm

40.14 Next Meeting

The Committee noted that this was the final Audit Committee meeting of the academic year 2014/2015. The Chair thanked Members for their contribution during the year and mentioned in particular Alderman PJ McAvoy, who will retire as a Governor on 31 July 2015 after serving two four-year periods.

Alderman McAvoy thanked Mrs Rankin, who was also retiring, for her massive commitment to the College during her eight years as Chair of the Audit Committee. The Principal reiterated the complimentary remarks made in relation to both Mrs Rankin and Alderman McAvoy and thanked them both for their support and sound judgement.

AL Rankin Chair

Date

JA Hunter Secretary