**Minutes of Audit and Risk Assurance Committee (ARAC)**

**Meeting Tuesday 21 July 2020 at 11.30 am**

**Members Present:** Noel Hyndman (Chair)

Marie Mallon\*

**In Attendance:**  Kieran Donnelly (Comptroller and Auditor General)

Martin Pitt (Chair Advisory Board - at the invitation of the Chair of ARAC)

Pamela McCreedy (Chief Operating Officer)

Rodney Allen (Director)

Colette Kane (Director) –agenda item 4

Richard Ross (Audit Manager) – agenda item 5\*

Joe Campbell (Audit Manager) – agenda item 5\*

Suzanne Walsh (Director) – agenda item 7

Brian McFetridge – External Audit

John O’Rourke – External Audit\*

Steve Connors – Internal Audit\*

Louise Donnelly (Committee Secretary)\*

**Apologies:** John Turkington

(\*attended online)

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| The Chair welcomed members to the meeting. |
| 1. **Apologies**   Apologies from John Turkington were noted. |
| 1. **Declaration of Conflicts of Interest**   There were no issues declared by Committee members or attendees. |
| 1. **Minutes of Meeting held on 5 May 2020 and Matters Arising**   Minutes of the meeting held on 5 May 2020 were agreed. The Matters Arising were noted as updated. |
| 1. **Risk Management**   **COVID 19 Risk Register**  The register has been regularly updated and reviewed to reflect the changing risks and activity during the pandemic period. Colette Kane briefed members on changes made to the Register since the May ARAC meeting, the following key areas were discussed:   * Risks have been referenced to the Corporate Risk Register as appropriate; * Issues raised by members at the last ARAC meeting in May have been considered by the Senior Management Team (SMT) and relevant changes made to the register; and * A risk has been added to manage the challenges associated with moving out of lockdown.   **Corporate Risk Register**  The Corporate Risk Register has been reviewed to ensure it is up to date to be easily elevated when appropriate.  **Other Matters**   * Members were advised the Corporate Risk Register Working Group (CRRWG) had reviewed the new Orange Book and that the Risk Management Strategy (RMS) has been reviewed to ensure it reflects the guidance. The revised RMS is being brought to SMT today and will then be presented to ARAC at the next meeting scheduled for September. * The Orange Book requires the Accounting Officer to ‘comply or explain’ adherence to the principles within the Book in the Governance Statement. It is the view of SMT that NIAO fully complies with the principles and this is reflected in the draft Governance Statement. * A presentation to the ARAC on the Orange Book will be scheduled for the September meeting.   **Near misses and issues**  Annual assurance requires that the CRRWG advises SMT and ARAC of any notified near misses and issues. Colette confirmed that, with the exception of the COVID pandemic issues addressed through the COVID 19 risk register, no other near misses or issues have been brought to the attention of the CRRWG. |
| 1. **Draft Annual Report and Accounts 2019-20**   Rodney Allen provided an update on the current position. Members had previously been advised of a delay of approximately three weeks to the ‘normal’ reporting timetable due to the ongoing pandemic. Richard Ross and Joe Campbell joined the meeting to provide a detailed overview to members and answer questions on the Accounts and Annual Report elements of the Report. Minor amendments were noted and agreed by members following discussion.  Richard and Rodney expressed thanks to the External Auditors and the Corporate Services team. ARAC also recorded their thanks to all concerned. Members recommended the Annual Report and Accounts to the C&AG for his signature once the relevant satisfactory assurances are received on the IT control environment. |
| 1. **External Audit**   **Report to those charged with governance**  External audit presented their report summarising the key findings of their audit of the 2019-20 draft Annual Report and Accounts.  Brian McFetridge confirmed that the audit was conducted fully in accordance with the plan. He noted that in light of the pandemic and uncertainty associated with property valuations that they considered it appropriate to add an emphasis of matter paragraph to this effect in the audit certificate. He informed ARAC that the proposed audit opinions were unqualified. Members discussed the emphasis of matter, noted the position across the wider public sector and were content with the proposal.  No internal control issue weaknesses were identified and no management letter points were proposed.  **Report on Financial Impacts**  John O’Rourke presented a report on the review of quantified financial impacts for the year ended 31 March 2020, he advised that all impacts had been reviewed and challenged individually. He concluded that the systems NIAO have in place for identifying, agreeing and monitoring the achievement of the financial impacts for 2019/20 continue to be as reliable and robust as is possible. No recommendations were made.  Members, while acknowledging the difficulties of providing precise estimates, took assurance and commended the Office for the considerable savings impact identified for the year.  The External Auditors recorded their thanks to the NIAO team for their assistance with this work, especially facilitating remote completion during the lockdown period. |
| 1. **Internal Audit**   **Final Report of ISQC1 Compliance**  Suzanne Walsh joined the meeting.  Internal Audit presented their final report on NIAO’s compliance with the International Standard on Quality Control 1 (ISQCI). Steve Connors provided a briefing to members on the content, findings and recommendations of the report. Suzanne Walsh provided an update on NIAO’s response to the report.  In conclusion, no major issues were identified and Internal Audit were content to provide assurance to ARAC that NIAO have suitable arrangements in place to demonstrate compliance to the requirements of ISQC1.  ARAC welcomed the report and assurances made. |
| 1. **NIAO Report Tracking Implementation of Audit Recommendations**   Members were updated on NIAO progress on the implementation of audit recommendations. Currently seven recommendations remain outstanding with work in progress to address the recommendations. Martin Pitt asked that the internal audit recommendations on ISQC1 be added to this report for future meetings. |
| 1. **Fraud, Whistleblowing and Complaints Report**   Rodney Allen briefed members on the fraud, whistleblowing and complaints activity in the period since April 2020 with no new fraud or whistleblowing cases arising in the period. One existing matter of complaint remains open. |
| 1. **Annual Information and Assurances:**    1. **Anti-fraud, Whistleblowing and Complaints statement**   This statement is prepared to assist ARAC in the completion of its 2019-20 assurance considerations. ARAC endorsed the paper.  **10.2 Senior Management/NED Expenses and Hospitality** This report will be published on the NIAO website. Rodney Allen advised that the SMT Expenses element of the paper was delayed and would be available for the September meeting. ARAC endorsed the hospitality paper.  **10.3 IT Assurance Statement** Rodney Allen advised this statement was delayed due to the impact of Covid-19 and the NIAO work in auditing and preparing assurances. It will be available for the September ARAC meeting.   * 1. **ISQCI Monitoring Report**   2. **ISQC1 Transparency Report**   The Monitoring and Transparency Reports were endorsed by ARAC. Members were advised the Transparency Report will be published on the NIAO website.  **10.6 Public Reporting – Quality Review Panel**  A summary paper on the composition, remit and findings of the VFM External Panel was presented to provide assurance on the quality review procedure.   Members queried the training provided to staff working in the remit of public reporting. Pamela McCreedy provided assurance that training, mentoring, reference partners and the support of the analytics team was available to all staff working on Public Reporting.  ARAC endorsed the report. |
| 1. **ARAC Annual Report**   The Chair provided an overview of the report to members, no issues or amendments were noted. ARAC endorsed the report for presentation to the C&AG. |
| 1. Papers noted:  * DAO 04-20 - Update to HM Treasury’s Orange Book * DAO 05-20 – Publication of Annual Theft and Fraud Report 2018/19 * FD (DoF) 02-20 – Departmental Annual Report and Account |
| 1. **AOB**  * No items listed or raised. |
| 1. **Date of Next Meeting:**  * 22 September 2020 @ 11.30 am. |
| 1. The Committee met with External and Internal Audit for private discussions. |