

MINUTES OF AUDIT AND RISK ASSURANCE COMMITTEE MEETING
Thursday 23 October 2018 at 10am

Members Present: Aine Gallagher (Non-Executive Member – Chair)
 Pat Cumiskey (Non-Executive Member)

In Attendance: Pamela McCreedy (Chief Operating Officer)
 Rodney Allen (Director)
 Colette Kane (Director) – for Risk Management
 Brian McFetridge – External Audit (Baker Tilly Mooney Moore)
 Lee Glover – Internal Audit (Haines Watts)
 Louise Donnelly (Committee Secretary and Minute Taker)

Pre-Meeting of Committee Members only

A meeting of Committee members took place before the main meeting.

Confidential meetings with Internal and External Audit

The Committee met with Internal Audit and subsequently with External Audit for private discussions.

Other attendees were then invited to join the meeting.

The Chair advised that this would be her last meeting as Chair and a non-executive member and Pat Cumiskey's last meeting as a non-executive member. She also confirmed that Paul Douglas had concluded his term since the last meeting.

For the record it was also noted that the Forward Work Programme (FWP) and Terms of Reference (TOR) had previously been scheduled to be considered at this meeting but had already been reviewed and finalised in April 2018. Furthermore, with the imminent appointment of a new structure with a Board Chair and new Audit and Risk Assurance Committee this would be picked up within this incoming structure.

1. Apologies

No apologies were noted.

2. Declaration of Conflicts of Interest

There were no issues declared by the Committee members or attendees.

3. Minutes of Meeting held on 19 June 2018 and Matters Arising

The Committee approved the minutes of the meeting and recorded that feedback and agreement had been provided from G Body and P Douglas.

Matters Arising from the meeting on 19 June 2018 were discussed. R Allen provided feedback from the audit institutions finance forum in relation to the review process for Financial Statements. R Ross will continue in the Audit Manager for Finance role and will incorporate good practice in other institutions for the technical and quality review process for 2018/19.

R Allen also confirmed that he had discussed practice around Issues Logging with the other audit institutions and will include this within Corporate Risk Management processes going forward. He advised that inter-agency work on risk is ongoing.

It was confirmed that the final actions on the Matters Arising report (footnote advising of COO hospitality and double check of G Body's expenses) had been completed.

The Chair noted that two further actions were on the final approved Matters Arising accompanying the minutes but were not showing on the report for this meeting, relating to the questions on members' assessments and declaration of conflict of interest. It was confirmed that these actions had been addressed and that version control of meeting papers would be carefully reviewed.

4. Risk Management

Assurance Statement

An Assurance Statement covering 1 April 2018 to 30 September 2018 was presented by C Kane. The statement provides assurance that key risks facing the office are subject to regular review by SMT and that key controls are operating effectively to address these risks.

C Kane provided an overview of the current Risk Register and advised that the Corporate Risk Register Working Group (CRRWG) met on 9 October and had welcomed 2 new members of Auditor and Senior Auditor grade to the group. There was strong interaction within the group and staff had been interested in joining the group which was welcomed. CRRWG intend considering risk registers for key projects at its next meeting.

Consideration of Risk 3b

Risk 3a had been identified for detailed review at this meeting but it was noted that C Kane and her team had subsequently selected risk 3b for this meeting as it was considered to be of higher risk. Members noted this and were content to discuss risk 3b, on the basis that all risks would be discussed in detail over the course of a year.

C Kane then provided an in-depth evaluation of risk 3b to members and detailed how the risk is being managed. A discussion followed, considering resources and recruitment, contracting out, leadership development, public reporting and engagement. The Chair commended C Kane for all the work the CRRWG has done to date and noted a marked improvement on engagement with risk management within the organisation and informative reporting on risk management, in the context of the organisation's strategic objectives.

Bribery and Corruption and Fraud Risk Assessments

R Allen advised that The Bribery and Corruption and Fraud Risk assessments had progressed through the Operational Management Team and Senior Management Team. A table of actions had been identified with indicative dates for completion listed. The Chair enquired how often these reviews were completed. R Allen advised that these were the first reviews against the checklist and were prompted by the issue of new good practice guidance. The actions will be followed up and the frequency of future review determined. It is intended that any further appropriate new good practice will also be reviewed and reported to ARAC. The Chair welcomed the assessments and considered them to be clear and informative.

5. Anti-Fraud Policy and Fraud Response Plan

R Allen advised there were no major changes to the policies and that amendments made were to update staff changes/moves. It was confirmed that these would be reviewed on an annual basis. The Chair advised that further changes would be required due to the outgoing members of ARAC and the recruitment of the Board Chair.

6. Finance

R Allen briefed members on the current budget position following October Monitoring and provided an update on the financial impact of the current ongoing recruitment drive. The Chair queried if the Office had ceased working on HR with Capita. R Allen advised the contact had expired but tendering for renewal for HR external support was being considered by the new Head of HR.

The Chair queried the VES impact on the current financial figures. VES was not included in the budget as it was not guaranteed at that time and this is the key reason for the budget variance. £800k had been received for VES of which only half was used. R Allen advised that any savings from VES had been factored into the current figures, however another tranche of VES was underway with a closing date of 26 October 2018 for applications and the financial implications of that would only be clear later. This would be expected to be the final tranche of VES. There had also been a time lag in recruiting.

The funding surrendered to date in 2018/19 and flexibility against the reduced budget were discussed, particularly in the context of the surrender of funds in recent years. R Allen confirmed that funding has been surrendered at the earliest opportunity and that the baseline budget will be required in 2019/20

Additional capital funding for design work associated with the refurbishment of 106 University Street is not expected to be fully utilised in the current year. A surrender is expected as part of the January monitoring round. The amount required will be determined after receipt of relevant cost information on the project.

ARAC were updated on a number of premises/facilities works that have been completed. These include, an additional disabled car parking space marked out alongside the existing one, to comply with best practice, the installation of an electric vehicle charging point and a new swipe card system for the internal doors to support the access security arrangements between NIAO and the new tenants.

7. Internal Audit Reports

Three reports were presented by Internal Audit and each received satisfactory assurance rating:

Budgetary Control – There were 4 recommendations, one amber and three green. Management have agreed that each of the recommendations would be addressed by 31 December 2018. Internal Audit confirmed that this was reasonable.

Payroll - There were two green recommendations both of which have already been addressed.

Consolidated Fund – Received one green recommendation that has been addressed by Management.

The Chair expressed her thanks and confirmed that she found it very helpful to have had an opportunity to review the audit briefs in advance of the engagements. L Glover expressed his thanks to R Ross and his team.

8. External Audit

ARAC was briefed by R Allen on the current position in relation to the procurement process for the appointment of external auditors and the associated timeline.

9. Recommendations Tracker**NIAO progress report on implementation of Internal Audit recommendations**

At the June 2018 ARAC meeting one amber recommendation was reported as outstanding and no red recommendations were outstanding. ARAC noted the amber recommendation has been addressed and there are therefore no red or amber internal audit recommendations outstanding. Four green recommendations were previously reported as outstanding from the IT Healthcheck Report and three remain outstanding and one is partially complete. Revised dates have been agreed.

NIAO progress report on implementation of External Audit recommendations

In the 2017-18 audit, two green recommendations were identified, both relating to staff carrying over more than the maximum allowance of annual leave and flexi leave from one year to the next. A Personnel Policy Circular (PPC) has been issued to all staff to ensure that balances are brought within allowable levels in compliance with the current policy.

The holiday year has also been realigned from January to March which will remove the need for a year-end holiday accrual estimate.

10. Business Continuity Plan (BCP)

ARAC were advised that as part of the review process, a meeting of NIAO officials was called in July 2018 to review the BCP and to take a fresh look at procedures in relation to NIAO tenants. As a result it was concluded that the BCP is sufficient to meet the needs of the Office if the need should arise. Staff have been advised of procedures.

The Chair noted that her details should now be removed from the plan.

11. AOB

The Chair thanked P Cumiskey for his contribution to the Committee, and both she and P Cumiskey commended P Douglas for his contribution to ARAC. The Chair also expressed her thanks for the opportunity to work with the Office, and thanked in particular the corporate services team past and present for servicing the meetings so well.

P Cumiskey joined in thanking NIAO and also thanked the Chair.

Finally, the Chair advised that she would be happy to provide any handover support that may be of use to the incoming Board Chair and wished NIAO every success in the future.

Next Meeting

Date of Next meeting – To be confirmed in line with incoming Board/ARAC.

AUDIT RISK ASSURANCE COMMITTEE – 23 OCTOBER 2018 - MATTERS ARISING FROM MEETING

| ISSUE | TARGET DATE | RESPONSIBILITY | PROGRESS/ OUTCOME |
|---------------------------------------------------------------------------------------------------------------------------|-------------|----------------|------------------------------------------------------------------------------|
| Issues arising from meeting of 23 October 2018 | | | |
| ARAC Forward Work Programme (FWP) and Terms of Reference (TOR) to be discussed when a new Board Chair has been appointed. | TBC | R Allen | |
| Anti-Fraud Policy, Fraud Response Plan and Business Continuity Plan | TBC | R Allen | Contact details will need updated when a new Board Chair has been appointed. |