

Minutes of Audit and Risk Assurance Committee meeting
Tuesday 7 May 2019 at 11am

Members Present: Martin Pitt (acting Chair)
Noel Hyndman (Chair)
Marie Mallon
John Turkington

In Attendance: Pamela McCreedy (Chief Operating Officer)
Rodney Allen (Director)
Colette Kane (Director) – for Risk Management, agenda item 6
Brian McFetridge – External Audit (Baker Tilly Mooney Moore)
John O'Rourke – External Audit (Baker Tilly Mooney Moore)
Lee Glover – Internal Audit (Haines Watts)
Louise Donnelly (Committee Secretary)

Martin Pitt formally welcomed the new Non-Executive Directors to their first Audit and Risk Assurance Committee (ARAC) meeting and advised that he would Chair this initial meeting but that Noel Hyndman would Chair ARAC going forward. Martin Pitt is not an official member of ARAC and in future will only attend by invitation from current members.

1. Apologies

No apologies were noted.

2. Declaration of Conflicts of Interest

There were no issues declared by Committee members or attendees; the Chair advised all present to bring to his attention any conflict issues that might arise during the course of the meeting.

3. Minutes of Meeting held on 23 October 2018 and Matters Arising

The Chair noted the minutes of the meeting held by former members on 23 October 2018 had been agreed by all parties concerned. Rodney Allen noted the offer of a handover meeting from the previous Chair to incoming new members. The offer was noted and welcomed by the Committee.

The Matters Arising from the meeting of 23 October 2018 were discussed and all items listed were noted on the agenda and covered in the meeting.

4. ARAC Terms of Reference (TOR)

A copy of the TOR had been considered by new members. All parties confirmed they were content with the TOR presented and these are to be signed by Chair and C&AG.

5. External Auditor Appointment

Baker Tilly Mooney Moore (BTMM) have been appointed by the Department of Finance (DoF) in February 2019, following an open procurement process. A paper was presented to members to provide background information on the appointment. BTMM have been the NIAO external auditors for the previous consecutive periods commencing in 2013-14 and 2017-18. The current engagement partner will be rotated and John O'Rourke will take responsibility for 2019-20 to comply with the auditor's rotation policy. In addition to

the audit of the annual report and financial accounts BTMM will carry out an evaluation of the financial impact of NIAO's work and provide an opinion that will be published in the NIAO Annual Report and Accounts.

External Audit and Internal Audit representatives joined the meeting.

6. Risk Management

Lee Glover (Haines Watts), Brian McFetridge (BTMM) and John O'Rourke (BTMM) joined the meeting.

Colette Kane provided an overview of the Risk Management Strategy and the Corporate Risk Register (CRR).

Risk Management Strategy

The Risk Management Strategy is a key document that sets out NIAO's approach to risk management, it outlines roles and responsibilities relating to risk, risk appetite, how risks are identified, assessed, reported and treated.

- ***Roles and Responsibilities*** – Risk Management belongs to the whole office and the strategy outlines the roles and responsibilities of staff in managing risk. All staff have responsibility to be aware of the risk management strategy and the key risks faced by NIAO. To facilitate this, the Strategy is accessible to staff via the NIAO intranet.
- ***Risk Appetite*** – The C&AG is responsible for determining the risk appetite of NIAO at his meetings with the Senior Management Team (SMT) where the risk register is reviewed and discussed. Appetite is assessed independently for each risk identified; a risk once identified is presented and agreed through SMT and ARAC.
- ***Assurance Framework*** – This is a key tool for ARAC to fulfil its responsibility to ensure that NIAO is effectively managing its inherent risks within risk appetite. Within the assurance framework three lines of defence have been defined
 - 1st line of defence – Internal Control Environment
 - 2nd line of defence – Management's own monitoring and risk assurance processes
 - 3rd line of defence – independent assurance provided by external sources e.g. internal audit, external audit, etc.
- ***Escalation*** – The CRR is owned by the C&AG. A Corporate Risk Register Working Group (CRRWG) has been established to review, identify assess and monitor risks; this is led at Director Level and reports regularly to the SMT. The SMT considers the CRR and will report escalating risk to ARAC.
- ***Triggers*** – To support how risks are managed using risk appetite and to facilitate the escalation process, a series of risk triggers have been identified for each risk category and are recorded in the assurance framework of the CRR.
- ***Log of issues and near misses*** – a log informed by risk triggers is held centrally and regularly considered by the Directors and their teams and report any incidents through the CRRWG who will provide a report (including nil returns) to SMT and ARAC as required.

The Chair queried when the issues and near misses log would be presented to ARAC. Rodney Allen confirmed it was scheduled for consideration on 19 June 2019.

Corporate Risk Register (CRR)

The CRR contains four risks that are regularly reviewed and monitored by the C&AG and SMT. Risk appetite is assessed and defined against each risk and risks are assessed in respect of the combination of the impact of the risk should it arise together with the likelihood of occurrence. This latest version of the CRR was considered by SMT on 16 April 2019.

Martin Pitt raised the issue of monitoring day to day risks and horizon scanning, Colette Kane advised that a recent exercise on horizon scanning was carried out by the CRWWG and any issues identified were mapped to controls already in place. The Chair requested that a list of horizon scanning items be made available for members for the next meeting.

7. Internal Audit

Haines Watts presented the Internal Audit Report with Lee Glover summarised the content for members. The report covered the areas of business continuity, performance management and a follow up report. Overall assurance levels were assessed as satisfactory with a number of minor recommendations made.

The Chair queried if a review of an actual test of the Business Continuity Plan had been carried out; Lee Glover confirmed this had been completed.

Lee Glover advised that a draft internal audit strategy will be available to ARAC at the meeting scheduled for 19 June 2019. In the meantime he drew members attention to the plans presented to the previous ARAC. Members agreed to consider and feedback any comments to R Allen in advance of the June meeting.

The Chair thanked Haines Watts for their contribution.

8. External Audit

BTMM presented a draft External Audit Strategy to ARAC for consideration. Brian McFetridge briefed members on the content of the Strategy and advised that a final version would be included at the next scheduled meeting on 19 June 2019. It was acknowledged this would normally be earlier in the audit cycle but was later this time in light of the new ARAC and timing of re-appointment of BTMM.

The Chair congratulated BTMM on their reappointment. All members were content with the draft strategy proposed.

9. Fraud Whistleblowing and Complaints Report

- **Fraud** – Members were advised there are no ongoing cases and no new cases to report.
- **Whistleblowing** – Members were advised there are no ongoing cases and no new cases to report.
- **Complaints** – Members were advised that during 2018-19 the Office received seven complaints. Five cases are closed and two remain open. In 2019-20 the Office has received one further complaint which remains open.

10. Current Policies to Note:

- **Anti-Fraud Policy**
- **Fraud Response Plan**
- **Whistleblowing Policy**
- **Business Continuity Plan**
- **Crisis Management Plan**

Some minor amendments are required to the policies following the appointment of the new ARAC members; all concerned gave consent for their contact information to be added to the policies as required. Members noted the Whistleblowing Policy is currently under review. Updated policies are scheduled on the Annual Programme of work for ARAC to review.

11. Annual Programme of Work

A draft programme of work for 2019-20 was considered and agreed by members. ARAC will meet four times a year: February; May; June; and October. The October meeting will facilitate a workshop. The Chair requested that a confidential meeting between ARAC and Internal and External Audit be added to the agenda to take place at the end of every meeting.

12. AOB

- Date of next meeting 19 June 2019

Audit and Risk Assurance Committee

7 May 2019 – Matters arising from the meeting

ISSUE	TARGET DATE	RESPONSIBILITY	PROGRESS/ OUTCOME
Issues arising from meeting of 7 May 2019			
Risk Management - The Chair requested that a list of horizon scanning items be made available for members for the next meeting.	19 June 2019	C Kane	Complete - agenda item 4.
Issues and near misses log - The Chair queried when the log would be presented to ARAC.	19 June 2019	R Allen	Complete - agenda item 4
Internal Audit Strategy – Members were advised that a draft internal audit strategy will be available to ARAC at the meeting scheduled for 19 June 2019. In the interim members were asked to consider the plans presented to the previous ARAC. Members and feedback any comments to R Allen in advance of the June meeting.	19 June 2019	R Allen	Members to feedback any comments in advance of 19 June.