

**Minutes of Audit and Risk Assurance Committee (ARAC)  
Meeting Tuesday 19 January 2021 at 11.30 am (Remotely via zoom)**

**Members Present:** Noel Hyndman (Chair)  
Marie Mallon  
John Turkington

**In Attendance:** 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  
Brian McFetridge – External Audit  
Lee Glover – Internal Audit  
Tanya McNally (Committee Secretary)

The Chair welcomed everyone to the meeting.
<p><b>1. Apologies</b> No apologies were noted.</p>
<p><b>2. Declaration of Conflicts of Interest</b> There were no issues declared by Committee members or attendees.</p>
<p><b>3. Minutes of Meeting held on 22 September 2020 and Matters Arising</b> Minutes of the meeting held on 22 September 2020 were approved. The Matters Arising were noted as updated.</p> <p>The Chair formally acknowledged Pamela McCreedy’s success in the competition for a new COO for the PSNI. The Committee thanked Pamela for all the work and change she has brought about in her time in NIAO, noting there would be a further opportunity to engage at the February Board meeting prior to Pamela leaving NIAO.</p>
<p><b>4. Risk Management</b> <b>Sub Register for COVID 19 and associated actions</b> Colette Kane briefed members on changes made to the Register since the September ARAC meeting. Colette had hoped by now we would be back to the Corporate Risk Register however it remains the Covid 19 register due to the ongoing lockdown restrictions. The following was highlighted by Colette within the register:</p> <ul style="list-style-type: none"> <li>• Risk 1 – this risk has been scored as on target and it was noted that statutory deadlines of financial audits had been achieved;</li> <li>• Risk 5 – this is currently the only risk scored as red – this will be reviewed as although we are still in lockdown we have previously partially moved out of lockdown and would be confident we could do so again when restrictions are lifted; and</li> <li>• All other risks are either within tolerance or target.</li> </ul> <p>The Chair asked for a column by column explanation for one risk to demonstrate the method used to form the risk assessment. Other members sought clarity on the risks which were appropriately responded to. It was agreed that the following would be reviewed by the Corporate Risk Register Working Group:</p>

- Consideration of assurances assigned to lines of defence to ensure correctly classified;
- Actions included are reconsidered to ensure complete and adequate to impact on risk rating; and
- Review of risk ratings.

#### **5. External Audit**

Brian McFetridge presented the external audit strategy for the audit of the financial statements 2020-21. Brian explained the strategy and the assessment of risk was similar to the previous year. Members sought clarity on the approach taken to the risk assessment and the extent of engagement between external and internal audit. A discussion followed on the extent external audit could rely on the work of internal audit in any year under review.

Martin Pitt referred to the NIAO refurbishment project and the associated decant period. Rodney Allen explained the current position in relation to the lease for the decant premises and the procurement and construction commencement timeline for the main project. Brian provided assurance that the project had been considered by external audit, was not considered to be a risk in this year but most likely would be in 2021-22.

John Turkington questioned the extent flexibility exists for budgetary matters. Rodney explained that the funding is secured on an annual basis with approval by the Assembly's Audit Committee. He explained that with multi-year budgets not in place there is considerable importance attached to securing the baseline each year, prior to making any in-year easements or bids. The baseline for resource and capital requirements for 2021-22 has been approved.

#### **6. Internal Audit**

Lee Glover referred members to the internal audit strategy which had been agreed previously by the Committee. He took the opportunity to remind members of the programme for the year ahead however he also pointed out that a new procurement process was needed for internal audit services and was referred to later in the agenda.

Martin Pitt asked if internal audit is on track completion of all audit briefs in the current year. Lee stated that audit briefs had been prepared for the three remaining reviews, had been shared with management and the fieldwork would commence in early February. He confirmed the reports would be ready for the Committee's next meeting.

#### **7. Report Tracking Implementation of Audit Recommendations**

Rodney Allen presented a report referring to the recommendations that were outstanding when the Committee last met in September and work undertaken subsequently by management resulting in only four internal audit recommendations incomplete at present. He provided detail on each recommendation addressed noting that each of the outstanding ones has a green rating meaning they are considered to be low risk.

Members noted the position and the Chair asked that future written reports provide some more detail on the nature of the recommendation and the date for completion.

#### **8. Fraud, Raising Concerns and Complaints report**

Rodney Allen advised members that no new fraud or whistleblowing cases had arisen in the period. He then outlined the current position on three complaints. John Turkington asked to what extent is NIAO concerned about these matters. Pamela McCreedy explained that all complaints are taken seriously and handled professionally and we always look for open and

full engagement with a complainant. She noted that complaints can highlight areas for improvement or indeed identify the need to reconsider existing policy. Any lessons learned are shared with staff and the importance of compliance with policies is reiterated.

**9. Procurement Update**

Rodney Allen presented a paper detailing the need to re-procure internal audit services and summarising single tender actions in the period since April 2020.

Members noted the existing internal audit contract has been in place for five years and would expire June 2021. The Committee was content with the proposed way forward with the procurement and agreed that a non-executive director should participate with two members of staff on the evaluation panel.

Rodney outlined the procedures for single tender actions which are set out in the NIAO procurement manual noting the exceptional basis for their use and approval of all cases by either the Comptroller and Auditor General or the Chief Operating Officer. He briefed members on each of the specific cases in the periods and the rationale supporting each case. Discussion followed on the cases and Martin Pitt sought clarification on the need for one particular purchase. Pamela McCreedy confirmed it was essential in the year due to timing in securing necessary audit assurances but she expected this would be addressed in subsequent years. Members were content with the detail and explanations received.

**10. ARAC Annual Programme of Work**

The annual work programme was considered and endorsed by Members, subject to one minor amendment to reflect the external audit strategy had been considered in January. Members noted the workshop meeting scheduled for September and the potential to undertake a deep dive on specific organisational risks such as audit quality.

**11. AOB**

No items were listed or raised.

**12. Dates of next meetings were agreed:**

4 May 2021

17 June 2021

21 September 2021

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