

**MINUTES OF AUDIT AND RISK ASSURANCE COMMITTEE MEETING**  
**Thursday 19 June 2018 at 10am**

Members Present: Aine Gallagher (Non-Executive Member – Chair)  
Gillian Body (Non-Executive Member)  
Pat Cumiskey (Non-Executive Member)  
Paul Douglas (Non-Executive Member)

In Attendance: Kieran Donnelly (Comptroller and Auditor General)  
Pamela McCreedy (Chief Operating Officer)  
Rodney Allen (Director)  
Colette Kane (Director) – for Risk Management  
Richard Ross (Audit Manager) – for Finance  
Brian McFetridge – External Audit (Baker Tilly Mooney Moore)  
Anne Fitzpatrick – External Audit (Baker Tilly Mooney Moore)  
Lee Glover – Internal Audit (Haines Watt)  
Norma Connelly (Secretariat)  
Louise Donnelly (Minutes 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 G Body was attending her last meeting as she was standing down at the end of her three-year contract in September as a non-executive member. She further advised that she would be stepping down in October as Chair and non-executive member, with her last meeting being 25 September 2018. She explained that she may receive notice during the meeting that would require her to leave the meeting early in order to deal with an urgent matter.

**1. Apologies**

No apologies were noted.

**2. Declaration of Conflicts of Interest**

There were no issues declared by the Committee members or attendees. The Chair asked for this declaration to be added as a formal standing item on the Agenda going forward.

**3. Minutes of Meeting held on 17 May 2018**

The Committee approved the minutes of the meeting subject to one amendment to add in an action concerning the issues log. Members suggested NIAO consult the other public audit agencies on how they define and report on any issues that may arise.

**4. Risk Management**

**Corporate Risk Register (CRR)**

C Kane advised that scoring of risks was now complete and that all amendments suggested by members at the last meeting had been taken on board, and that changes made were highlighted in red for members' convenience. She confirmed that the scoring and subsequent amendments had been endorsed by SMT at their meeting on 12 June 2018.

C Kane briefed the Committee on each risk:

Risk 1 – scored as residual risk amber, to recognise that although NIAO deliver audit products that meet quality standards, the Office must also ensure these products are valued and make a positive impact on the public sector. For instance, the Office was keen to do more to share more widely their good practice work as well as more widely applicable audit findings. The Business Transformation Programme (BTP) and the Office's 3 year intention are key in bringing this risk within appetite.

Risk 2 – scored as amber. NIAO recognises their control of finances is strong but realises more must be done to demonstrate how they value their people, with a number of actions being taken forward in this respect including developing a HR Strategy and wellbeing initiatives.

Risk 3(a) - scored as green. A significant change following from the Senior Management Team meeting on 12 June 2018 was the rating for risk 3(a) being redefined from amber to green. The Committee queried this change given the absence of a functioning Assembly. C Kane advised that NIAO are not currently constrained by the lack of an Assembly as the C&AG and colleagues continue to have ongoing dialogue with MLAs. She noted that the change in scoring this risk had been recommended and endorsed by SMT members who are confident that they have the ability to deliver on this element of work through the 3 year intention that includes an engagement strategy as well as through the BTP and the proposed stakeholder survey. As suggested by ARAC previously, the description of risk 3(a) of the CRR had been revised to adopt a more dynamic and positive language.

Risk 3(b) scored as amber to recognise the ongoing developments in data analytics, accommodation etc.

There was active discussion around the scoring of individual risks and the Committee received assurances that these were under active consideration. The Committee thanked C Kane for her assurances and recognised the effort had gone into the reworking of the CRR.

Management confirmed that the final CRR will be presented to NIAO staff at a breakfast briefing scheduled for 6 July 2018.

#### **Summary of Whistleblowing, Grievances, complaints**

R Allen noted that, since the ARAC meeting of 17 May 2018, the three reported cases of external complaint have been reviewed and are now closed. There are currently no open internal complaints, grievance or whistleblowing cases. The Committee acknowledged the work involved in investigating and concluding such cases in a timely way.

### **5. Internal Audit**

#### **Internal Audit Assurance Statement**

Internal Audit reported they had no further issues to raise since the last ARAC meeting on 17 May 2018 and were content to draw a positive conclusion as to the adequacy and effectiveness of NIAO risk management, control and governance processes.

#### **Progress Against Audit Recommendations**

**Internal Audit** - At the May 2018 ARAC meeting one Amber recommendation was reported as outstanding; no red recommendations were outstanding. The amber recommendation, arising from the Information Governance Report will be completed by 31 July 2018. In terms of green recommendations, four remain outstanding from the IT Health check Report, three recommendations, which remain outstanding, are still within timescale and one recommendation is partially complete with a target date for completion of 31 August 2018.

**External Audit** - There were no recommendations in the 2015-16 or 2016-17 "Reports to those Charged with Governance".

## **6. Annual Report and Accounts**

R Ross presented the final draft of the Annual Report and accounts for consideration. He confirmed that he had taken on board much of the feedback provided by members on the previous draft. The Committee observed that some of their comments did not appear to have been incorporated in the version presented today and it would have been helpful to have received a commentary on the action taken against each comment. R Ross advised that the graphics had not necessarily been changed in the current word version, but would be updated for publication.

Members discussed some further amendments concerning the content which were noted and accepted by R Ross. These included the paragraph referencing the Advisory Group on page 45 to note their attendance at the recent workshop; that information on the number of public reports published be reported consistently in the documents reporting performance information (the Monitoring report, Transparency report as well as the Annual Report); and that the diagram used in the Transparency report to illustrate the governance framework to also be used in the Annual Report (albeit updated to refer to ARAC rather than the Audit Committee). It was also agreed that the wording in the Statement of cash flows would be amended as discussed by the Chair.

The Chair advised that ARAC were working towards completing their input into the Annual Report and Accounts, namely the conclusion of the ARAC Annual Report, and would forward this to R Allen as soon as possible.

The Chair advised that on completion of the amendments noted and ARAC input, members would then be content to recommend the Annual Report and Accounts to the C&AG.

### **External Audit Report (including draft Letter of Representation)**

External audit presented their report summarising the key findings of their audit of 2017-18 Annual Report and Accounts. No material misstatements were identified and no adjustments were required, resulting in an unqualified audit opinion.

External Audit noted that two minor control weaknesses had been identified regarding the sign off procedures for staff carrying over excess annual and flexi leave. P McCreedy gave assurance that managers had discussed outstanding individual leave balances with a view to reducing the excess balances being carried forward. The Committee noted the two external audit recommendations to be taken into the schedule of open recommendations.

### **Financial Impacts**

External Audit presented their report on their review of quantified financial impacts for the year ended 31 March 2018. They explained that they have reviewed and challenged each

impact individually. They confirmed that the calculation of the impact attributable to NIAO's work in respect of RHI has been adjusted in line with External Audit's recommendations.

R Ross expressed his thanks to the External Auditors. ARAC also recorded thanks to the Internal and External Auditors.

## **7. Assurance Statements and Annual Reports**

### **IT**

R Allen presented his report providing assurance on ICT, including outsourced provision. He confirmed that he was satisfied that the Office had adequate arrangements and controls in place in 2017-18 to oversee and manage the outsourced provision of NIAO IT services.

### **Health and Safety**

R Allen briefed members on the report by the Health & Safety Committee. He advised that a number of health and wellbeing initiatives were introduced during 2017-18 and were well received by staff. Other initiatives such as communication and leadership training are being progressed, including team effectiveness programmes. He noted that the Health and Safety Committee will meet again over the summer.

### **Fraud and Whistleblowing Complaints**

R Allen informed the Committee that there were no reported incidents of fraud or suspected fraud, whistleblowing or complaints in 2017-18. The Chair welcomed the year end assurance and asked that NIAO Anti-Fraud Policy be scheduled for review by ARAC to enable members to consider NIAO's approach to handling fraud.

### **ISQCI Monitoring and Transparency Reports**

R Allen confirmed that the Transparency report was intended for publication on the Office's website and the Monitoring report was for internal consumption. He noted that these reports had been endorsed by SMT at their meeting of 12 June 2018. There was a full discussion of these documents, with members making several suggestions or comments on the content. On the description of the governance arrangements, members noted that references to the Audit Committee needed to be updated; and that the reference to "publicly appointed non-executives" should be in relation to ARAC and not the Advisory Group.

Members queried whether there was a statutory requirement for the C&AG to consult PAC on the NIAO VFM Forward Work Programme and, if so, whether that should be explicit in the Transparency report. The C&AG advised he would consult the Audit (Northern Ireland) Order 1987 for clarity.

Members raised queries on the ISQC1 documents in relation to their consistency and content with the Annual Report. Specifically, these reports focused on value for money reports rather than the broader range of public reports, which raised questions about the quality monitoring arrangements for other public reports such as the 11 local government annual improvement reports. Members suggested that covering the full range of public reports would help to mitigate the apparent imbalance in the description of quality arrangements for financial audit and those for public reporting. Management agreed to revisit and ensure consistent reporting or, if necessary, to provide a clear explanation for any inconsistency (such as any timing

issues). Management also explained that the reciprocal peer review of a sample of public reports was no longer taking place.

**The Chair received notice that she had to leave the meeting for an urgent matter and asked G Body to continue to Chair the meeting in her absence. She thanked G Body for her contribution to ARAC and wished her good luck going forward.**

#### **Senior Management/Non-executive members Expenses**

R Allen briefed members on the Senior management and non-executive members' expenses. ARAC was asked to note the information provided and agree to disclosure on NIAO website. The Committee asked that a footnote be added to the website to advise of the hospitality received by COO in her role within Chartered Accountants Ireland. G Body also advised that she thought her return on the report was incomplete and asked for it to be reviewed prior to disclosure.

#### **VFM External Panel**

R Allen presented a paper briefing members on the composition and remit of the VFM External Panel. That paper provided a summary of their findings. Members queried the sharing of learning points from the work of the Panel. Management explained that the audit team would routinely meet the Panel to discuss their findings. In addition, all staff had been briefed on the External Panel's report at a recent whole of office briefing.

### **8. ARAC Assessments**

#### **ARAC Review of Effectiveness**

The Terms of Reference for ARAC states that the Committee review its own effectiveness and report the results to the C&AG. Members had completed the *NAO Audit and Risk Assurance Committee Effectiveness Checklist* (November 2017) and the comments summarised in a paper prepared by the Secretariat. For clarity, the Committee requested that the summary sheet of members' assessments be amended to record the questions alongside members' responses. Members noted that its self-assessment was that the Committee is performing effectively, albeit that there were some areas where its work could be enhanced.

Members had also reviewed the performance of internal and external audit in their private session in advance of this meeting and had fed back their views. In summary, members were content with the service provided by both. Members noted the importance of the Committee being sighted on the intended scope of internal audits. To ensure this arrangement was workable in practice, the Committee had agreed to be copied into briefs when available rather than potentially hold matters up by requiring consideration at a formal Committee meeting.

### **9. AOB**

The C&AG expressed thanks to G Body for her valuable contribution to NIAO over the years.

#### **Next Meeting**

Date of Next meeting – Tuesday 25 September 2018 @ 10am.

