

## **NIAO AUDIT COMMITTEE MEETING**

**Tuesday 20 September 2016 at 10.00 am**

**Conference Room, NIAO**

- 1. Meeting of committee members only (10:00am)**
- 2. Confidential Meetings with Internal and External Audit (10:30am)**
- 3. Declaration of Conflicts of Interest**
- 4. Minutes of meeting of 21<sup>st</sup> June 2016 and matters arising from minutes – (Paper 1)**
- 5. Annual Review of Committee Terms of Reference - (Paper 2)**
- 6. Finance**
  - 6.1 Financial Management Report - (Paper 3)**
- 7. Risk Management**
  - 7.1 Corporate Risk Register - (Paper 4/5)**
- 8. Internal Audit**
  - 8.1 Internal Audit Strategy - (Paper 6)**
  - 8.2 Open Audit Points - (Paper 7)**
- 9. Business Continuity Plan - (Paper 8)**
- 10. Crisis Management Plan - (Paper 9)**
- 11. Complaints, Internal Whistle Blowing and Grievance Cases Report (Paper 10)**
- 12. Stakeholder Engagement - (Paper 11)**

**AOB**

**Report on Wales Visit - (Paper 12)**

## MINUTES OF AUDIT COMMITTEE MEETING HELD TUESDAY 20<sup>TH</sup> SEPTEMBER 2016

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

**In Attendance** Kieran Donnelly (C&AG) – until 12:15 pm  
Janet Sides (NIAO Principal Finance Officer)  
Andrew Allen (NIAO Finance Manager)  
Lee Glover (Haines Watt – Internal Audit)  
John Davin (Baker Tilly Mooney Moore (BTMM) – External Audit)  
Joe Campbell (Secretary)

### **1. Meeting of Committee Members Only**

A meeting of Committee members only took place.

### **2. Confidential Meetings with Internal and External Audit**

The Committee met with Internal Audit and External Audit. Other attendees were then invited to join the meeting.

### **3. Declaration of Conflicts of Interest**

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

### **4. Minutes of Meeting held 21<sup>st</sup> June 2016 and Matters Arising**

The minutes of the meeting held on 21<sup>st</sup> June 2016 were approved, subject to minor amendment. In considering the minutes and matters arising, members clarified that they had intended that all AAGs should attend for the discussion of the corporate risk register. It was requested that this be arranged for future meetings. There being no issues raised in respect of the Annual Statement re fraud, whistleblowing and complaints, this will now be issued.

As the C&AG had informed the meeting that he would be leaving at 12:15pm, the Chair re-prioritised the agenda to discuss Risk Management and Internal Audit before his departure.

### **5. Risk Management**

Given the postponement of the planned risk workshop due to unavailability of key personnel, it was determined that, in order to move the process forward, internal audit would review the risk management process. This was welcomed by the C&AG who agreed to facilitate the re-arranged workshop, informed by internal audit's review. Members welcomed this as a response to concerns expressed previously.

The C&AG informed the meeting that senior management would hold its own half day

meeting prior to the workshop to consider wider risks on the horizon, such as Brexit and its implications for the audits of EU funding, the formation of a formal political opposition in the Assembly and the potential impact that this could have on relationships with PAC and the wider Assembly. Other issues which would be addressed included public reporting, succession planning, talent management and Learning and Development, as well as cultural issues.

In considering the corporate risk register, the Committee's attention was drawn to the introduction of the new risk on absenteeism. An increase in short term and, in particular, long term absence had given rise to concern.

Members enquired if there were any trends to the absences and whether any reasons could explain the spike in the figures. In response management advised that sick absence is monitored closely by the Office and, at this stage, the current statistics appear to be an anomaly rather than a chronic problem. Nevertheless, the position will continue to be monitored closely, and sick absence appropriately managed. The Office's attendance management policy is currently being amended to further facilitate full and consistent application by all. It was noted that a number of tools are available for the Office to promote health and wellbeing and that this could be pulled together into a strategy.

In considering the risk relating to financial resources, members sought clarity on how a potential budget surplus would be handled. Management advised that it recognised the risk of being over cautious in managing the year-end financial position, and that it was currently ensuring that all priority and essential activities were planned and progressed to ensure delivery in 2016-17. This included additional technical and management training and a review of accommodation needs. The potential to release funds would be considered as part of the ongoing in-year monitoring process overseen by the Department of Finance.

Management highlighted, that in respect of 2016-17, some uncertainty remained around the impact of the current Voluntary Exit Scheme (VES) on its finances, as this could not be determined until offers were fully processed. That said, it was anticipated that the VES budget will be utilised in full.

The committee enquired whether VES would place additional pressure on workforce and resource planning. It was explained that, due to the rationalisation of central and local government, VES had been timely, and used to assist in rebalancing the workforce and building up frontline resources. The Office had recommended the recruitment of graduate trainee accountants and appointment of student placement in 2016-17. The current strategic workforce planning exercise will fully assess future staff resource requirements.

The issues log was noted.

## **6. Internal Audit**

**Internal Audit Strategy** – The newly appointed internal auditor briefed the Committee on the draft Internal Audit Strategy, requesting members to focus in particular on Year 1 to ensure that it met their immediate needs. Overall, the Committee was content with the

approach taken in the formation of the document, and sought to clarify aspects of the programme and associated resourcing to gain assurance on the balance of coverage and depth of reviews. They were advised that should issues arise, the strategy, which was a live document, could be revisited. Also, the scope and budget of any given audit was open to review.

Further topics for consideration were discussed, such as flexible working time, quantifiable financial impacts and absenteeism, all of which members and IA agreed to consider further throughout the audit cycle with a view to whether they should be factored into any reviews or potentially the subject of a specific review. It was agreed to consider moving the performance management audit from year 3 to 2. The strategy was endorsed by the Committee.

The C&AG left the meeting at 12:15pm.

**Open Audit Points** – Members noted the current position on the implementation of IA recommendations, and confirmed that Internal Audit would follow these up in due course.

#### **7. Annual Review of Audit Committee Terms of Reference**

The terms of reference were considered and approved by the Committee.

#### **8. Finance Report**

Further to the discussion on risk relating to financial resources (see 7. above), the Committee was briefed on outturn to 31 August 2016, the forecast year-end position for 2016-17, the NI Budget information gathering exercise and cost recovery against financial audits during 2015-16. Members noted the recovery of 97.2 per cent of costs for those audits where a fee is charged compared with 92.5 per cent in 2014-15.

#### **9. Business Continuity Plan**

The Committee noted the updated Business Continuity Plan, and agreed to review again following the further exercise to test the formation of the Incident Management Team and the establishment of the Incident Control Centre for 2016-17.

#### **10. Crisis Management Plan**

The Crisis Management Plan was considered and noted.

#### **11. Complaints, Internal Whistle Blowing and Grievance Cases**

The Committee welcomed the detail in the report and agreed that an updated report should be provided for each subsequent meeting. The labelling of the issue on the cover sheet is to be updated, along with the inclusion of the word “external” on complaints and it was noted that the number of grievances on the cover sheet was incorrect.

#### **12. Stakeholder Engagement**

The Committee noted a paper summarising the activities of the Stakeholder Engagement

Group for the period from June 2016, including the MLA Survey, Survey of Audited Bodies, MLA Training Post Election, Enhanced Corporate Social Responsibility of the Office and progress against the Group's Forward Work Programme. Gillian Body clarified the reference to WAO.

Members were particularly encouraged with the work of "Involve to Evolve" and noted the progress made by the Group.

#### **AOB**

Consideration of the paper on the visit by the Chair and Secretary to the Wales Audit Office was postponed until the next meeting of the Committee.

The meeting was brought to a close.

The next meeting will be held on **Thursday 24<sup>th</sup> November** in the NIAO Conference Room, starting at **2:00pm**.