

MINUTES OF AUDIT COMMITTEE MEETING HELD THURSDAY 22ND JUNE 2017

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

Apologies None

In Attendance Kieran Donnelly (Comptroller and Auditor General)
Janet Sides (NIAO Principal Finance Officer)
Conor McGeown (NIAO Finance Manager)
Lee Glover (Haines Watt – Internal Audit)
Ann Fitzpatrick (Baker Tilly Mooney Moore (BTMM) – External Audit)
Brian McFetridge (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 for a private discussion. 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.

In considering this agenda item, it was agreed that declarations of conflicts of interest, together with proposals for AOB items, will be sought prior to future meetings.

4. End of Year Evaluations

The Internal Audit, External Audit and Audit Committee Self Evaluation were all approved subject to minor amendment.

5. Minutes of Meeting held 2nd May 2017 and Matters Arising

The minutes of the meeting held on 2nd May 2017 were approved and matters arising were discussed.

6. Risk Management

The Committee was briefed by C Kane on each of the risk management documents.

Annual Review of Corporate Risk – The meeting was informed that this paper had been produced to meet the the requirement of the NIAO Risk Management Strategy to annually review the content of the corporate risk register. This ensured that all key risks were identified, that there were effective controls in place and that, where necessary, the need

for appropriate action had been identified. In the review, the Senior Management Team concluded that it was satisfied that risk has been adequately managed in 2016-17 and that it would continue to ensure that its arrangements are proportionate, appropriately tailored to the needs of the business and comply with best practice. The Audit Committee noted the review and discussed specifically the arrangements at different levels across the organisation for risk management and escalation of risk, noting also that management and internal audit reviews of risk management arrangements pick up if the monitoring and actions are not undertaken.

Risk Management Strategy (RMS) – The Committee was informed that the RMS addressed the major changes that were introduced by the Office in the management of risk in the latter stages of 2016-17. The key changes outlined were the merger of three risk registers into a single Corporate Risk Register (CRR); the change in approach in addressing risk appetite from one overall assessment for the Office to the adoption of an independent assessment of appetite for each risk identified, the establishment of a Corporate Risk Register Working Group with responsibility for the ongoing monitoring and oversight of the register and the restructuring of the Corporate Risk Register, incorporating an assurance framework within a “three lines of defence” model.

C Kane also informed the meeting that the Senior Management Team would be briefed on the development of the new CRR, the establishment and role of the working group and the risk escalation process. This will be cascaded to all staff through cluster meetings.

The paper was approved by the members subject to minor amendment, including the presentation of the Audit Committee oversight role which should be considered as an independent review rather than a corporate control.

Corporate Risk Register – It was explained to members that the Corporate Risk Register had taken on board all proposals from the Audit Committee meeting of 2 May 2017. These included the breakdown of risks into sub risks with risk owners, tracking of updates and the removal of 3x3 matrices.

Moving forward, it was agreed that those risks assessed to be within risk appetite will be retained on the Office’s register but will not be considered by the Audit Committee; this will allow members to focus on those risks which are most pressing. To facilitate this process, the meeting was informed that the CRR will be converted to an Excel spreadsheet over the summer. The paper was noted by the members who welcomed the work already done as well as the work planned for over the summer. The members confirmed that it is the content of the risk register rather than the structure that is most important.

7. Assurance Statements and Annual Reports

Members were informed that each of the papers were prepared for the Audit Committee to assist in the completion of its 2016-17 assurance considerations.

Assurance Statement re fraud, whistleblowing and complaints – This paper set out how internal fraud, whistleblowing and complaints have been dealt with in the reporting period.

During 2016-17 members were informed that there were no reported incidents of fraud, two whistleblowing cases which have been investigated (and not upheld) and five complaints (one remaining under consideration, two not upheld, one dealt with via informal procedures and one partially upheld, the latter two identifying some learning points for the Office). The statement was noted by the Committee.

Health and Safety Report – The meeting was informed that the H&S Report had identified a number of key issues which need to be addressed including the re-establishment of the NIAO Health and Safety Committee, the appointment of a new Health and Safety Officer and a review of the H&S policy. Despite no incidents being recorded during 2016-17, members agreed that the issues highlighted needed to be addressed and would continue to monitor their progress.

IT Provision Assurance – The paper confirmed to members that, taking into account IT contracts and agreements, risk management arrangements, governance and resources for IT and a number of independent reviews, the Office was satisfied that it had adequate arrangements and controls in place in 2016-17 to oversee and manage the outsourced provision of its IT services. The statement was noted by the Committee.

Monitoring Report/Transparency Report – Members were informed that the Monitoring Report was completed to meet the requirements of ISQC1¹. The review found that the Office had adhered to professional standards and legal and regulatory requirements, the system of quality control had been appropriately designed and effectively implemented, and the quality control policies and procedures had been appropriately applied. Following further discussion on the findings of the paper, it was endorsed by the Committee.

The Transparency Report, which is largely, a summary of the Monitoring Report, was noted by the Committee.

8. Internal Audit

IA Final Assurance Statement – Members were informed by L Glover that this paper was a replica of the draft IA Assurance Report considered by the committee in its May meeting. At that stage, IA had concluded that based upon the reviews performed during the year, that the Office had “*adequate and effective risk management, adequate and effective governance, and adequate and effective control processes.*” However at that stage, IA did not have sight of the Financial Statement Auditor’s Audit Opinion and External Audit Management Letter for 2016/17, and reserved its right to amend its opinion.

Members were informed that IA had since reviewed the correspondence and confirmed that no amendments to the original document were required. This assurance statement was noted by the Committee having clarified that the “adequate and effective” assurance level was as good as it gets.

¹ Quality control for firms that perform audits and reviews of financial statements, and other assurance and related service engagements

Open Audit Points – Members were informed that all priority 1 and priority 2 recommendations highlighted during the year had been fully addressed. Four o/s green recommendations relate to the planned review of NICS IT security policies. The paper was noted by members.

9. External Audit

External Audit Report on Accounts including draft letter of representation – Members were briefed by A Fitzpatrick and B McFetridge on external audit's key findings in connection with the audit of NIAO's financial statements for the year ended 31st March 2017. They confirmed that there were no material misstatements, significant accounting issues or significant internal control weaknesses identified, that they were content with the accounting policies, estimates and disclosures and the qualitative aspects of the financial reporting process and that there were no material misstatements. They also confirmed that the Corporate Governance Statement reflected compliance with DoF's guidance. The paper was noted by members.

Quantified Financial Audit Impact Audit Report – A Fitzpatrick confirmed to the meeting that all seven identified impacts, totaling £26.0m had been examined. Each of these were found to be in keeping with Office policy. C&AG, in support of the report, recognised the progress that had been made in the impact assessment process, including the introduction of an interim assessment. The report was noted by the Committee.

10. Finance

Annual Report and Accounts and Governance Statement – C McGeown briefed members on the latest copy of the annual report and accounts, which tracked their comments from the review of earlier drafts, and subsequent amendments. They were also provided with a copy of the remuneration statement, which had not been issued in their papers. The members examined these documents and confirmed that the Office had considered the points they had raised. The final report for laying in the NI Assembly was approved. C&AG advised that he will also be conducting a post project review of the accounts process which will be submitted to the Committee.

Financial Management Report (June 2017) – The Committee noted this report which set out the timescales to certification and laying of the Office's 2016-17 accounts. The report also outlined the context regarding the estimate process and budget, along with the current forecast outturn for 2017-18, and an update on depreciation and planned expenditure.

11. Senior Management and NED Expenses -

The paper on Senior Management and NED Expenses was noted by the Committee.

12. Audit Committee Annual Report 2016-17

The Chair briefed the meeting on her annual report which outlined the activities of the committee for the year ended March 31st 2017 and the steps taken to obtain the necessary assurance around the subsequent year-end process, annual report and governance statement. *A small number of minor changes were advised to the meeting attendees.*

On the basis of its work during the 2016-17 financial year and in the period since, the committee concluded that it was satisfied that it had discharged its duties as guided by its Terms of Reference.

13. Analysis of Complaints, Internal Whistleblowing and Grievance Cases

The Committee considered the progress on the outstanding cases in the paper presented to them as well as updates on two recent matters. The paper was noted by the members.

14. Stakeholder Engagement

Members were briefed on the activities of the Stakeholder Engagement Group for the period from 2 May 2017, including the results of the Auditee Survey, the use of LinkedIn, and the development of a media strategy in the promotion of four reports to be published in June/July.

10. AOB

The meeting was brought to a close.

The next meeting will be held on **Thursday 21st September 2017** in the NIAO Conference Room, starting at **2:00pm**.