

**MINUTES OF AUDIT AND RISK ASSURANCE COMMITTEE (ARAC) MEETING HELD THURSDAY
23rd NOVEMBER 2017**

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

In Attendance Pamela McCreedy (Chief Operating Officer)
Rodney Allen (Director)
Colette Kane (Director) – for item 4
Lee Glover (Haines Watt – Internal Audit)
Brian McFetridge (Baker Tilly Mooney Moore (BTMM) – External Audit)
Tanya McNally (Secretary)

1. 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 a private discussion. Other attendees were then invited to join the meeting.

2. Declaration of Conflicts of Interest

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

On behalf of the Committee, the Chair extended a warm thank you to Joe Campbell for all of his work for the Committee over the last 3 years. The Committee noted Joe would retain management oversight of NIAO governance but Norma Connolly would be the key liaison contact for the Committee.

The Chair also welcomed Rodney Allen (Director) to his first meeting in his new role.

3. Minutes of Meeting held 21st September 2017 and Matters Arising

The minutes of the meeting held on 21st September 2017 were approved pending one minor change. Progress in relation to the matters arising was discussed.

4. Risk Management

C Kane presented the assurance statement covering the period from 1 April 2017 to 7 November 2017. She highlighted to the committee that the assurance statement included details around the change in risk methodology which was introduced during the period. She drew members' attention to the Appendix to the assurance statement which showed the risks under the previous format and those under the new format as at 7 November 2017. Members noted the static nature of the risks during the period and the overall assurances given. She also advised members that, as a consequence of the new structural changes within senior management, the assurance statement was now signed by the whole

directorate, having been agreed by the Senior Management Team. C Kane also advised members on the role of the Corporate Risk Management Group and confirmed that this group would be reflected in the Risk Management Strategy which is being updated. Now that the Senior Management Team has adopted the new approach to the risk register, this will be cascaded to all staff to ensure awareness of the approach and the escalation process.

Some discussion took place on the role of the Committee in respect of risk management. The Committee reiterated its view that it wanted to see the papers used by management to manage risk, including the full risk register, not just a summary. Members recognised that the Committee's close scrutiny of the Office's risk management arrangements over the past year had resulted in it being a substantive agenda item at each meeting. The Committee welcomed the opportunity to take stock of how, and how frequently, it engaged with risk management in future. It noted alternative approaches, for example that the equivalent governance committee in the Wales Audit Office undertook a "deep dive" on an individual risk at each meeting. To support consideration of future practice, the Committee requested that the Office benchmark the Committee's terms of reference and forward programme with those of its counterparts in the other UK public audit offices, for consideration at its next meeting (in February 2018).

5. Internal Audit

The Committee considered a progress report on the implementation of Internal Audit recommendations and took assurance from Internal Audit that there were no particular concerns on progress. It noted that Internal Audit is currently undertaking reviews of Information Governance and IT Healthcheck.

6. Finance

R Allen presented the updated Finance Report to the Committee. The 17-18 estimate has been approved by Westminster in the absence of the Assembly. NIAO has spent the allocated VES budget. In response to members' queries, R Allen explained the reasons for the surplus on salaries and assured the Committee that it had not impacted on the delivery of audit work.

The Senior Management Team has been looking at opportunities to allocate remaining funds in 2017-18. A number of projects are anticipated to be undertaken before year end including refreshing the values and vision of NIAO, developing a new corporate plan, data analytics development, enhancing the Central Time system, increased engagement with our media consultant and also a new video conferencing facility. The Committee welcomed the action taken to identify and progress these initiatives to make best use of the funds available to the Office.

The impact of Brexit and other developments in our EAF audit work was discussed. The importance of this income stream of approximately £420k per annum and the associated risks were noted. Members explored opportunities to mitigate the risks of losing this income stream, for instance by greater use of contractors on EAF work; and the scope for NIAO to explore different work areas to generate more income. It noted that management is currently exploring more secondment opportunities in the UK and Ireland, which it is hoped to build on before looking at international opportunities.

7. Review of Terms of Reference

The draft revised Terms of Reference (ToR) for the Audit and Risk Committee was discussed. As agreed under agenda item 4 above, a benchmarking exercise will be completed with the other main public audit agencies before finalising the ToR for the Committee's approval.

8. Forward Work Plan

It was proposed that the programme be reduced from 5 to 4 meetings a year with the potential for one of the 4 meetings to incorporate a workshop. A final decision on this will be taken once the overall benchmarking exercise has been completed.

It was agreed that dates of 2018 meetings would be examined with options forwarded to members.

9. AOB

The date of the next meeting was yet to be decided. In the meantime Members agreed to hold **Wednesday 24 January 2017** for a meeting of the Advisory Group, to consider the new NIAO Corporate Plan.