

## **NIAO AUDIT COMMITTEE MEETING**

**Friday 24<sup>th</sup> April 2015 at 9.00 am**

**Conference Room, NIAO**

- 1. Meeting of committee members only**
- 2. Confidential Meetings with Internal and External Audit (9.30am)**
- 3. Declaration of Conflicts of Interest**
- 4. Minutes of meeting of 5th February 2015 and matters arising from minutes (Paper 1)**
- 5. Internal Audit**
  - **Open Audit Points (Paper 2)**
  - **Open Audit Points Schedule (Paper 3)**
  
  - **Internal Audit Reports**
    - **Review of Performance Management and Related Staff Training (Paper 4a)**
    - **Income and Debtors (Paper 4b)**
    - **Follow up report (Paper 4c)**
  
  - **Internal Audit Evaluation (Paper 5) – *limited issue***
  - **Internal Audit Draft Assurance Statement (Paper 6)**
- 6. External Audit**
  - **External Audit Plan (Paper 7)**
  - **External Audit Evaluation (Paper 8) – *limited issue***
- 7. Finance Report (Paper 9)**
- 8. Stakeholder Feedback and Enhanced Engagement (Paper 10)**
- 9. Risk Management**
  - **Corporate Risk Register (Paper 11)**
  - **Operational Risk Register (Paper 12)**
  - **Assurance Statements (Paper 13)**
  - **Issues Log (Paper 14)**
  - **Summary Risk Management report (Paper 15)**
- 10. Internal Whistleblowing Report**
  - **Internal Whistleblowing Policy (Paper 16a)**
  - **Internal Whistleblowing Administrative Process (Paper 16b)**

- 11. 2012 Report on the review of audit work on NIHE Land Sales (Paper 17)**
- 12. Business Continuity Plan and Crisis Management Scenario (Paper 18)**
- 13. Governance Structures – Terms of Reference (Paper 19)**
- 14. AOB**
  - Audit Committee Self Evaluation**

## MINUTES OF AUDIT COMMITTEE MEETING HELD 24<sup>th</sup> APRIL 2015

**Members Present:** Mary Halton (Non Executive Member- Chair)  
Diane McGiffen (Non Executive Member) – (all items except 12-14)  
Paul Douglas (Non Executive Member)  
Áine Gallagher (Non Executive Member)

**In Attendance** Kieran Donnelly (C&AG)  
Janet Sides (NIAO Principal Finance Officer)  
Andrew Allen (NIAO Finance Manager)  
Bernard Barron (Mazars – Internal Audit)  
John Davin (Baker Tilly Mooney Moore (BTMM) – External Audit)  
Brandon McMaster (NIAO Corporate Services Director – Paper 5)  
Joe Campbell (Secretary)

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

A meeting was held of the members before other attendees joined the meeting. Discussion covered a number of areas including annual evaluation of Internal and External audit services, and whistleblowing issues under consideration by the committee.

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

Confidential meetings were then held with Internal Audit and External Audit during which feedback was provided as part of the annual evaluation process.

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

Other attendees then joined the meeting. There were no issues declared by the Committee members and attendees which would be in conflict with the agenda for the meeting.

### **4. Minutes of Meeting held 5<sup>th</sup> February 2015 and Matters Arising**

The minutes of the meeting held on 5<sup>th</sup> February 2015 were approved subject to minor amendment. One matter arising from the minutes not closed or addressed elsewhere in the agenda was considered and the following action agreed:

- Outstanding Internal Audit recommendations actions should be included under “Actions to Improve Controls” section of the relevant risk register, where appropriate.

### **5. Internal Audit**

Taking the papers on open audit points in conjunction with the Internal Audit Follow-up Report, the latter was used as a control document to guide discussion. Bernard Barron of Mazars categorized the issues and key points were explored. Committee members queried a number of points, including timeframe for addressing recommendations arising from the Data Security and Data Management Review. Further actions were agreed where appropriate and some points were closed in light of information provided by management. Management also advised that it is strengthening its challenge role in assessing the implementation of Internal Audit (IA) recommendations.

It was agreed that Management would meet with members of the Internal Audit team to confirm a consolidated list of open action points in advance of the next meeting and to

agree a consistent approach for dealing with these going forward. The approach should provide increased transparency around the potential exposures caused by any control weaknesses identified and the measures taken by management to provide assurance that recommendations have been fully implemented.

#### **Review of Performance Management and Related Staff Training**

Mr Barron briefed the meeting on the report, which was then discussed in detail. Management accepted the findings and recognised the need for improvement in a number of areas. The committee noted that a new Performance Management System is being developed for introduction on 1 July 2015. This will have a greater focus on conversations with line managers and will be fully automated, providing management information for monitoring and ensuring compliance. Consultation with key stakeholders regarding the proposed new system is currently underway.

#### **Review of Income and Debtors**

Mr Barron presented the internal audit report, which identified only one minor recommendation. The committee noted that this had been addressed in advance of the meeting and congratulated Mr Allen and his team on their good work in this area.

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

Mr Barron presented the draft Internal Audit Assurance Statement for the year ended March 31<sup>st</sup> 2015, which indicates satisfactory assurance in relation to the NIAO's arrangements for internal control, risk management and governance in areas where audit work was performed. A final statement will be provided for the June 2015 meeting.

#### **Annual Evaluation of Internal Audit Services**

The Chair noted that an annual review of internal audit services provided by Mazars had recently been completed, including feedback from longer-standing committee members, management and BTMM as External Auditor. Results had been discussed by committee members and subsequently with Bernard Barron of Mazars. The committee noted the high quality of the work carried out, the skills and knowledge of the staff involved and the flexibility of Internal Audit in responding to needs of the committee. It was agreed that the work had added value in a number of areas and the committee thanked Mr Barron and his team for their efforts.

## **6. External Audit**

#### **External Audit Strategy**

Mr Davin from BTMM presented the Audit Strategy for the audit of the 2014-2015 accounts and responded to queries from committee members. The committee considered the strategy, including the approach for dealing with significant areas of risk, and was satisfied with the proposal.

#### **Annual Evaluation of Internal Audit**

The Chair noted that an annual review of external audit services provided by BTMM had

recently been completed, including feedback from longer-standing committee members and management. Results had been discussed with committee members and subsequently with John Davin of BTMM. The committee noted satisfaction with the professional approach, quality and process of the work carried out, the depth of understanding of the NIAO, the skills of team members and the level of communication with the audit committee. The committee thanked Mr Davin and BTMM for their efforts.

## **7. Finance Report**

Management briefed the meeting on Financial Management issues, including the expected outturn for 2014-15, the estimate for 2015-16 and a presentation to the Assembly Audit Committee meeting of April 14<sup>th</sup>, 2015. Members sought clarity in relation to the estimate and how the Office could deliver to the required standard with its reduction in funding. It was noted that the Office had introduced greater flexibility and innovation in the allocation of permanent staff resources, which should reduce the requirement for temporary staff in the period prior to the Assembly Summer Recess. Management also indicated that a Voluntary Exit Scheme had been implemented, though the level of funding available for the scheme has not yet been finalized.

Further savings in the 2015-16 are being investigated to mitigate this risk, such as the termination of audit contracts, as well as longer term options to make the best use of NIAO premises. This was discussed in some detail in the risk management section of the meeting when considering the risk to Office finances and resourcing, and its mitigating actions.

However, it was noted that reduced funding levels would potentially impact the Office's ability to meet financial audit deadlines, and in the delivery of public reporting publications.

It was agreed that this is an area that the Committee will continue to monitor closely.

## **8. Internal Whistleblowing**

The Committee discussed the updated internal whistleblowing policy and draft supporting administrative procedures. It identified the need for further clarity on the role of, and a review of the avenues available to, the Audit Committee and others external to management who may receive complaints. Minor amendments will be made to the policy and the proposed administrative procedures will be reviewed by management before further discussion by the committee.

## **9. NIHE Land Deals Review**

The Committee was briefed on the history of the review. In light of the complexity of the issues, members requested that the Office provide the committee with an executive summary that provides full transparency around this and related concerns. The paper

should set out the key public interest issues at stake, any process related matters of potential broader relevance to the Office, and how each of these has been dealt with.

## **10. Stakeholder Feedback and Enhanced Engagement**

Stakeholder feedback and engagement provide information relevant to a number of areas, including risk management processes. The Committee noted a report on this topic and the actions being planned and taken by management in this regard. Progress updates will be provided at regular intervals and any issues relevant to the work of the committee identified through the stakeholder engagement process will be reported.

## **11. Risk Management**

### **Corporate Risk Register**

The corporate risk register was discussed and it was agreed that a further review of the ratings assigned would be conducted in order to ensure consistency in the approach taken across all risks.

### **Operational Risk Register**

This register is not intended to be a full operational risk register and it was agreed that the title would therefore be changed. In response to questions raised by the committee, a further review of the register will be carried out to ensure a consistent approach to formatting the report and to the assessment of ratings assigned.

### **Risk Assurance Statements**

Members reviewed Cluster Assurance Statements and sought clarity on resourcing, with a particular focus on IT and HR. Management noted that given resource pressures in the corporate support area, prioritisation of projects was essential to ensure key targets were met.

### **Issues Log**

The introduction of an Issues Log was welcomed by members.

### **Risk Management Summary**

In reviewing the paper, the committee further explored the approach to embedding risk appetite in the ongoing risk management procedures. Further work will be carried out in this area.

## **12. Business Continuity Plan (BCP)**

The meeting was informed that the BCP had been updated to reflect the current Office structures and a walk through of the paper had been conducted. Feedback from this exercise confirmed that the instructions were coherent and could be followed in the case of an emergency. Members recommended that further practical testing should be conducted in order to determine its fitness for purpose.

### **Crisis Management Plan (CMP)**

The Committee noted that the CMP circulated is a work in progress and that further work

is needed. Following this, the proposed plan will be considered by the committee.

**13. Governance Terms of Reference**

The Committee noted documentation of the Governance Framework and Terms of Reference which have now been finalised, subject to minor amendment.

**14. AOB**

**Review of Audit Committee Effectiveness**

A formal process for assessing the effectiveness of the audit committee was agreed. This will include independent compilation of feedback from key stakeholders, conducted by Mazars and completed in advance of the next meeting.