

NIAO AUDIT COMMITTEE MEETING
Friday 6th November 2015 at 9.00 am
Conference Room, NIAO

- 1. Meeting of committee members only**
- 2. Confidential Meetings with Internal and External Audit (9.am)**
- 3. Declaration of Conflicts of Interest**
- 4. Minutes of meeting of 17th September 2015 and matters arising from minutes (Paper 1)**
- 5. Internal Audit**
 - **Open Audit Points (Paper 2)**
 - **Internal Audit Reports**
 - **NIAO Payroll Report (Paper 2.1)**
 - **NIAO Management of Fixed Assets (yet to be cleared – papers may follow)**
- 6. Finance**
 - **Financial Management Report (Paper 3)**
- 7. Risk Management**
 - **Risk Management Summary inc Corporate Risk Appetite (Paper 4)**
 - **Corporate Risk Register (Paper 5)**
 - **Cluster Assurance Statements (Paper 6)**
 - **Issues Log (Paper 7)**
- 8. Audit Committee Terms of Reference (Paper 8)**
- 9. Forward Work Programme (Paper 9)**
- 10. Internal Whistleblowing Procedures (Paper 10)**
- 11. Stakeholder Engagement (Paper 11)**
- 12. Effectiveness of the Audit Committee (Paper 12)**

AOB

MINUTES OF AUDIT COMMITTEE MEETING HELD 6th November 2015

Members Present: Áine Gallagher (Non Executive Member - Chair)
Paul Douglas (Non Executive Member)
Gillian Body (Non Executive Director)
Pat Cumiskey (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)
Joe Campbell (Secretary)
N Gray (NIAO Director) – item 10 only (12:20 – 13:00)

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. Pat Cumiskey was welcomed to the Committee as a newly appointed Non Executive Director.

3. Declaration of Conflicts of Interest

There were no issues declared by the Committee members. Ms Sides drew to the attention of the Committee that her sister-in-law, Jo-Anne Dobson MLA, had been appointed Chair to the NI Assembly Audit Committee.

4. Minutes of Meeting held 17th September 2015 and Matters Arising

The minutes of the meeting held on 17th September 2015 were approved, subject to minor amendment. The Committee agreed that the Secretary would circulate the draft minutes to members, once agreed with the Chair, in advance of the subsequent meeting. In relation to matters arising, the Secretary confirmed that a record was kept of all issues carried forward to ensure that they would be addressed at the appropriate time.

5. Internal Audit

J Sides provided an update on the seven recommendations that had been outstanding at Internal Audit's April 2015 Follow up Report. Two were implemented subject to Internal Audit validation and, of the remaining five, two would be fully implemented by 31 December 2015. In relation to the remaining three which related to updating IT policy, NIAO had decided that, in light of low risk, to await ongoing developments in NICS given that the Office used IT Assist and then cross-check to those policies when available. Following discussion on this matter, and as an interim measure, it was agreed that management should ensure that staff had clarity on extant NIAO IT guidance and policies, and that these should be placed together on the intranet to ensure easy access. Internal Audit are to follow up on these points for the April Committee meeting.

In relation to 2015-16 Internal Audit reviews:

- J Sides reported that the implementation of recommendations in the IT Contract Management Report via updating of the Procurement Manual was proceeding in accordance with the agreed timescales; and
- B Barron briefed the Committee on the recently completed report on NIAO Payroll, and confirmed that the report on Fixed Assets (currently with the office for comment) would be available for the next meeting of the Committee. He advised that a further follow up review of outstanding recommendations would be completed and available to the committee at its April 2016 meeting.

6. Finance Report

A Allen provided an analysis of outturn for the year to date and an updated forecast financial position for 2015-16. This year's monitoring round timetable required final bids to the Executive for additional funding to be submitted by 3 November rather than in the usual January monitoring round. As a result of receipt of funding from the Transformation Fund for the Office's Voluntary Exit Scheme (VES) and for Accruing Superannuation Liability Charges (ASLC), the Office did not bid for additional funding. The VES scheme funding and impact were discussed, as well as variances linked to timing of invoices for certain costs and income categories.

The Committee discussed the ongoing pressures on the Office's funding, enquiring about:

- the use of contracting out of financial audits. Management reported that a new Contracting Out Strategy was in the later stages of development;
- progress in reducing the holiday pay accrual; and
- the Office's bid in June monitoring to cover pension payments (this was to align the budget with the 2015-16 Estimate). Management advised that the initial bid had not been processed, but that the Office had decided not to resubmit this bid in the November monitoring round.

C&AG confirmed that despite pressures on funding and resources in 2015-16, the Office had delivered through greater staff flexibility and that this approach would continue to be developed further in 2016-17 and beyond as part of the wider Business Improvement Programme. The budget-setting approach and process were discussed. A copy of the corporate plan is to be circulated to members when it has been advanced to an appropriate state.

7. Risk Management

J Sides provided an update on the risk management, highlighting that the finance risk was the only risk where the assessment had been changed, reducing from red to amber in light of additional funding for VES and ASLCs and the consequent closure of the projected deficit.

Members sought assurance that the Office would be sufficiently and appropriately resourced moving forward. Management discussed the annual strategic workforce planning exercise that was well advanced. The Committee recognised that VES was a blunt

instrument to reduce staffing numbers (and Office expenditure), and would not necessarily address the variances highlighted between current staffing numbers and workforce planning projections, including optimum staff grade mix. C&AG accepted this, but recognised that it was the only option available to him in the current timeframe. In the short term, he planned to re-launch the student placement scheme, and advised that the Office had put in place a contract to support its HR function.

The Committee considered that in this time of change and uncertainty there was a need for ongoing communication with staff to ensure that they were aware of the purpose of what the Executive Team was doing on workforce planning in terms of addressing the reduction in funding, and making the best use of existing staffing levels and external suppliers, as well as communicating with staff regarding the associated risks. C&AG accepted this, highlighting that it was a matter which the Office was addressing through its team brief process and various papers issued via its intranet. He recognised that more work needed to be done to win hearts and minds if staff were to embrace the restructuring programme and the enhanced flexibility required to deliver office objectives. The Committee agreed that this was a risk which would need to be managed carefully by Management.

A wider discussion ensued around the presentation of the various risk management papers to the Committee. Members requested that the papers should highlight the ratings of the risks as well as actions and the trend over time. The risk appetite should be explained in the risk management strategy and it was noted that the strategy is due to come to the next meeting. It was agreed that the Chair would liaise with the Secretary on this issue with a view to including all relevant information into one single paper for the Audit Committee meetings, taking on board the members' comments. Should further detail be required on a specific risk, the relevant register extracts could be shared.

It was also agreed that Assurance Statements should be provided on a six-monthly basis going forward.

8. Terms of Reference

The Audit Committee's Terms of Reference were reviewed and agreed. It was noted that the Office website should be updated to include the new non executive members. Induction and training for committee members was discussed, to be followed up by the Secretariat.

The Committee discussed the value in benchmarking the role and operation of the Audit Committee with other governance structures involving a Corporation Sole. It was agreed that one member and the Secretary should initially visit the Wales Audit Office in the near future.

9. Forward Work Programme

The Committee was content with the proposed forward programme to take the same approach as the 2015 programme, subject to meeting the required dates for the accounts and audit schedule. It agreed that it should continue to review a specific area of interest at each meeting. Topics required further discussion. The Office agreed to provide a list of

issues for potential future consideration.

In terms of timing of the meetings, it was agreed that the Secretary would liaise with the members to produce a timetable suitable for all.

10. Internal Whistleblowing Procedures

N Gray provided a short presentation on best practice in internal whistleblowing. Following discussion, the Committee recognized that responsibility for finalising the Whistleblowing policy lay with Management. Members made some observations for Management to consider, in particular around clarity where it was now in a position to finalise its consideration of the Office's procedures on the role of named parties and on the escalation processes, including making it explicit that internal and external audit do not have investigative powers in such matters and do not represent an appeal channel.

11. Stakeholder Engagement

The Secretary briefed the committee on this paper which was duly noted. The introduction of the Public Service Ombudsman Bill was also noted.

12. Committee Effectiveness Report

The Report was noted by the Committee.

13. AOB

There was no AOB.