

NIAO AUDIT COMMITTEE MEETING
Monday 15th February 2016 at 2.00 pm
Conference Room, NIAO

1. Meeting of committee members only
2. Confidential Meetings with Internal and External Audit (2:00 pm)
3. Declaration of Conflicts of Interest
4. Minutes of meeting of 6th November 2015 and matters arising from minutes (Paper 1)
5. Internal Audit
 - Open audit points (Paper 2)
 - Internal audit reports
 - Review of Business Continuity Management (Paper 3)
 - Review of Contracted-out audit (Paper 4)
 - Review of Management of Fixed Assets (Paper 5)
6. Finance
 - Financial Management Report (Paper 6)
7. Risk Management
 - Risk Management Strategy (Paper 7)
 - Summary Risk Management Report (Paper 8)
 - Corporate Risk Register (Paper 8.1)
 - Corporate Support Risk Register (Paper 8.2)
8. Internal Whistleblowing (Paper 9)
9. Stakeholder Engagement (Paper 10)

AOB

MINUTES OF AUDIT COMMITTEE MEETING HELD 15th February 2016

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)

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. As part of the discussion, the schedule of meetings was re-arranged as follows:

Wednesday 20th April
Tuesday 21st June
Tuesday 20th September
Thursday 24th November

It was agreed that the Audit Committee will commence at 10:00am on each of these dates.

3. Declaration of Conflicts of Interest

There were no issues declared by the Committee members.

4. Minutes of Meeting held 6th November 2015 and Matters Arising

The minutes of the meeting held on 17th September 2015 were approved, subject to minor amendment. In relation to matters arising: it was confirmed that an IT circular, which collated and clarified extant IT guidance, had been issued to all staff; the Chair instructed the Secretary to re-arrange a visit to the Wales Audit Office Audit and Risk Committee for June 2016; and it was agreed that the scheduling for next year's corporate plan should incorporate the issue of an early draft to members for their consideration.

5. Internal Audit

J Sides provided an update on open audit points (outstanding recommendations) from the 2014/15 internal audit work. She advised that two recommendations were planned for completion by 28 February 2016 and the remaining three recommendations, relating to

updating IT policy, await ongoing developments in NICS as discussed at the Committee's meeting on 6 November.

In relation to 2015-16 Internal Audit reviews J Sides reported that NIAO considered that it had addressed all recommendations. Discussion ensued on a recommendation in the Internal Audit Review of Business Continuity Management, relating to testing BCP arrangements, that the Office had decided not to implement. It was agreed that both NIAO and Internal Audit should consider further, and report back to the Committee in April. Regarding a recommendation within the Review of the Management of Fixed Assets, in response to a query from a member, it was confirmed that there had been full laptop verification, whether these were owned by the Office or IT Assist (the outsourced server provider).

B Barron informed the meeting that the implementation of and compliance with each of the recommendations for Business Continuity Management, Contracted-out Audits and Management of Fixed Assets would be tested in Mazars' follow up review of outstanding recommendations which 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. Excluding the Voluntary Exit Scheme (VES), the Office currently forecast a surplus for 2015-16 in the region of 1.5 per cent. Members sought clarity around the holiday pay accrual, legal fees and the scope to generate income.

In addressing the issue of VES under-spend the meeting was informed that an under-spend of £319,000 had arisen against the allocation of £997,000 anticipated using the full £997,000 when preparing the Spring Supplementary Estimate. C&AG explained that this had arisen as Tranche 2 had not been completed at that point and the grade of staff accepting the scheme was lower than anticipated. He informed members that, as a result of this exercise which cost £640,000, the savings in the pay bill for 2016-17 would reduce by £700,000. To retain flexibility in staffing arrangements, the C&AG confirmed that he had also bid for £600,000 for a further VES in 2016-17. A Allen confirmed that the Office would be considering a note to the account on this issue.

7. Risk Management

J Campbell informed the members that, in reviewing the Risk Management Strategy (RMS), recent comments from the Audit Committee that risk management reporting should be coherent, proportionate and consistent but not over-elaborate were taken on board. The key changes made to the strategy were the adoption of one risk appetite throughout the Office (cautious) and the provision of further detail around the risk triggers.

In addition, to confirmation of the frequency of management review of the various risk registers, a number of details were confirmed around the provision and timing of the various risk registers to the Committee for review and it was clarified that the Advisory Group, under its terms of reference, had no formal role in the oversight of risk. It was

therefore agreed that all references to the Group in the document will be removed.

Section 6.2 was noted as a duplication of 6.1 and is to be removed and a minor amendment was noted to the role of External Audit.

In consideration of the Risk Management Summary paper members agreed that this was no longer a requirement as review of the various risk registers and the information within Annex 1 (supplemented with a column confirming the risk owner) and Annex 2 to the summary paper were considered to be sufficient for Committee purposes. However, to avoid confusion it was agreed that the Corporate Support Risk Register was retitled "Cluster 4 Risk Register". It was agreed that Risk 3 on Annex 2 should remain consistent in February 2016 with January 2016.

The committee considered the Corporate Risk Register and the Corporate Support Risk (Cluster 4) Register. In relation to the former, members' attention was drawn to the new risk, "Negative culture and staff disengagement" and advised that mitigating actions for this risk were currently being considered by senior management.

8. Internal Whistleblowing Procedures

The paper was noted by the Committee. It was agreed that this should be placed on the intranet with version control appended to the front of the document.

9. Stakeholder Engagement

Members were briefed on the various stakeholder engagement activities conducted since the previous meeting. This included the survey conducted on a sample of auditees (which could possibly be included in the Annual Report), the issue of a paper containing handling/marketing tips for staff to consider at various stages in the production of a published report, the completion of a second MLA Survey and the ongoing development of a training programme for new MLAs post-election. Members welcomed each of the initiatives and recognised the challenge ahead in engaging a different Assembly membership after the May 2016 election. C&AG informed members that the Office was in close liaison with the Assembly Secretariat and were seeking to be part of the induction programme for new MLAs.

G Body raised the issue of engagement with members of the House of Commons and the House of Lords; C&AG accepted that this needed to be considered further.

10. AOB

B Barron advised that the follow up on recommendations to date, an overall audit conclusion and a draft assurance statement would be brought to the next meeting and requested that these be noted on the agenda.

Likewise, J Davin advised that the Audit Strategy would be presented at the next meeting.

The Chair raised the issue of "Key Areas for Discussion" which was previously a fixed item in the Committee agenda and the potential to identify a number of subjects for the forward work programme. Following discussion, and mindful of the work of the Advisory

Group, it was agreed that rather than identify a forward programme beyond the annual committee programme, any issues emerging could, as they arose, be included into the agenda as appropriate.

Members also requested that the schedule for the production of the annual report and accounts should include the early issue to members for their consideration.

The meeting was brought to a close.

The next meeting will be on Wednesday 20th April in the NI Audit Office Conference Room, starting at 10:00am.