

NIAO AUDIT COMMITTEE MEETING
Thursday 5th February 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 28th November 2014 and matters arising from minutes (Paper 1)**
- 5. Internal Audit**
 - **Open Audit Points (Paper 2a)**
 - **Open Audit Points Schedule (Paper 2b)**
 - **Internal Audit Strategy – 14/15 to 15/16 (Paper 2c)**
 - **Internal Audit Reports (Paper 2d)**
 - **Consolidated Fund (2di)**
 - **Performance Management and Training (2dii)**
- 6. Finance Report (Paper 3)**
- 7. Whistleblowing**
 - **Process and procedures (Paper 4)**
 - **Current issues**
- 8. Risk Management**
 - **Corporate Risk Register (Paper 5)**
 - **Summary Risk Management report (Paper 6)**

 - **Divisional Risk Management updates**
 - **Corporate Cluster Risk Register (Paper 7A)**
 - **Corporate Cluster Assurance Statement (Paper 7B)**
 - **Division V Assurance Statement(Paper 8)**
 - **Division F Assurance Statement (Paper 9)**
- 9. Corporate restructure (Paper 10)**
- 10. AOB**

- **Review of internal and external audit effectiveness (Papers 11.1 & 11.2)**
- **Closed session with management**

MINUTES OF AUDIT COMMITTEE MEETING HELD 5TH FEBRUARY 2015

Members Present: Mary Halton (Non Executive Member- Chair)
Diane McGiffen (Non Executive Member)
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)
Maria Gannon (Mazars – Internal Audit)
John Davin (Baker Tilly Mooney Moore (BTMM – External Audit¹)
Neil Gray (NIAO Director – Cluster 3) (Paper 4)
Brandon McMaster (NIAO Director – Cluster 4) (Paper 10)
Joe Campbell (Secretary)

1. Meeting of Committee Members Only

A meeting was held of the members before other attendees joined the meeting. Members discussed whistleblowing and other complaints brought to the attention of the committee. Members had previously met by conference call on January 7th 2015 to discuss complaints received.

2. Confidential Meetings with Internal and External Audit

No confidential meeting was required by members or by Internal or External audit.

3. Declaration of Conflicts of Interest

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 28th November 2014 and Matters Arising

The minutes of the meeting held on November 28th 2014 were approved subject to minor amendment. Outstanding matters arising from the minutes not closed or addressed elsewhere in the agenda were noted as indicated below:

- A confidential telephone line will be introduced to facilitate the internal whistleblowing process.

5. Internal Audit

In dealing with open audit points, members agreed that there was a need to ensure that IA recommendations should be dealt with in a timely and proportionate manner. This was considered an essential requirement as the actions taken by management in such matters contributed towards the overall assessment of the annual Statement of Internal Control and the Office's governance report.

¹ Mr Davin left the meeting at 12:00

The Committee considered the Internal Audit Strategy presented by Mazars, and discussed the potential priority areas for review. The timing of two audits was adjusted to accommodate organizational changes in the Office. It was agreed that the Audit Committee would continue to review the Internal Audit Strategy on a regular basis to assess priorities in light of the on-going needs of the Office.

On enquiry from the Committee, External Audit confirmed that the work carried out by Internal Audit is taken on board, where appropriate, in the planning of the external audit.

Following discussion at the audit committee meeting on November 28th, Internal Audit and Management met to consider the IA review of the NI Consolidated Fund. A number of changes subsequently made to the final report were noted by the committee and actions taken by Management following the report were considered.

At management's request, consideration of the Internal Audit report on Performance Management and Training was postponed until the next meeting of the Audit Committee, pending review of the report by management. Consideration will be given to obtaining external advice on resource management initiatives.

6. Finance

The Committee was briefed on the paper presented on financial management. Consideration was given to how financial monitoring could be further enhanced. It was agreed that, commencing 2015-16, the Committee would receive a report on the monthly profiling of expenditure (budget and outturn).

The Committee was informed that the Office had released £100,000 in January monitoring and was on target to meet its budget for 2014/15. The expected outturn for the year was discussed and management answered a number of queries raised by the committee, including in relation to the release of surplus funds and the pressures imposed by budget constraints currently in place.

The Committee was briefed on the budget for 2015/16 and the 6 per cent cut to the NIAO's budget arising from the Executive's Final Budget that had been proposed in the budget debate in the NI Assembly on 27 January 2015. Management expressed concerns about the Office's ability to deliver such savings within this timescale. The committee recommended an independent root and branch review of budgeted expenditure to determine where savings could be made, if any.

7. Whistleblowing

Following discussion at the November 28th 2014 meeting, Neil Gray delivered a presentation to the Committee on the proposed process for dealing with Whistleblowing complaints. A number of points were queried by the committee, including in relation to the appropriate reporting of complaints received, the specific nature of actions in relation to whistleblowing issues raised, and the facilitation of audit committee oversight of open whistleblowing complaints. The proposed process and related documentation will be

amended to address these issues, and the whistleblowing policy updated to reflect agreed changes.

The Chair noted the receipt of a final report from Mazars concerning their investigation of whistleblowing complaints referred to the NIAO audit committee by the audit committee of the Northern Ireland Assembly. The report had been provided to committee members in advance on the meeting and discussed by them. While no breaches were noted for four complaints, aspects of two complaints were partially upheld. Management provided explanation of how these had been addressed and confirmation that controls are now in place to ensure compliance with NIAO policies. It was agreed that the Mazars' report would be forwarded to the audit committee of the NI Assembly for consideration and communication with the whistleblower, as appropriate. Complaints received by the committee from two individuals are currently under consideration by the committee.

8. Risk Management

Corporate Risk Register – The Committee was briefed on the revised Corporate Risk Register, which has been redrawn since the last committee meeting, alongside divisional risk registers and in line with organisational changes. The Committee reviewed the risks, and it was agreed that management would amend the register to address a number of issues, including providing clear delineation of the risks, and ensuring the appropriate correlation between the adequacy of controls and actions agreed in relation to each risk.

Summary Risk Management Report – The Committee addressed the Risk Management Strategy which had been updated following discussion at the previous meeting of the Audit Committee. Some further minor amendments were agreed. The meeting debated risk appetite and its relationship with risk triggers, the alignment to the risks and compensating controls identified in the risk registers, and the escalation of issues arising. It was agreed that Management would address these issues, and that the final Risk Strategy would then be circulated to staff. The Committee also considered that an Issues Log should be established to identify issues/near misses that occur. A summary report on the Issues Log will be presented at each meeting of the Audit Committee.

The Committee was briefed on the Corporate Support Cluster risk register. The Committee noted Risk Assurance Statements from each of the divisions.

9. Corporate Restructuring

The Committee was briefed by Brandon McMaster on the progress which had been made in business restructuring. The key components of the implementation plan were reported:

- Communications
- IT
- Human Resources and

- **Audit Technical**

The committee discussed key risks associated with the project and noted assurances that that these are being actively managed through a dedicated project risk register.. Overall, Management concluded that considerable progress had been made though many challenges lay ahead both in the short and longer term.

The Committee was informed of concerns around finance (highlighted at Part 6 above) which had the potential to cause difficulties in the process. It was also informed of the need to re-engineer the leadership and management training programme to ensure that it is fit for purpose in light of organisational changes.

10. AOB

It was agreed that the reviews of internal and external audit effectiveness will be addressed at the next meeting of the Audit Committee.

A closed meeting was held with management.

