

# **NIAO AUDIT COMMITTEE MEETING**

**Thursday 11<sup>th</sup> June 2015 at 9.00 am**

**Conference Room, NIAO**

- 1. Meeting of committee members only (time tbc)**
- 2. Confidential Meetings with Internal and External Audit (9.am)**
- 3. Declaration of Conflicts of Interest**
- 4. Minutes of meeting of 24<sup>th</sup> April 2015 and matters arising from minutes (Paper 1)**
- 5. Internal Audit**
  - **Open Audit Points (Paper 2)**
  - **Progress against Internal Audit Report on Performance Management and Related Staff Training (Paper 3)**
  - **IA Report on Management of IT Contracts – (Paper 4)**
  - **Internal Audit Final Assurance Statement (Paper 5)**
- 6. External Audit**
  - **Audit Findings Report (Paper 6)**
  - **Letter of Audit Representation (Paper 7)**
  - **External Audit Report on Financial Impacts (Paper 8)**
- 7. Finance**
  - **Draft Annual Report and Accounts 2014-2015 (Paper 9)**
  - **Financial Management Report (Paper 10)**
- 8. Risk Management**
  - **Annual Review of Corporate Risk (Paper 11)**
  - **Corporate Risk Register (Paper 12)**
  - **Assurance Statements**
    - **Annual Cluster Assurance Statements (Paper 13)**
    - **Assurance Statements (1 April 2015 to 31 May 2015) (Paper 14)**
  - **Corporate Risk Appetite (Paper 15)**
  - **Health and Safety Assurance Statement (Paper 16)**
  - **Issues Log (Paper 17)**
  - **Annual report of assurance on outsourced activities (Paper 18)**
- 9. Transparency Report (Paper 19)**

- 10. Senior Management/NED Expenses (Paper 20)**
- 11. Annual Report on Complaints, Fraud and Whistleblowing (Paper 21)**
- 12. Audit Committee Annual Report (Paper 22)**
- 13. Internal Whistleblowing Procedures (Paper 23)**
- 14. Summary of 2012 Report on the review of audit work on NIHE Land Sales (Paper 24)**

**AOB**

- **Review of Audit Committee Effectiveness**
- **NI Assembly Audit Committee Review of MoU**

## MINUTES OF AUDIT COMMITTEE MEETING HELD 11<sup>th</sup> June 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)  
Bernard Barron (Mazars – Internal Audit)  
John Davin (Baker Tilly Mooney Moore (BTMM) – External Audit)  
Anne Fitzpatrick (BTMM – External Audit) – Papers 1-8  
Roisin McKeating (NIAO – HR Manager) – Paper 3  
Joe Campbell (Secretary)

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

A meeting was held of the members on Wednesday 10<sup>th</sup> June in the premises of Baker Tilly Mooney Moore (BTMM) in advance of the 11<sup>th</sup> June meeting.

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

The Committee held a confidential meeting with External Audit (BTMM) at its premises on 10<sup>th</sup> June, and with Internal Audit at the start of the 11<sup>th</sup> June meeting.

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

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

### **4. Minutes of Meeting held 24<sup>th</sup> April 2015 and Matters Arising**

The minutes of the meeting held on 24<sup>th</sup> April 2015 were approved subject to minor amendment. Regarding matters arising, it was agreed that business continuity planning and crisis management planning should be carried forward to a later meeting. Regarding stakeholder engagement, it was agreed that the Audit Committee would be updated on an ongoing basis. Other matters arising were covered in the 11<sup>th</sup> June agenda.

### **5. Internal Audit**

#### Open Audit Points

The Committee was informed that, further to its meeting of 24 April 2015, Management and Mazars had discussed the April 2015 Follow Up Review addressing the implementation of Internal Audit recommendations. Both agreed that five recommendations were partially implemented and two recommendations should be recorded as implemented subject to internal audit follow up. The Chair welcomed the extensive progress that had been made on both implementation and agreement between NIAO and IA.

#### Internal Audit Report on Performance Management and Related Staff Training

R McKeating, NIAO HR Manager joined the meeting. The Committee welcomed the paper setting out the current position in relation to outstanding recommendations relating to Mazars' review of this area. Management advised that its focus was on the full and robust application of the existing performance management system, until the proposed revised/updated system was introduced.

R McKeating briefed the Committee on the proposed new automated performance management system. She informed the meeting that the proposal had been issued for consultation and that, to date, feedback had been very positive. However, a final decision remained to be taken by the Executive Team. The report was considered and discussed by the members and a number of questions were raised, following which it was agreed that a realistic date for the introduction of a new system would be 1 January 2016.

D McGiffen suggested that there was a need to establish a clear schedule and implementation plan to prevent project drift.

#### IA Report on Management of IT Contracts

The Committee was briefed by B Barron on the draft report; action points in relation to the findings had been agreed by Management. Members discussed the report and noted that confidence and assurance had improved and actions point are to be completed on or before 31 December 2015. It was noted that the comments on audit findings reports should relate to the risks.

#### Internal Audit Final Assurance Statement

Mazars briefed the Committee on their final Assurance Statement for 2014-15. They explained how their assurance had increased from satisfactory to substantial between their draft assurance statement, considered by the Committee on 24 April 2015, and their final assessment considered in the meeting. This update in conclusion was welcomed.

The Chair thanked Mazars for the service provided during the year under review.

### **6. External Audit**

#### **Audit Findings Report**

J Davin presented the key findings of BTMM's audit of the Office's 2014-15 accounts. In doing so, he confirmed the independence of the external audit process.

He informed the meeting that BTMM did not anticipate any modifications to its audit report, in connection with the financial statements, regularity of expenditure, that part of the remuneration report required to be audited, the corporate governance section of the annual report, or the other matters upon which it reports by exception. He addressed one small error which NIAO had adjusted for in the accounts.

J Davin advised that, due to political uncertainty around Welfare Reform and the provision for funding for the Voluntary Exit Scheme and the potential impact this may have on the funding that will be made available to the Office in 2015-16, he would continue to discuss the potential inclusion of a post balance sheet event note to the 2014-15 accounts with Management following the meeting. NIAO informed the Committee that it would be

liaising with DFP on drafting this note, since it also could potentially impact on all other public bodies. Committee members reviewed the report and raised a number of queries which were addressed by the audit team.

A Fitzpatrick delivered a short presentation on the Independent Auditor's Report.

#### **External Audit Report on Financial Impacts**

J Davin provided the Committee with an overview of BTMM's report, which concluded that the Office's financial impact in 2014-15, which totalled £26.6m and equated to 3.4 times the NIAO's net resource outturn, was accurately stated.

C&AG informed the meeting that he intended to streamline the impacts measurement process in 2015-16 to focus primarily on impacts over a specific financial value (to be determined). Committee members discussed the report and raised a number of queries.

The Chair welcomed the findings which clearly demonstrated the value added by the Office, and thanked BTMM for their overall work in respect of 2014-15

A Fitzpatrick left the meeting.

### **7. Finance Report**

#### **2014-15 Annual Report and Accounts**

The Committee examined the Annual Report and Accounts, recommending some adjustments including relocating the Sickness Absence section within the Annual Report, removing a small number of notes from the accounts that did not add additional information, and minor editorial amendments.

For forthcoming years, it was agreed that, for completeness, the accounts would be reviewed by the Office's technical team, prior to submission for audit.

The Chair requested further information/clarity in the coverage of the Voluntary Exit Scheme and future funding of the Office, and in relation to whistleblowing in the reporting of complaints. Following the Committee's consideration, she asked management to pass on her thanks to the team who had produced the report.

#### **Financial Management Report**

J Sides confirmed that the surplus for 2014-15 was £361,000 which was significantly higher than projected at 4.5 per cent of the Net Resource Requirement for the year. The reasons for this were discussed. Action would be taken to review and enhance the accuracy of forecasting year-end outturn.

### **8. Risk Management**

#### **Annual Review of Corporate Risk**

The Committee considered the paper. A Gallagher noted the need to adjust the report for the increase in assurance from satisfactory to substantial that had been provided by internal audit in relation to the NIAO's arrangements for internal control, risk management and governance in areas where audit work was performed.

### **Corporate Risk Register**

The Chair sought clarity on certain risk ratings in the register and requested that management ensured that these were consistent with the briefing on 2015-16 finances delivered to the NI Assembly Audit Committee on 14 April 2015 and consistent across registers and other papers.

### **Assurance Statements**

In considering the risk management assurance statements provided by operational units, P Douglas sought and received from management confirmation that the risk “to fail to deliver audit outputs on time” would reduce as the financial audit programme passed Assembly summer recess.

The Committee recommended that, going forward, any concerns regarding adequacy of controls should be given more prominence in the assurance statements.

D McGiffen highlighted developments in Audit Scotland’s approach to risk assessment and undertook to provide the secretariat with a copy of its latest report.

### **Risk Appetite**

In considering the paper presented, the relationship between risk appetite and risk triggers was discussed. The Committee advised that staff should be aware of trigger breaches and be actively encouraged to raise alerts when there are potential occurrences.

### **Health and Safety Assurance Statement**

Mrs. Sides informed the Committee that the Health and Safety Policy will be reviewed to ensure any changes in legislation are incorporated, and that these changes are brought to the attention of staff. The policy will be re-issued to all staff via NIAOmi to remind them of their, and the NIAO’s, responsibilities in respect of Health and Safety at Work.

### **Issues Log**

The chair recommended that the cumulative issues log should be provided for each meeting and should identify near misses.

### **Annual report of assurance on outsourced activities**

The paper provided assurance to the Committee that in 2014-15 NIAO had adequate arrangements and controls in place to oversee and manage the outsourced provision of its IT services. The Committee welcomed the paper and while some issues arising from an internal audit review were to be actioned, it recognised that it was being actively managed.

## **9. Transparency Report**

The Transparency Report prepared by the Office and presented to the Committee set out the role, governance structure and values of the Office, together with the impacts it has had on its stakeholders. It also defined the independent status of the C&AG and the Office, together with its quality control measures across all aspects of work. Overall, as a result of the quality monitoring Office activities, the Office was able to provide the Committee with

assurance regarding the quality of work carried out in the reporting period.

Management drew the Committee's attention to the Office's planned consideration of rotation as a result of the restructuring of the business, and advised that the Public Reporting External Review Panel had been refreshed. Management also advised the Committee that the Transparency Report would be placed on the NIAO Website.

In dealing with the issue of transparency, the Committee also ratified the format of hospitality and expenses, and how they were recorded on the website.

#### **10. Senior Management/NED Expenses**

Members noted the papers on senior management/NED expenses. It was confirmed that the papers would be placed on the NIAO website.

#### **11. Annual Report on Complaints, Fraud and Whistleblowing**

The report, which set out information on whistleblowing and complaints against the Office in the reporting period (which is also reported in the Annual Report and Accounts) and confirmed that there were no reported incidents of fraud, was noted by the Committee.

#### **12. Audit Committee Annual Report**

The draft report, which was reviewed by members in advance of the meeting, set out the range of work conducted by the Committee in the Reporting Period. Final changes were agreed by committee members and it was agreed that, following the meeting, the chair would complete the report and forward on to members.

#### **13. Internal Whistleblowing Procedures**

Management was requested to update the policy paper issued to all staff, taking on board the latest changes to Committee membership. The procedures paper will be re-submitted to the Committee, subject to minor amendment, in the September meeting.

#### **14. 2012 Report on the review of audit work on NIHE Land Sales**

Having considered the paper on the issue of the internal NIAO 2012 Report on the review of audit work on NIHE Land Sales, members, it was agreed that the Chair would seek further clarification on this matter with the Office, prior to the next meeting of the Committee.

#### **15. AOB**

##### **Review of Effectiveness of Audit Committee**

In line with the independent review process agreed by the committee, Mazars has gathered feedback from a range of key stakeholders and a report is being finalized. It was agreed that this would be completed prior to the next meeting.

##### **Meeting with NI Assembly Audit Committee**

It was agreed that with M Halton and D McGiffen standing down, A Gallagher and P Douglas should attend a meeting of the NI Assembly Audit Committee.

The Memorandum of Understanding between and NIAO and the NI Assembly Audit Committee was currently being reviewed by both the Committee and the NEDs. Non-executives would consider and submit their considerations on it to the Assembly Audit

Committee.

**Thanks**

In stepping down from her role as Chair of the Audit Committee and member of the Advisory Group, M Halton thanked the C&AG and his staff, internal audit, external audit and the members of the committee for their support during her tenure. D McGiffen, who was also stepping down, thanked all involved in the process. C&AG thanked both members for their contributions over the past four years and wished them well in the future.

