**Minutes of the Audit and Risk Assurance Committee meeting** **held on Tuesday 12 June 2018 at 2.00pm at the Labour Relations Agency, Gordon Street, Belfast**

**Present:** Deirdre Fitzpatrick (Chair)

 Louise Crilly

 Gary McMichael

 Daire Murphy

**In attendance:** Tom Evans (Chief Executive)

 Don Leeson (Director of Corporate Services)

 Paul Cassidy (Finance Manager)

 Stacy Bonar (Deloitte)

 Katrina Bingham (Deloitte)

 Wendy Carberry (Department for the Economy)

 Brian O’Neill (Northern Ireland Audit Office)

 Claire Richmond (Moore Stephens)

 Brian McFetridge (Baker Tilly Mooney Moore)

**Apologies:** Alison Millar

 Pauline Shepherd

 Sarah Lawrence (Board Mentee)

 Joanne McGinnis (Board Apprentice)

 Rosemary Peters‑Gallagher (Moore Stephens)

Members of the Audit and Risk Assurance Committee met ‘in‑camera’ before the meeting formally commenced. The key points from this discussion are recorded at agenda item 12.

**Declarations of Interest:** no conflicts of interest were declared.

1. **Minutes of the Last Meeting**
	1. The minutes of the Audit and Risk Assurance Committee meeting held on 13 March 2018 (paper ARAC 01‑06/18) were agreed as an accurate record, subject to an amendment.
	2. Paragraph 5.10 of the minutes is amended to read:

“…The Committee noted that the recommendations will be incorporated into a revised version of the Risk Management Framework as part of its forthcoming annual review. The revised Framework will be submitted to the May 2018 Board meeting for approval…”

1. **Matters Arising from the Last Meeting**
	1. The Director of Corporate Services reported that the NICS pay award has now been finalised (paragraph 3.3 of the minutes of the last meeting refers). The Agency is preparing the business case to seek DfE/DoF approval to pay the award to staff.

**Action: Director of Corporate Services**

* 1. The Director of Corporate Services reported that the Agency’s provider of Sage accounting software had been commissioned to conduct a needs analysis in response to a recommendation from the internal audit of financial controls (paragraph 5.5 of the minutes of the last meeting refers). This concluded that Sage 200cloud offers the appropriate level of functionality for automating budget monitoring and online purchase orders to replace the current manual systems. The comparative costs of installation and staff training with other Sage accounting products are now being explored before a final decision on the way forward is taken.

**Action: Director of Corporate Services**

* 1. The Committee noted that the revised Risk Management Framework, which was discussed by Committee members at the Risk Workshop on 3 May, was formally approved at the May 2018 Board meeting. (paragraph 5.10 of the minutes of the last meeting refers).
	2. The Director of Corporate Services reported that all staff are required to complete the NICS GDPR Awareness e‑learning package and that most of have now done this (paragraph 5.13 of the minutes of the last meeting refers). The Committee noted that Board members have committed to complete the package before the June 2018 Board meeting.
1. **Chief Executive’s Business**

Budget Update

* 1. The Chief Executive reported that the Agency spent 99% of its budget allocation in 2017-18 and therefore the financial target set in the Business Plan had been achieved.
	2. The Chief Executive reported that the Agency is awaiting formal confirmation of its budget allocation for 2018-19. However, the Agency has been informed that this will be the same as the 2017-18 baseline, meaning that pay and price increases will need to be absorbed. A paper on the budget is being prepared for approval at the June 2018 Board meeting.

**Action: Director of Corporate Services**

Accommodation Update: Rent Review and Lease Expiry

* 1. The Committee noted that the legal documentation to extend the lease on the Agency’s Headquarters building is being prepared by the Departmental Solicitor’s Office for signature.
	2. The Chief Executive reported that an options paper regarding the longer term accommodation requirements for the Regional Office has been prepared for discussion at the June 2018 Board meeting.

Transformation Update

* 1. The Chief Executive provided an update on the Transformation Programme. Following the departure of staff under the Voluntary Exit Scheme in 2017-18, and restructuring from three to two Directorates, the Agency is now filling a number of posts, which have been transformed to meet the needs of the Corporate Plan for 2017-21.
1. **External Audit Matters**

Annual Report and Accounts for 2017-18

* 1. The Chief Executive presented the Annual Report and Accounts for 2017‑18 (paper ARAC 02–06/18). The Committee noted that a different format has been used to reflect the new Corporate Plan and changed Business Plan performance reporting arrangements, and the new organisational structure.
	2. The Department reported that it would be providing commentary on the Annual Report and Accounts for consideration by the Agency before the Board meets to approve the document at its meeting on 21 June 2018. The Committee noted that the Agency and the Department will liaise to agree a timetable for the processing of its feedback at an earlier stage of the development of the Annual Report and Accounts for 2018-19.

**Action: Director of Corporate Services/DfE**

* 1. The Committee noted that a disclosure issue regarding the Remuneration Report has arisen. Departmental advice has been sought on this matter. The outcome will be reported to the June 2018 Board meeting.

**Action: Chief Executive**

* 1. The Agency’s accountant briefed the Committee on key aspects of the Financial Statements. The Committee noted that an adjustment has been included to address under depreciation of assets in 2016-17. The Committee also noted that the level of accruals is significantly higher in 2017-18 because payment was pending at the year end for the CMRS Phase 2 development costs, the 2017 pay award, and the 2014 Rent Review.
	2. The Committee approved the Annual Report and Accounts for 2017-18 for submission to the Board.

**Action: Director of Corporate Services**

Draft Report To Those Charged With Governance

* 1. The Committee noted that the draft Report to Those Charged with Governance (RTTCWG) (paper ARAC 03–06/18) was not yet ready. However, it would be available for the June 2018 Board meeting.

**Action: NIAO**

* 1. The NIAO reported that no major issues had been identified by the audit of the Annual Report and Accounts and an unqualified audit opinion is likely to be issued by the Comptroller and Auditor General. The Committee noted that one Priority 3 recommendation will be included in the RTTCWG regarding arrangements for ensuring the accuracy of depreciation calculations. A small number of adjusted and unadjusted errors were also noted.
	2. The NIAO reported that it was content with the quality of the Annual Report and Accounts. It also reported that the recommendation made in the RTTCWG for 2016-17 has been implemented effectively.
	3. The final RTTCWG for 2017-18 will be reviewed at the next Committee meeting.

**Action: Director of Corporate Services**

1. **Internal Audit Matters**

Internal Audit Update Report

* 1. Deloitte presented the update on Internal Audit activity since the last Committee meeting, which was noted by the Committee (paper ARAC 04‑06/18).

Internal Audit Report on Follow-up of Previous Recommendations

* 1. Deloitte presented the Internal Audit Report on Follow-up of Previous Recommendations (paper ARAC 05–06/18).
	2. The Committee noted that most recommendations have been implemented, with a small number carried forward into 2018-19.
	3. The Committee approved the Internal Audit Report and the management response to outstanding recommendations.

Internal Audit Annual Assurance Statement

* 1. The Committee approved the Internal Audit Annual Assurance Statement for 2017-18 (paper ARAC 06–06/18). This certifies that satisfactory assurance is provided for the Agency’s arrangements for governance, risk management and control based on the outcome of audits in 2017-18.

Terms of Reference for Internal Audit of ICT Controls

* 1. The Committee approved the Terms of Reference for Internal Audit of ICT Controls (paper ARAC 07–06/18).
	2. The Committee noted that the audit is scheduled to take place in August and the report will be presented to the next Committee meeting.

**Action: Deloitte**

1. **Risk Management**
	1. The Director of Corporate Services presented the draft Corporate Risk Register for 2018–19 (paper ARAC 08–06/18).
	2. The Committee noted that Register reflects changes to the Risk Management Framework agreed by the Board in May 2018. The Committee also noted that actions relating to ‘Brexit’ have been included in the action plan to mitigate the identified risks.
	3. The Committee approved the Corporate Risk Register for 2018–19 for submission to the June 2018 Board meeting.
2. **Fraud Incident**
	1. The Director of Corporate Services presented a report on a fraud incident involving the Agency’s Government Procurement Card (GPC) (paper ARAC 09‑06/18). The report was an update of a paper presented to the May 2018 Board meeting.
	2. The Committee noted that the fraud had emanated from outside the Agency, and the GPC provider has accepted liability and reimbursed the Agency for the losses.
	3. The Committee noted that, while there does not appear to be any weaknesses regarding the Agency’s controls of the GPC, this is an area that will be reviewed as part of the audit of financial controls later in 2018‑19.

**Action: Deloitte**

1. **Audit and Risk Assurance Committee – Annual Report to the Board for 2017-18**
	1. The Chair presented the Committee’s draft report to the Board on its activities in 2017-18 (paper ARAC 10–06/18). She thanked the Committee and attendees for all their work throughout the year.
	2. It was noted that the Internal Audit Annual Assurance Statement, and progress in implementing audit recommendations from 2017-18, will be appended to the report.

**Action: Director of Corporate Services**

* 1. The Committee approved the report for submission to the June 2018 Board meeting.
1. **Any Other Business**

Direct Award Contracts agreed since the last meeting

* 1. The Director of Corporate Services reported that no Direct Award Contracts have been awarded to date in 2018-19, nor had any been awarded in 2017-18.

External Guidance Documents Received– for noting

* 1. The Committee noted the list of relevant external guidance documents received by the Agency since the last meeting (paper ARAC 11–06/18). Attention was drawn in particular to the revised Audit and Risk Assurance Committee Handbook (NI), which had been issued by the Department of Finance in April 2018, and a good practice guide on cyber and information security, which had been published by the National Audit Office.
1. **Record of Any Matters Arising from the In–Camera Session**
	1. There were no matters arising from the in-camera session.
2. **Date of Next Meeting**
	1. The next Committee meeting is scheduled for 18 September 2018 (starting with an in‑camera session at 2.00pm). The key agenda items will be the final RTTCWG, the Corporate Risk Register, annual reviews of the registers of Contracts and Policies; the report on the audit of ICT controls, and Terms of Reference for audits planned for the autumn.