

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

Present: Deirdre Fitzpatrick (Chair)
Alison Millar
Daire Murphy

In attendance: Tom Evans (Chief Executive)
Don Leeson (Director of Corporate Services)
Paul Cassidy (Finance Officer)
Paul Lyons (Department for the Economy)
Camille McDermott (Deloitte)
Brian O'Neill (Northern Ireland Audit Office)

Apologies: Louise Crilly
Gary McMichael
Pauline Shepherd
Stacy Bonar (Deloitte)
Wendy Carberry (Department for the Economy)
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 8.

Declarations of Interest: no conflicts of interest were declared.

1. Minutes of the Last Meeting

1.1 The minutes of the Audit and Risk Assurance Committee meeting held on 18 September 2018 (paper ARAC 01-12/18) were agreed as an accurate record.

2. Matters Arising from the Last Meeting

2.1 The Committee noted that the outcome based accountability workshop took place on 3 October 2018 (paragraph 3.6 of the minutes of the last meeting refers). This was facilitated by NISRA for the SMT, with officials from DfE's sponsorship team also in attendance. The Director of Corporate Services reported that was a very useful session and NISRA praised the Agency's current business plan, which – in their view – was already well advanced in terms of an outcomes focus.

- 2.2 The SMT is now looking at the Agency's key performance measures and how these can be presented in a 'scorecard' format (as recommended in recent NIAO guidance). This work will be presented to the Board's planning workshop in February 2019.

Action: Director of Corporate Services

- 2.3 The Director of Corporate Services reported that the contract extension for IS Managed Services was agreed in September 2018 and provides for services to 31 August 2019 (paragraph 6.2 of the minutes of the last meeting refers). The Committee noted that the Agency is having exploratory discussions with IT Assist about whether it will be cost effective and feasible to transfer services to them at the end of this period. Alternatively, there is the option of a further one year extension to the contract if the Agency wishes to continue with the current service provider.
- 2.4 The Committee noted that DfE's Permanent Secretary had confirmed at the November 2018 Board meeting that Board appointments cannot be made in the absence of a Minister (paragraph 6.3 of the minutes of the last meeting refers). Board members are therefore being invited to agree to extend their current appointments until June 2019.

3. Chief Executive's Business

Budget Update

- 3.1 The Chief Executive reported that the Agency is seeking DfE approval for flexibility in the use of funding allocated for Early Conciliation (EC) to offset budget pressures. DfE's response is awaited. In the meantime, the Committee noted that it is likely that EC will be implemented with effect from October 2019.
- 3.2 The Committee noted that DfE's Permanent Secretary had indicated at the November 2018 Board meeting that the Agency's budget for 2019-20 will be the same as the current financial year. However, pay and price inflation would need to be absorbed within this funding allocation.

Accommodation Update

- 3.3 The Committee noted that the November 2018 Board meeting approved the business case for the relocation of the Regional Office following expiry of the current lease in 2019. This has been submitted for Departmental approval.

- 3.4 The Chief Executive reported that there has been a number of moves within Head Office as part of the Transformation Programme. The Agency is seeking to make the best use of its current space and some limited investment to make the accommodation as good as it can be. This includes creating a quiet room as part of work to support the mental health and wellbeing of staff.

Transformation Update

- 3.5 The Committee noted that the JNCC will be reviewing progress in implementing the Transformation Programme at its meeting on 13 December 2018. The intention is to agree what actions are needed to conclude the transformation.

Action: Chief Executive

- 3.6 It was agreed that future agendas need not itemise what issues the Chief Executive will cover in his update to the Committee.

Action: Director of Corporate Services

4. External Audit Matters

- 4.1 The Committee noted that the next external audit will be the last undertaken by Moore Stephens under the current contract. A procurement process is being planned to appoint new auditors for the five year period commencing with the audit of annual reports and accounts for 2019-20.

- 4.2 The Chief Executive reported that DfE has approved a business case for the appointment of a contractor to provide accountancy services to the Agency for the next three years.

Action: Director of Corporate Services

5. Internal Audit Matters

Internal Audit Update Report

- 5.1 The Committee noted the update on internal audit activity since the last Committee meeting (paper ARAC 02-12/18).

Internal Audit Report on Financial Controls

- 5.2 Deloitte presented the report on Internal Audit of Financial Controls (paper ARAC 03–12/18).

- 5.3 The Committee noted that most of recommendations have already been actioned. Of the few outstanding, most related to the updating of the Financial and Operating Procedures Manual to reflect the outcome of the audit.

Action: Finance Officer

- 5.4 It was agreed that the Agency should write to CPD to seek assurances regarding safeguards for the use of the Agency's Government Procurement Card by the NICS travel agency, in line with Internal Audit's recommendation.

Action: Director of Corporate Services

- 5.5 The Chief Executive paid tribute to the Finance Team for its work in implementing a new accounting system and achieving a satisfactory assurance rating as an outcome of this audit.

Internal Audit Report on ICT Controls

- 5.6 Deloitte presented the report on Internal Audit of ICT Controls (paper ARAC 04–12/18).

- 5.7 The Committee noted that, while only limited assurance has been achieved, a number of the recommendations were actioned ahead of the Agency's audit against the ISO 27001 standard in November 2018. Informal feedback from the ISO assessor has indicated that no major non conformities have been identified. The ISO audit report will be circulated to the Committee in due course.

Action: Director of Corporate Services

- 5.8 The Director of Corporate Services will monitor implementation of the outstanding recommendations from the audit and report progress to the Committee.

Action: Director of Corporate Services

Terms of Reference for Internal Audit of Business Continuity Planning

- 5.9 The Committee approved the terms of reference for the Internal Audit of Business Continuity Planning (paper ARAC 05–12/18).

- 5.10 The Committee noted that the timing of the audit has been put back to the week commencing 4 March 2019 to allow for the Business Continuity Plan to be tested and, if necessary, amended in light of any learning from this. The report from this audit will be presented to Committee in June 2019.

Action: Deloitte

Progress on Internal Audit Recommendations

5.11 The Director of Corporate Services presented a progress report on implementation of Internal Audit recommendations from 2017-18 (paper ARAC 06–12/18).

5.12 The Committee noted that all of the recommendations have been implemented. This will be verified in a follow-up audit, which is scheduled for the week commencing 4 February 2019. The findings from this review will be presented to Committee in March 2019.

Action: Deloitte

6. Risk Management

Corporate Risk Register (as at December 2018)

6.1 The Director of Corporate Services presented the updated Corporate Risk Register for 2018–19 (paper ARAC 07–12/18).

6.2 The Committee noted that the assessment of the risk relating to the Agency's ICT infrastructure has been decreased following the agreement of the extension of the IS Managed Services contract.

6.3 The risk assessment regarding the Agency's reputation for providing high quality services has been increased. This is because of concerns about the legal basis for some of the Agency's work on non-Tribunal related conciliation agreements. Legal advice on this matter is awaited from the Departmental Solicitor's Office.

Action: Director of Corporate Services

6.4 The Committee noted progress made in implementing actions to reduce the likelihood of risks materialising or mitigating their impact.

7. Any Other Business

Direct Award Contracts agreed since the last meeting

7.1 The Committee noted that no Direct Award Contracts have been awarded since the last meeting.

External Guidance Documents Received– for noting

7.2 The Committee noted the list of relevant external guidance documents received by the Agency since the last meeting (paper ARAC 08–12/18).

7.3 In particular, the Committee noted a change to the pay remit approval process as set out in FD (DoF) 09/18. This has removed the requirement for the Agency to obtain the Department of Finance's approval to pay staff the NICS pay award and therefore potentially makes the process quicker. However, this does not remove the requirement to prepare separate documentation for approval of a pay award that is mandated through the MSFM and to which staff have a contractual right. The Chief Executive reported that he is due to meet DfE's Director of Corporate Governance and will raise this as an example of the administrative burdens placed on arm's length bodies.

Action: Chief Executive

8. Record of Any Matters Arising from the In-Camera Session

8.1 The Chair confirmed that the matters arising from the in-camera session were discussed under the relevant substantive agenda items.

9. Date of Next Meeting

9.1 The next Committee meeting is scheduled for 12 March 2019 (starting with an in-camera session at 2.00pm). The key agenda items will be the Corporate Risk Register, draft report on the follow-up review, draft Internal Audit Plan for 2019-21, and draft External Audit Strategy.

9.2 The Committee approved the schedule of meetings for 2019-20 (18 June, 24 September and 10 December 2019, and 10 March 2020).