

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

Present: Deirdre Fitzpatrick (Chair)
Gary McMichael
Alison Millar
Daire Murphy

In attendance: Tom Evans (Chief Executive)
Don Leeson (Director of Corporate Services)
Wendy Carberry (Department for the Economy)
Camille McDermott (Deloitte)
Brian O'Neill (Northern Ireland Audit Office)
Rosemary Peters-Gallagher (Moore Stephens)

Apologies: Louise Crilly
Pauline Shepherd
Stacy Bonar (Deloitte)

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 9.

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 12 June 2018 (paper ARAC 01-09/18) were agreed as an accurate record.

2. Matters Arising from the Last Meeting

2.1 The Director of Corporate Services reported that the business case for the staff pay award was approved by DfE/DoF in July and paid with salaries in August 2018 (paragraph 2.1 of the minutes of the last meeting refers).

2.2 The Director of Corporate Services reported that the upgrade of the Sage accounting software and staff training on this had been delayed by staff absence and contractor availability (paragraph 2.2 of the minutes of the last meeting refers). The Committee noted that the installation process has started and is due for completion by the end of September. It is envisaged that the new software will be used to generate the management accounts for the period ending 30 September 2018.

Action: Director of Corporate Services

- 2.3 The Committee noted that the Annual Report and Accounts for 2017-18 was formally approved at the June 2018 Board meeting and certified without qualification by the Comptroller and Auditor General, and subsequently laid in the Assembly on 6 July 2018 (paragraph 4.5 of the minutes of the last meeting refers). The Committee noted that the document gave full disclosure of Board and senior managers' remuneration in line with the requirements of the Financial Reporting Manual, and no issues have arisen in respect of this (paragraph 4.5 of the minutes of the last meeting refers).
- 2.4 The Committee noted that its annual report for 2017-18 had also been approved at the June 2018 Board meeting (paragraph 8.2 of the minutes of the last meeting refers).

3. Chief Executive's Business

Budget Update

- 3.1 The Chief Executive reported the Agency is constrained by only having a one year budget, which inhibits longer term planning and committing to recurrent expenditure. The Committee noted that the cumulative effect of budget cuts in recent years and the requirement to absorb the additional costs of pay awards and price increases is a key concern. The result has been a total reduction in the Agency's budget, in both real and actual terms, of over £550k or 15% since 2010-11. The Chief Executive advised that the pressures created by the annual NICS pay settlement could lead to the unsustainable position of having to implement staff reductions simply to fund a pay award.
- 3.2 The Chief Executive reported that the business case for resources to implement Early Conciliation had been approved by a DfE Casework Committee, which the Agency attended in July 2018. It was subsequently approved by DfE's Permanent Secretary and is now awaiting final approval by the Department of Finance. The Committee noted that implementation of EC is also awaiting confirmation that DfE has the power to authorise the necessary enabling legislation.

Accommodation Update

- 3.3 The Chief Executive reported that an options paper had been presented to June 2018 Board meeting regarding the longer term accommodation requirements for the Regional Office following expiry of the current lease in 2019. The Board subsequently agreed a new service delivery model at its August 2018 meeting following a presentation from the Regional Office ERM. The Board agreed that the Agency will continue to deliver services from the Regional Office and supplement this by providing some services (eg training workshops) in other towns within its catchment area.
- 3.4 Accommodation options are being appraised on the basis this delivery model. It is the intention to present the outcome of this exercise and the business case for future accommodation to the November 2018 Board meeting. The Committee noted that the business case would require both DfE and DoF approval, which is likely to take a number of weeks to process.

Action: Director of Corporate Services

Transformation Update

- 3.5 The Chief Executive provided an update on the Transformation Programme. The Committee noted that the new wider Senior Management Team (SMT) comprising ERMs is in place and operating effectively. Also, the administrative teams had merged into a single Business Support Team, with effect from July 2018.
- 3.6 The Chief Executive reported that NISRA has been commissioned to facilitate a workshop for the SMT on 3 October 2018 outcomes based accountability, which DfE officials have been invited to attend. This is with a view to improving, if possible, the way in which the Agency captures and reports the added value it provides through its services. The outcome of this will be reported at the October 2018 Board meeting.

Action: Chief Executive

4. External Audit Matters – Report to Those Charged with Governance

- 4.1 The Committee approved the Report to Those Charged with Governance (paper ARAC 02-09/18), which records the outcome of the audit of the Agency's Annual Report and Accounts for 2017-18. It was noted that one minor recommendation had been made regarding ensuring the correct use of indices when revaluating assets in the financial statements.

5. Internal Audit Matters

Internal Audit Update Report

- 5.1 Deloitte presented the update on Internal Audit activity since the last Committee meeting (paper ARAC 03-09/18).
- 5.2 The Committee noted that staff availability had delayed completion of the audit of ICT controls. It further noted that the audit fieldwork is complete and a draft report has been prepared for consideration by the Agency. The final report, together with the response and recommendations, will be presented to the next Committee meeting.

Action: Deloitte/Director of Corporate Services

Terms of Reference for Internal Audit of Financial Controls

- 5.3 Deloitte presented the draft Terms of Reference for the planned Internal Audit of Financial Controls (paper ARAC 04–09/18). The Terms of Reference were agreed by the Committee, subject to the scope of the audit being extended to include controls regarding the management of petty cash.

Action: Deloitte

- 5.4 The report on the outcome of the audit, together with the response and recommendations, will be presented to the next Committee meeting.

Action: Deloitte/Director of Corporate Services

Progress on Internal Audit Recommendations

- 5.5 The Director of Corporate Services presented a progress report on implementation of Internal Audit recommendations from 2017-18 (paper ARAC 05–09/18).
- 5.6 The Committee noted that 6 out of 22 recommendations were outstanding. Of these, most will be completed with the implementation of the new accounting system and planned updates to the Finance Manual.

6. Risk Management

Corporate Risk Register (as at August 2018)

- 6.1 The Director of Corporate Services presented the updated Corporate Risk Register for 2018–19 (paper ARAC 08–09/18).

6.2 The Committee noted that the assessment of the risk relating to the Agency's ICT infrastructure has been increased to reflect a delay in the extension of the IS Managed Services contract. The service provider, which had taken over the contract following an acquisition, has asked for time to review the services provided before accepting the offer of a one year extension under the terms of the contract. While assurances have been received about the provider's commitment to the contract, contingency plans have been put in place. The situation is being monitored closely.

Action: Director of Corporate Services

6.3 Committee members expressed concern about the ongoing delays in appointing new Board members and the reliance on extending current appointments. Attention was drawn to the tripartite nature of the Board and the risk to the Agency's reputation if it becomes imbalanced because some members are no longer able to continue and are not replaced. There is also a risk that the Board might become inquorate. DfE undertook to provide an update on the situation to the Board.

Action: DfE

Revised DfE Risk Management Framework

6.4 The Director of Corporate Services reported that DfE had recently updated its Risk Management Framework, which the Agency's own approach is based on. The key change relates to how risk appetites are handled, which are now considered in relation to DfE's strategic objectives, rather than areas of activity (eg 'Financial', 'Compliance', etc).

6.5 The Committee agreed that, as the Agency had recently reviewed and updated its Risk Management Framework, the changes adopted by DfE will be considered at the next review.

7. Annual Review of Registers

Register of Contracts

7.1 The Committee noted the Register of Contracts (paper ARAC 07–09/18).

7.2 The Committee noted that the contract for mobile telephones was past its review date and was being rolled forward on a monthly basis, until a market test can be carried out. This will be undertaken later in the year, as soon as resources are available.

Action: Director of Corporate Services

Register of Policies

7.3 The Committee noted the Register of Policies (paper ARAC 08–09/18).

7.4 A number of HR policy reviews are behind scheduled, awaiting the appointment of a new HR Manager; and several are currently being consulted on with the Trade Union Side (TUS).

7.5 The Committee expressed concern about the Health and Safety Policy being beyond its review date. The Director of Corporate Services provided reassurance that the Agency has an active Health and Safety Committee, with TUS representation, which ensures effective management of health and safety issues. Furthermore, there have been no material changes that would affect the policy, so this slippage presents low risk. A staff member is currently undertaking the NEBOSH diploma and they will be tasked with reviewing the policy as part of this.

Action: Director of Corporate Services

7.6 It was agreed that outstanding policy reviews will be prioritised according to risk.

Action: Director of Corporate Services

8. Any Other Business

Direct Award Contracts agreed since the last meeting

8.1 The Committee noted that two Direct Award Contracts (DACs) had been awarded since the last meeting (papers ARAC 09–09/18(a) and ARAC 09–09/18(b)). One of these relates to the Agency's participation in a UK-wide survey of workplace dispute resolution with Acas where it was necessary to use the same provider to ensure comparability of GB and NI data; and the other is the Agency's liP reaccreditation for which there is only one provider. Both DACs were cleared through DoF in line with guidance.

External Guidance Documents Received– for noting

8.2 The Committee noted the list of relevant external guidance documents received by the Agency since the last meeting (paper ARAC 11–09/18).

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

9.1 The Chair confirmed that the matters arising from the in-camera session were discussed under the relevant substantive agenda items. These included the extension of the scope of the audit of financial controls to include petty cash, and the prioritisation of outstanding policy reviews.

10. Date of Next Meeting

10.1 The next Committee meeting is scheduled for 11 December 2018 (starting with an in-camera session at 2.00pm). The key agenda items will be the Corporate Risk Register, and the reports on the audits of ICT and financial controls respectively.