

Minutes of the Audit and Risk Assurance Committee meeting held on Monday 7 June 2021 at 10.00am via videoconference

Present: Deirdre Fitzpatrick (Chair)
Louise Crilly
Clare Duffield
Kevin McCabe
Daire Murphy
Lee Wilson

In attendance: Don Leeson (Chief Executive)
Paul Lowe (Director of Corporate Services)
Alison Wolfe (Secretary)
Wendy Carberry (Department for the Economy)
Matthew Kaye (PWC)
Barry McLeod (Department for the Economy)
Amanda McMaw (ASM)
Karen Beattie (NI Audit Office)
Moses Tibamwenda (PWC)
Jamie Treacy (BTMM)
Brian McFedridge
Paul Cassidy (Finance Officer)
Claire Kilpatrick (ERM)
Helen Smyth (ERM)

Apologies: Sarah Livingstone (Boardroom Apprentice)

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 10.

The Chair asked everyone to introduce themselves on the basis that this is a newly constituted committee.

Declarations of Interest: no conflicts of interest were declared. The Chair advised attendees of the need to raise any conflicts that may arise during the meeting.

1. Minutes of the Last Meeting

1.1 The minutes of the Audit and Risk Assurance Committee meeting held on 8 March 2021 (paper ARAC 01-06/21) were agreed as an accurate record.

2. Matters Arising from the Last Meeting

- 2.1 Prior to the formal meeting the Committee held their annual in-camera meeting with Internal and External Audit (para 2.1 of the minutes of the last meeting refers).

Action: Chief Executive

- 2.2 Due to absence within OITFET, the update of the Memorandum of Understanding with the Agency continues to remain pending (paragraph 2.2 of the minutes of the last meeting refers).

Action: Director of Corporate Services

- 2.3 The Chief Executive reported that development work on the web portal has been completed and is now being tested for user acceptance (para 2.3 of the minutes of the last meeting refers). Arrangements are in place to engage a new service provider to support the case management system and web portal.

Action: Chief Executive

- 2.4 The Chief Executive reported that the SLT have been briefed on the Healthy Place to Work interviews conducted with a selection of 20 staff (para 2.5 of the minutes of the last meeting refers). An action plan is being developed to address the issues raised. The findings gave an interesting insight into organisational culture and staff frustrations, mainly caused by IT problems with the portal, which were adding to levels of stress.

Action: Chief Executive

- 2.5 The Chief Executive reported that the budget allocation has provided the Agency with an additional £1 million in funding for 2021-22 (para 3.3 of the minutes of the last meeting refers). With this, and projected savings from James House, we have been able to make some temporary staffing arrangements permanent. Recruitment exercises to appoint additional temporary staff are nearing completion.

Action: Chief Executive

- 2.6 The Practical Guide to the Covid-19 Vaccination and the Workplace will be published today or tomorrow (para 3.5 of the minutes of the last meeting refers). Publication was delayed at DfE's request to allow the Minister to see it.

- 2.7 The shortcoming in the Agency's founding legislation is awaiting DfE identifying a suitable legislative vehicle to address this matter (para 3.6 of the minutes of the last meeting refers). The matter has been disclosed in the Annual Report & Accounts.

Action: DfE

- 2.8 A provision for Head Office dilapidations has been made in the Agency's accounts for 2020-21, which has removed the risk that this might impact on the budget for 2021-22 (para 4.3 of the minutes of the last meeting refers). The Chief Executive thanked DfE for arranging budgetary cover for this.
- 2.9 Training for staff in financial procedures and other governance matters is pending and will be progressed as soon as possible (para 5.5 of the minutes of the last meeting refers).

Action: Director of Corporate Services

- 2.10 The Board and Committee member induction programme was amended in light of the Committee's comments (para 7.3 of the minutes of the last meeting refers). The programme was approved at the March 2021 Board meeting and is now being implemented.
- 2.11 DfE provided the rationale for its approach to risk management and the Board approved a hybrid approach to the Agency's Risk Management Framework, which was approved at the March 2021 Board meeting (para 8.2 of the minutes of the last meeting refers). This includes 'inherent', 'current' and 'future' risk assessments.
- 2.12 The revised corporate governance policies approved at the March Board 2021 meeting were included in Board induction packs (para 8.3 of the minutes of the last meeting refers).
- 2.13 Cyber security will be a substantive agenda item at the September ARAC meeting (para 9.2 of the minutes of the last meeting refers). The Agency was briefed by Translink's IT Manager about their experiences of a ransomware attack. The presentation provided a good deal of assurance that the Agency is doing the right things but has raised issues which will need to be addressed when procuring a new provider.

Action: Chief Executive/Director of Corporate Services

- 2.14 The outcome of the Committee's self-assessment was reported to the March 2021 Board meeting. The outstanding actions are:
- Check ARAC Terms of Reference to clarify whether we can co-opt expertise;
 - • Review of anti-fraud and corruption arrangements;
 - • Review cyber risk management – planned for September; and
 - • Review Agency response to Cabinet Office's Counter-Fraud Standards.

Action: Committee Chair/Chief Executive/Director of Corporate Services

3. Chief Executive's Business

- 3.1 The Chief Executive reported that the Agency's budget allocation for 2021-22 has provided an additional £1 million non-recurrent funding for the year. The Agency is grateful to DfE for their supporting.
- 3.2 A 4-year spending review will commence in June, which may allow the Agency to bid for additional funding to allow us to make temporary staff appointments more permanent. The Agency has been prudent about recruitment but a small number of vacancies have been filled on a permanent basis. It has proved difficult at staff officer level to recruit staff on temporary contracts.
- 3.3 The Agency's Corporate Plan 2021-25 and first year Business Plan will be brought to the June Board meeting for sign-off before formal approval by DfE.

Action: Chief Executive

- 3.4 The Chief Executive reported that the Agency is in the process of appointing a project manager at ERM level to lead on accommodation issues in light of the move to James House. Duties will include a return to work, clearing Head office premises and relocation and looking at the whole issue of hybrid working and the future of the regional office and use of regional hubs.

Action: Chief Executive/Director of Corporate Services

- 3.5 The Chief Executive reported that the Senior Leadership Team had discussed a possible re-opening of premises, including health and safety risks to staff and customers.

Action: Chief Executive

4. External Audit Matters

Annual Report & Accounts for 2021-21

- 4.1 The Committee Chair thanked the auditors for their thorough work, against a tight deadline, and Paul Cassidy for again ensuring a clean set of accounts through his diligence throughout the year.
- 4.2 The Chief Executive added his thanks particularly to Paul Cassidy for his work and diligence throughout the year.
- 4.3 The Performance Report (paper ARAC 02-06/21) highlighted a hugely successful and busy year in very challenging circumstances particularly for staff and their wellbeing. The Agency had achieved IIP Gold standard and, as a service delivery organisation, Customer Service Excellence.

- 4.4 The Finance Report highlighted the Agency met its financial target of spending 99% of budget. The pay award has been agreed and will be imposed; accrual for accounts is based on 2% (including employer costs). The Agency spent £400K in resource funding, more than in the previous year; variance set out in report.
- 4.5 Accountability Report highlighted a governance issue around a shortcoming in the lack of explicit power for the Board to delegate functions to staff. DfE are looking at an appropriate legislative vehicle to progress the issue.
- 4.6 The Committee Chair noted the quantum of work and number of outcomes achieved and thanked staff for their work.
- 4.7 The External Auditor provided a detailed explanation of the technical aspects of the accounts for new Committee members. He thanked staff for their contributions.
- 4.8 The Committee Chair thanked the External Auditors for their report.
- 4.9 Committee members were advised that the Agency uses an NICS collaborative framework to ensure the best rates for employment Agency staff. In the case of the Finance Assistant, it had been necessary to go out to tender.

Draft Report To Those Charged With Governance

- 4.10 PWC presented the Report To Those Charged With Governance (paper ARAC 03-06/21) which sets out the findings of the audit of the Annual Report and Accounts for 2020-21. Sign off by C&AG expected around end June.
- 4.11 The Committee noted that the outcome of the report was very good.
- 4.12 The expectation was that there will be no modifications to the audit report; no adjustments required to financial statements and no priority one recommendations which reflects the reporting and management of the organisation.
- 4.13 Regarding the status of the audit, PWC are continuing to work through final checks with management, making sure everything is in line with best practice.
- 4.14 One area of risk was identified around the management override of controls which is fraud based risk looking at journal entries and transactions not in the normal course of business. Outcome was that there were no matters of concern or fraud.

4.15 PWC sought the views of the Committee on fraud risks and how they are alerted to any matters arising. The Committee Chair reported that cyber fraud is being examined to ensure that the process is in line with guidance. It was agreed that Committee members would give consideration to the risks of cyber fraud and raise any issues with PWC.

4.16 The Chair thanked NIAO and PWC for their work and also LRA staff for their contribution. She said it was – great to get a clean bill of health, no risks or recommendations identified.

5. Internal Audit Matters

Internal Audit Report on Follow-up of Previous Recommendations

5.1 ASM presented the follow up review (paper ARAC 04-06/21). The recommendation in relation to the EC Project Management Review will be kept under review.

Internal Audit Annual Assurance Statement for 2020-21

5.2 ASM introduced the Annual Assurance Report (paper ARAC 05-06/21) highlighting that the Agency had received a satisfactory level of assurance based on work undertaken.

5.3 ASM reported that outturn against all KPIs had been achieved.

Internal Audit Plan for 2021-22

5.4 ASM presented the proposed 2021-22 Internal Audit Plan (paper ARAC 06-06/21) highlighting a number of changes reflected on the plan. It was proposed to defer the review of IT to 2022-23 and to bring the information management review forward to 2021-22. It was also proposed to reallocate two days of contingency and to request an additional day.

5.5 Committee members said it was helpful to see the link to the risk register. ASM clarified that the audit entitled information management would look at whatever systems are used in the Agency.

5.6 The Committee Chair thanked ASM for their work throughout the year. ASM expressed their appreciation to Agency management for their support.

5.7 The 2021-22 Internal Audit Plan was approved by the Committee. ASM to discuss timings of reviews with management and to bring reports to the Committee throughout the year.

6. Corporate Risk Register for 2021-22

- 6.1 The Director of Corporate Services presented the Corporate Risk Register (paper ARAC 07-06/21). As agreed with the Board, the Risk Register from 2020-21 has been updated with new ratings included and rolled forward until the Committee can hold its annual risk workshop. This will be once new Committee members have been inducted, probably in August.
- 6.2 The Director of Corporate Services indicated that LRA1 had been downgraded from extreme to high in light of additional resources. He thanked DfE for their assistance.
- 6.3 Following discussion at Finance & Personnel LRA5 captured work around health and wellbeing risks. There will be an opportunity to discuss the risk register at the workshop.
- 6.4 The Committee Chair acknowledged the inclusion of current, future and inherent ratings.
- 6.5 Committee members were advised that the SLT monitor the risk register monthly and report to ARAC on a quarterly basis with an annual workshop held with senior managers.
- 6.6 It was noted that risks around holiday pay will be examined at SLT.
- 6.7 Lee Wilson asked if assurance mapping directly related to risks in order to identify any gaps took place. He explained that risks are identified, then controls to manage and then sources of assurance that those controls are operating effectively – way of identifying potential gaps and providing assurances to the Board that these are comprehensive; linked to risk register. He agreed to forward a pro forma to the Chief Executive to look at prior to a workshop.

Action: Lee Wilson/Chief Executive

- 6.8 It was agreed to canvass Committee members for a date in August 2021 to hold a risk management workshop.

Action: Secretary

7. Audit & Risk Assurance Committee Annual Report to the Board

- 7.1 The Audit Committee Chair presented the Annual Report to the Board (paper ARAC 08-06/21) for approval by the Committee.

- 7.2 The Committee Chair highlighted the main points in her report. She thanked Committee members for their commitment and contribution to ARAC over the last year including Tom Evans, Alison Millar and Gary McMichael. She welcomed new members to the Committee and thanked the Chief Executive for his input.
- 7.3 The Committee Chair outlined the areas covered in her report. The Committee reviews risk at each meeting and reports to the Board.
- 7.4 During the year the Committee had raised a matter with NIAO on the RTTCWG.
- 7.5 The Committee will continue to monitor changes; the biggest risks are the IT managed services, relocation and how we manage the regional office and hybrid working.

Action: ARAC

- 7.6 Committee members approved the report.

8. Any Other Business

Direct Award Contracts agreed since the last meeting

- 8.1 The Director of Corporate Services confirmed that no Direct Award Contracts have been awarded during 2020-21 to date.

External Guidance Documents Received

- 8.2 The Committee noted the list of relevant external guidance documents received by the Agency since the last meeting (paper ARAC 09-06/21).
- 8.3 One non-standard finance notice issued by DfE in April 2021 regarding changes in tax legislation (IR35) will be circulated to members. While this has negligible implications for payroll, it does impact on data protection responsibilities in respect of independent appeals, which are being taken account of by the current review. The Committee will be kept apprised of developments.

Action: Chief Executive

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

- 9.1 The Committee Chair reported that the Committee had used the in-camera session to meet with the internal and external auditors and accountants who

reported that they had no concerns. Engagement with management was always early and positive and good relationships existed between the parties.

- 9.2 The Committee Chair expressed her thanks and congratulations to SLT and the Finance team. In return, the Chief Executive said feedback was very gratifying; he was particularly impressed with PwC and their handling of issues.

10. Date of Next Meeting

- 10.1 The next Committee meeting will be on 13 September 2021.