

Community Relations Council 80th Audit and Risk Assurance Committee
Thursday 20th May 11am, held online

Present: Mr J McCallister (Chair of CRC Audit and Risk Assurance Committee), Mr M McDonnell (Board Member), Mr R Campbell (Board Member)

In attendance: Ms J Irwin (CRC CEO), Mr G McKeown (CRC DFAP Director), Ms H George (CRC PA), Mr B Clerkin (ASM), Ms A Busby (NIAO), Ms S Nicholson (TEO).

1. **Apologies:** Ms T Wilson (CRC Finance)

2. **Conflict of Interest**

None

3. **Minutes**

The Audit and Risk Assurance Committee reviewed the minutes of the 79th ARAC meeting, which took place on the 13th April 2021.

The Committee agreed the minutes as being a true and accurate reflection of the meeting.

4. **Matters Arising**

The CEO informed the Committee that all matters arising will be dealt with in other areas of the agenda.

5. **External Audit**

Ms A Busby, Northern Ireland Audit Office, presented attendees with Northern Ireland Audit Officer Audit Strategy.

Ms. A Busby noted that the audit strategy includes a presumed risk of material misstatement to the accounts due to management override of controls. She confirmed that this risks applies to all bodies being audited.

She informed the Committee of two additional risks which the Audit Office noted. The 6% salary adjustment related to some staff member's pensions, and the vouching and verification of grants during the Covid-19 situation.

Ms A Busby stated that materiality would be set at £65K. The error reporting threshold for this audit is £1,300. She explained that any errors below this threshold will not be included in the report, however, it will be reported to DFAP and CRC's Accounting Officer.

She informed the meeting that the NIAO audit team are broadly the same as last year, with Director Suzanne Walsh, and Alison Busby as the lead. One new member has been added to the team.

She stated that the audit fee will be £22K. This is an increase of 9% from the previous year. Similar increases have been applied to all audits across the sector.

The audit will begin on 19th July, however, flexibility will be needed in case of delays in other organisations' audits.

Ms A Busby drew the Committees attention to Appendix 1 which sets out a number of good practice guidance.

Committee members noted the responsibilities of ARAC, set out in page two of the report.

The Committee expressed their concern at the 9% increase in audit fees. They stated that there had been increases every year, with the fee increasing by approximately 50% over the last five years. They stated that there is no change in the level of service CRC are getting, compared to last year's audit, and, in addition, CRC's internal audits show that risk has reduced and is well mitigated.

Ms A Busby stated that Ms S Walsh would be content to be contacted regarding the audit fee.

The Committee asked for a meeting with Ms S Walsh, or her attendance at the upcoming Board meeting, where members will discuss the issue of this increase in fee.

ACTION: Mr G McKeown to arrange for Ms S Walsh, NIAO, to attend CRC's upcoming Board meeting, or a separate meeting with the Audit Committee members and the Chair, to discuss the audit fee.

The Committee thanked Ms A Busby for presenting the Audit Strategy.

6. Internal Audit

i) Follow Up Review

Mr B Clerkin presented the Committee with a report on CRC's implementation of 2019/20 audit recommendations.

Two audits were completed in the year 2019/20: Grants Administration and Distribution; and Risk Management and Complaints Handling.

Mr B Clerkin stated that there were six recommendations made following this audit, and all six have now been implemented at CRC.

ii) Grants Administration and Distribution 2020/21 Audit

Mr B Clerkin present The Committee with a report into CRC's Grants Administration and Distribution 2020/21 Audit, which takes place every year.

This Audit reviewed the administration and distribution of the following CRC grants: Core Funding; Community Relations and Cultural Diversity Scheme; Pathfinder Scheme; Publications Grant Scheme; Media Grant Scheme; North Belfast Scheme.

This is the first audit following the implementation of CRC's new online grant management system.

The Internal Auditors made one priority three recommendation, that NICRC ensures that Letters of Offer reflect the actual payment profiles in all instances. This recommendation was accepted by CRC.

This audit was rated as 'satisfactory'.

iii) Board Effectiveness and Corporate Governance 2020/21 Audit

Mr B Clerkin presented the Committee with a report on CRC's Board Effectiveness and Corporate Governance arrangements.

This audit reviewed; the induction process for new Board members; the Board appraisal and assessment process; the identification of training needs; the implementation of the MSFM between CRC and TEO; the business planning process; gifts and hospitality policies, conflict of interest policies and fraud policies.

Mr B Clerkin stated that only one issue was identified, relating to the publication of CRC Board members' declaration of interests. CRC accepted the recommendation to ensure that the 20/21 Conflict of Interest register is updated on the website, and kept up to date in a timely manner. This was marked as a priority three recommendation.

Mr B Clerkin noted that, in relation to implementation of the MSFM, CRC's Partnership Agreement with TEO is still outstanding. However that this is not an issue under CRC's control.

This audit was rated as 'satisfactory'.

iv) Vouching and Verification

Mr B Clerkin informed the Committee that, in addition to these audits, CRC requested that a review take place of the new Vouching and Verification procedures, drafted during the 2020-21 business year and implemented from 1st April 2021.

These new procedures include: the Vouching and Verification work now sits within the Finance, Admin, and Personnel Directorate; a Vouching and Verification Officer has been employed; 50% of grants will now be awarded following the receipt of the Letter of Offer, and the other 50% following submission of claim documents; all claims are now vouched in full prior to payment being made and spot checks will take place quarterly; verification visits will be undertaken annually where funding exceeds £10K; and funded organisations will be assigned a risk rating.

The review concluded that CRC's procedures have been clearly and comprehensively documented. The internal auditors made two recommendations: following the completion of the 2021/22 verification visits, CRC should engage with TEO to consider the implementation of a risk based approach to verification visits; and CRC should determine the levels of spot checking to be undertaken.

v) Internal Audit Assurance Report

B Clerkin presented the Committee with CRC's annual Assurance Statement.

The statement sets out the responsibilities of the Accounting Officer and the Internal Auditors, the basis of the assurance, and the objectivity of the auditors.

The report noted that CRC's systems in relation to risk management, control and governance were adequate and operated effectively and provided satisfactory assurance in relation to the effective and efficient achievement of CRC's objectives.

The report will support disclosures within CRC's Annual Report and Accounts.

vi) Internal Audit Strategy 2021-2024

Mr B Clerkin presented the Committee with CRC's Internal Audit Strategy, setting out the audits that will take place over the three years of the contract holders.

Over the three years the following areas will be audited: grants administration and distribution; human resources management; IT systems, information security and business continuity planning; communications and engagement; financial systems; review of the operation of the F&GP Committee; and complaints handling.

The Strategy sets out the number of days field work allocated to each audit area over the three years. The CEO added that, if necessary, it is within the contract for CRC to request additional days for field work.

The Committee noted the Internal Audit papers, and commended CRC for the satisfactory audit. They thanked Mr B Clerkin for the work of the Internal Auditors and congratulated Mr G McKeown and his team.

The CEO added that she takes assurance from the thorough review undertaken by the Internal Auditors.

7. Covid-19 Update

Mr G McKeown informed the Committee that CRC's Business Continuity arrangements continue to work well and are able to provide full service to all groups funded and hold engagement events due to the online grant management system and online software.

Events such as the TBUC Engagement Forum continue to take place via online video conferencing software.

Directors hold weekly catch ups with staff members and their teams. Management Team meetings are held weekly, and staff meetings monthly. A weekly staff newsletter is issued with updates from all Directorates and the CEO.

Directors and the CEO continue to be mindful of staff's personal circumstances and take this into account in terms of planning an workflow management.

The Management Team have begun working on plans for staff's return to the office, using a blended approach. Staff have been asked to consider what work they will need access to the office to complete, what work can be completed at home, and what their preferences are. The Management Team will meet next week to review feedback from staff. A blended working plan will be drafted, taking into consideration the key risks and significant challenges, as well

as mental health and wellbeing of staff. A review of policies and procedures will take place to highlight where updated will need to be made.

The Committee thanked Mr G McKeown for this update.

8. Risk Register

Mr G McKeown provided the Committee with an update on CRC's Risk Register.

The first risk relates to the implementation of DoF's pay remit guidance. Mr G McKeown informed the Committee that he and the CEO met with TEO in May as part of a routine Accountability and Liaison meeting. During the meeting TEO stated that they had raised the issue directly with DoF and would update CRC in due course. Mr G McKeown added that the Pay Remit was submitted to TEO and all further information requested was provided in February 2021. The Committee agreed, and stated that this risk should remain rated red.

The second risk relates to staff morale. TEO asked at the recent Accountability and Liaison meeting why this risk remains amber when it is well mitigated. The CEO explained that while this area is well mitigated, it was agreed that the rating should remain amber until staff are back in the office and there is a reasonable opportunity for staff's morale to be reviewed. Mr R Campbell added that staff morale is likely being affected by the delay in receiving their pay remits and resolution to the pension issue. The Committee agreed that this risk should remain amber.

The third risk relates to the Covid-19 environment. While staff continue to work well from home, she suggested that this risk should remain amber as Covid-19 restrictions are still in place. The Committee agreed that this risk should remain amber.

The fourth risk related to CRC's 2021/22 budget allocation. The budget has been received and therefore the Committee agreed that this risk should be rated green and removed from the register.

9. Audit Investigations into Funded Groups

Mr G McKeown thanked Ms S Nicholson and her colleagues at TEO for their assistance closing down CRC's one investigation into a previously funded group. It was agreed at the last Audit and Risk Assurance Committee that the investigation was complete and could be closed down.

10. Register of Audit Recommendations

Mr G McKeown informed the Committee that there is currently only one outstanding item on the Audit Recommendations Register. This recommendation relates to the implementation of DoF Pay Remit Guidance. This issue is still outstanding.

The Committee thanked Mr G McKeown for this update.

11. Department of Finance Guidance

Mr G McKeown presented the Committee with one piece of Department of Finance Guidance. This guidance related to the publication of ministerial directions and is not applicable to CRC.

The Committee noted this guidance.

12. Direct Awards

None

13. Small Purchases Without a Price Check

Mr G McKeown informed the Committee that there have been no small purchases made which did not require a price check, following the previous meeting.

14. Any Other Business

None

15. Date of Next Meeting

2nd September 2021 11am.

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