

**MINUTES OF THE COMMUNITY RELATIONS COUNCIL'S
55th AUDIT & RISK ASSURANCE COMMITTEE HELD ON TUESDAY
12TH SEPTEMBER 2017 @ 2.00PM IN COMMUNITY RELATIONS
COUNCIL, EQUALITY HOUSE, 7-9 SHAFTESBURY SQUARE,
BELFAST BT2 7DP.**

Present: Mr R Campbell (Chair)(by Conference Call) , Mr D Mackay (Board Member), Delia Close (Board Member).

Internal attendees: Ms J Irwin (CEO), Mr G McKeown (DFAP Director), Tracey Wilson (Finance Officer).

External attendees: Mr Jonathan Buick (ASM), Ms K Doey, Ms E Calvert (NIAO), Ms E Allen (The Executive Office).

1 **Apologies:** Mr B McAllister (Board Member); Roisin McGlone; Jamie Warnock (TEO)

2 **Minutes**

Minutes were approved subject to an amendment to Page 2, para.6, last sentence.

Action: Gerard to amend.

3 **Matters Arising:**

None.

4 **2016/17 Report to Those Charged with Governance**

Ms Doey said that any changes arising from the audit will be included in the final report. There will be no need to have a further meeting of the Committee to do this. The NIAO will incorporate management responses to their report and will present to the Committee at the next meeting.

However, M Campbell clarified that the draft paper on the Annual Report and Accounts 2016/17 will go before the next Board.

Para.7

Ms Doey drew member's attention to Para.7 of the NIAO Draft Report and pointed out that it was her understanding that changes had still to be made to the draft Accounts report. The NIAO expected to issue an unqualified audit opinion.

Para.10

In the case of para.10, and the Employees' Superannuation Contribution, it was found that there had been an expenditure of £26,120 that could be irregular. NIAO had noted that CRC had sought legal advice on the matter and was advised that the additional 6% of the pension must continue. However, NIAO took the view that the payments were probably not consistent with guidance issued by DOF.

Identity Statements

Ms Doey highlighted the table of Audit adjustments and specifically referred to the adjustments made to the financial statements with the net effect of these amounting to £11,607. There was also an 'unadjusted error' calculated using extrapolation techniques. However, Ms. Doey noted that extrapolated amounts are not adjusted.

Index of Recommendations

Ms Doey said that the Audit Office had agreed a number of issues which could be categorised as follows –

- Priority 1 – 2 issues (Issues 1 and 2)
- Priority 2 – 4 issues and (Issues 3,4,5,6)
- Priority 3 – 1 Issue (Issue 7)

Ms Doey addressed the various issues of each category in the Report and members particularly noted that –

Issue 1

In the case of the data breach it was, in the view of NIAO, unnecessary for CRC to seek legal opinion at a cost of £250. It would have been preferable for CRC to disclose the breach to the Information Commissioner's Office and to receive its advice at no cost. Mr Campbell commented that the reporting process of this breach will change next May 2018, when a change in the law will mean the breach will have to be declared under General Data Protection Regulation. Ms Doey stressed that it was therefore essential for staff to be made aware of this change in legislation.

Issue 2

As has been reported in previous years, it was found that there had been expenditure of £26,120 that could be irregular. NIAO had noted that CRC had sought legal advice on the matter and was advised that the additional 6% of the pension must continue. However, NIAO took the view that the payments were probably not consistent with guidance issued by DOF.

Issue 3

Ms. Doey explained that the NIAO had identified differences in the grant accruals recorded in the Accounts and what was realised. Ms Doey made a number of recommendations as noted in the NIAO report.

Issue 4

Ms. Doey reported a number of other audit adjustments that were made to the draft Accounts provided to the NIAO.

Issue 5

Ms Doey referred to the Childcare vouchers which had been paid to an employee on maternity leave. This was considered as an irregular payment and the sum involved amounted to £790. Mr McKeown explained that the contract of employment did not require childcare vouchers to be paid but CRC had agreed to pay for the benefit of the employee through her maternity leave. Ms Doey commented that in a similar manner to the pension allowance noted earlier, this case highlighted that that legal requirements are not always consistent with the concept of regularity.

Issue 6

Ms Doey had noted that one of the CRC's core funded groups had gone into liquidation with unverified expenditure of £23,000. Subsequently, CRC had been able to verify £18,000 spent by the group, but the balance of £5,000 remains outstanding. Ms Doey emphasised the need for CRC to continue its efforts to verify this expenditure.

Issue 7

Members noted a number of other Good Practice matters and recommendations concerning long standing debtors, unrestricted reserves, grant documentation, Euro bank account and management accounts.

Draft Response to NIAO 2016-17 Report

The CEO and Mr McKeown spoke to the paper of responses to the issues in the NIAO report. In all cases CRC accepted the observations and comments of the Audit Office and highlighted the actions to be taken to ensure its responsibilities in Governance are fulfilled (**see Annex attached to minutes**).

Mr Campbell stressed the importance of GDPA for reporting breaches of data and was concerned that the breach noted by NIAO took up to 72 hours before it was reported.

The Audit Office is to consider CRC's responses in detail. If CRC believe that Audit have got any of the facts wrong, then these can be discussed. Kathy commented that the Audit was not suggesting that CRC had done anything wrong. When any differences in factual inaccuracies of the Report are agreed, the revised Report will be brought to the Board. After the Board signs-off the accounts, NIAO will publish its recommendations.

Action: Present Revised Report to Board

5. Draft Annual Reports and Accounts 2016-17

Mr McKeown reported on the key points of the Draft Annual Reports and Accounts 2016-17 including the Governance Statement and Governance responsibilities and performance, attendance at meetings and risk management. He commented that the 2nd draft of the Report had been shared with NIAO. It was hoped to take the draft Report to the Board on the 21st September.

Action: Gerard to submit draft Report to Board in September

6. Audit Investigations into Funded Groups

Ms Irwin drew member's attention to the report on insolvency a funded group which had received core funding. Community Relations Council is currently awaiting advice from the TEO regarding the outstanding amount of £4,957

Ms. Irwin noted that The Executive Office Fraud Investigation Oversight Group (FIOG) confirmed that no further action was required and that Peace and Reconciliation Group can now be removed from the Audit Investigation into Funded Groups list.

7. Risk Register

The CEO spoke to the paper about the Risk Register and highlighted the areas marked in red. She also informed members that the Section 96 application continues to be working through the process of the Charity Commission for Northern Ireland. The Charity Commission for Northern Ireland had indicated that CRC would receive a response the week beginning 11th September.

Mr MacKay suggested and it was agreed that the areas marked in red should be left for the Board to consider.

**Action: Board to consider amendments in red
Mr. McKeown to follow up with Charity Commission for Northern Ireland**

8. Internal Audit

Mr Buick spoke to the internal audit paper and pointed out that a plan for the CRC internal audit in 2017-18 had been agreed. He also outlined the status of reviews and would be presenting 2 reports about the audit at the next meeting of ARAC.

Action: ASM to present 2 reports at the next meeting of ARAC

9. Register of Audit Recommendations

Members noted the various internal and external recommendations of this paper and that recommendations were being implemented as scheduled.

10. Department of Finance Guidance

Members noted the Department of Finance Guidance, particularly the part on laying of accounts before the NI Assembly.

11. Direct Awards

Mrs Wilson reported that currently CRC did not have any Direct Awards since the last meeting of the Committee.

12. Small Purchases without Price Check

Members noted the list of small purchases detailed in the paper and that each was reasonable.

13. AOB

There was no other business.

14. Date of Next Meeting:

Thursday 19th October 2017 @ 11.00am
Thursday 30th November 2017 @ 11.00am

**Draft Responses to NIAO 2016/17 Report to Those Charged with
Governance
12th September 2017**

Observation One – Data Breach

1. Data

- In this incident the data was misdirected, not lost.
- The error was identified by the receiving group, the data returned immediately and written confirmed received that no copies were kept or distributed.
- The rightful organisation was notified, data returned to it.
- The organisation was content and required no further action as were the data subjects (two people).

2. Advice

- Advice was taken from the Information Commission web-site and further clarification sought from our lawyer.
- The advice was followed to the letter.
- We confirmed with our lawyer that we had taken all necessary actions.

3. Reporting

- Staff in the F+D directorate only advised the DFAP Director of the issue the afternoon before the last meeting of the ARAC (May). This left no time to investigate the matter for reporting purposes. The delay in informing the DFAP Director was one of the elements of the investigation (staff member with the information being on leave, etc)
- The CEO was informed on the afternoon of the day of the ARAC (which had met that morning).
- The meeting this week is the next opportunity to report to ARAC.
- As the incident resulted from a failure of internal control it would be normal practice to report to the ARAC in advance of reporting to the Board.
- TEO was informed of the incident and the action taken and responded in writing to say that it was content and required no further action as it did not view the incident as a major breach.
- The matter has now been included in the governance statement at the request of the NIAO. We had not initially included it as the data was retrieved, it had been a very small amount and all parties were content with the actions and outcome.

4. Internal Systems

- There was a full investigation of the matter carried out by G. McKeown
- The incident was found to be a human error (the placement of information in the wrong envelop)

- Arising from the investigation a system has been put in place to cross check information that is posted
- CRC followed its existing policy in relation to data handling.

Observation Two - Employee Superannuation Contributions

The Community Relations Council pay remit has been submitted to The Executive Office. The Community Relations Council has been responding to further requests for information from The Executive Office. The business case and legal advice which was requested from the Community Relations Council has also been submitted to The Executive Office.

The Community Relations Council will continue to work with The Executive Office to implement Department of Finance Pay Remit Approval Process and Guidance in consultation with other relevant stakeholders.

Observation Three - Grant Accruals and claw back

1. The Community Relations Council will consider and document how a trend analysis could be incorporated into current controls for accounting for grant accruals.
2. With effect from 1st April 2017 The Community Relations Council reconciles ICONI to payments as month of the monthly management accounting process. In addition directors will be reminded of the importance of updating DFAP when expectations of post year end grant payments change.

Observation Four - Other Errors

With effect from 1st April 2017 The Community Relations Council implemented new procedures that are designed to improve to accounting processes. Given the volume of transactions processed and the complexity of the financial reporting process audit adjustment can never be ruled out; for example the rent accrual adjustment of £4,855 was not known to the Community Relations Council until after the audit had begun. The Community Relations Council finance team will continue to work towards continuous improvement to reduce the likelihood of audit adjustments wherever possible.

Observation Five - Employers For Childcare Salary Sacrifice.

On 6 October 2016 the Community Relations Council became aware that HMRC withdrew the requirement for employers to pay Childcare Voucher amounts on behalf of employees while on Statutory Maternity Pay.

As the Community Relations Council had agreed to pay the employee childcare vouchers throughout her maternity leave and along with principles of fair and reasonable treatment it was decided to pay the maternity pay vouchers for the remainder of her leave.

Observation Six: Potential loss in respect of Core Funded group in liquidation

The Community Relations Council is currently liaising with The Executive Office on how to proceed in attempting to verify the remaining amount. Once a decision has been made then the Community Relations Council will either continue to attempt to verify the remaining amount or will seek The Executive Office approval to treat the remaining amount as a loss.

Observation Seven: Other Good Practice Matters

1. Long standing debtors – The Community Relations Council implemented revised procedures effective from 1st April 2017 which will ensure that outstanding debt is identified on and actioned appropriately.
2. The Community Relations Council have submitted a loss request to The Executive Office for the amounts noted above.
3. The Community Relations Council will submit a proposal to the Board regarding the Unrestricted Reserves of £49K.
4. Grant Documentation – Noted
The contracts were issued by TEO to the groups directly, copies confirming the final agreed awards were given to CRC by TEO. The 2017/18 Scheme has changed and all signed contracts are forwarded to CRC by each of the groups.
5. The Euro Bank Account is in the process of being closed.
6. The Community Relations Council implemented revised procedures effective from 1st April 2017 for the preparation of management accounts.