

**Community Relations Council's 62<sup>nd</sup> Audit and Risk Assurance Committee**

**Wednesday 19<sup>th</sup> September 2018 @10am**

**Board Room, CRC Offices, Equality House**

**Present:** Mr Rory Campbell (Chair), Ms Delia Close (Board Member), Mr Don MacKay (Board Member).

**In Attendance:** Ms Jacqueline Irwin (CEO), Mr Gerard McKeown (Director of Finance and Personnel), Ms Tracey Wilson (Finance Officer), Ms Deborah Park (NIAO), Ms Kim Moylan (TEO), Ms Amanda McMaw (ASM).

**1. Apologies:** None

**2. Minutes**

(Appendix 1)

Minutes of the 29<sup>th</sup> May 2018 Audit and Risk Assurance Committee were read.  
One error was found on page 4, '14 days field work' to be changed to '15 days field work'.  
On the provision that this change is made, the ARAC minutes were approved by the Committee.

**3. Matters Arising**

None

**4. 2017/2018 Annual Report and Accounts**

(Appendix 2)

Mr G McKeown presented the 2017/2018 Annual Report and Accounts to the Committee, making particular reference to the following:

- The first draft was presented to the Board at a previous meeting. Changes were recommended, and this version presented today incorporates these changes.
- NI Audit Office began their audit in June 2018. They requested a number of changes to the wording and presentation of the document. This version was circulated to Board Members on the 14<sup>th</sup> September.

Mr G McKeown drew the Boards attention to the following sections of the Report:

- Pg. 14 Performance Analysis – sets out how CRC performed in achieving 2017/2018 Business Plan Objectives
  - o Out of the 19 objectives, 17 were achieved
  - o Two objectives were not achieved as they were dependent on a sitting NI Minister, and therefore achieving these outcomes was out of CRC's control.
- Pg. 24 Directors Report, followed by Corporate Governance Report, and Trustees & Directors Report.

- This presents an overview of governance and personnel at CRC.
- Pg. 28 Confirms that there were no breaches of personal data in the year.
- Pg. 30 Statement of Accounting Officer's and Director's Responsibilities
- Pg. 32/33 Governance Statement & Governance Framework
- Pg. 36 Overview of Audit Committee work and attendance, and specific work
- Pg. 38 Overview of the review of Risk Management Processes.
- Pg. 39-40 Three key risks reported throughout the financial year
- Pg. 42 More detail around sources of assurance
- Pg. 43 Internal Audit Reports
- Pg. 44 Significant issues – Pay Remit
  
- Pg. 54-56 Blank – The Certificate and Report of the Comptroller and Auditor General to be inserted here
- Pg. 82 Overview of Related Party Transactions.
  
- Appendix 1 has been added to this year's Report, subject to audit for the first time.

A Committee member asked why there were multiple references to 'Minister' on page 34. Mr G McKeown explained that the functions listed on the page continue to be the role of a Minister, even in their absence, and they continue to form part of CRC's governance framework.

Chair asked why the projected overheads were shown to reduce from year 17/18 to 18/19 (shown on page 18). Mr G McKeown explained that the projected overheads will reduce in 18/19 due to the Voluntary Exit Scheme.

The Audit and Risk Assurance Committee agreed the report and recommended it proceed to, and be approved at, the next full Board meeting.

## **5. NI Audit Office – Report to Those Charged with Governance** (Appendix 3)

Ms D Park presented to the Committee the 'Report to Those Charged with Governance'. She made particular reference to the following:

- Pg. 3 Completed Audit Report
  - Provided clean audit report
  - No adjustments
  - One 'priority one'.
  - Field work is complete
  - NIAO's fee is in line with what has been agreed
  - No data handling issues
- Pg. 5 Sets out the scope of the Audit Report
- Pg. 6 No significant risks

### Pg. 7 – Audit Findings

Audit Finding 1: Employee Superannuation Contributions

The Audit Office recommended that NICRC should continue to liaise with the sponsor department to identify and implement a resolution to this issue. NICRC should also obtain pay remit approval for 2015-16, 2016-17 and 2017-18 as a matter of urgency.

The Committee asked what the consequence is if the 15/16 Pay Remit is not approved.

Mr G McKeown explained that The Executive Office had indicated that no further pay remits would be approved until CRC implemented the requirements of No Better/No worse off.

Ms J Irwin added that the Pay Remits must be approved sequentially. CRC accrued for outstanding Pay Remits in the accounts.

#### Audit Finding 2: Weaknesses in Grants Control Environment

North Belfast Strategic Fund – Payments were made in advance for Q4 contrary to the terms of the Letter of Offer. The NIAO did note that confusion may have arisen because of an error and inconsistency in the documentation for this scheme, as the grant application forms issued by The Executive Office did allow for advance payments in quarter 4. NIAO asked CRC to liaise with TEO to receive clarity on this issue.

- Core Funding – Minutes on one file for 2017's Core Funding Decision meeting were incorrect. Staff were notified and rectified this issue.
- Letter of Offer – Some payments had been made without having first received the signed and returned letters of offer. CRC have now rectified this issue.

Ms J Irwin explained that CRC do not usually have issues of this nature, these are human error. Ms J Irwin welcomed the Audit Office's findings, stating that it now allows CRC the opportunity to further tie down these issues.

Mr R Campbell noted the Committee's concern around these issues, stating that CRC should not be making these paper mistakes.

#### Finding 3: Draw Down in Advance of Need

The Committee asked why £19,000 was drawn down from TEO for Voluntary Exit Scheme accruals, if there was already £90,000 in CRC's accounts.

Ms G McKeown explained that CRC's accounts and projections of monthly spend are subject to funded groups projected spends. CRC try not to draw down in advance of need, however, when there is uncertainty, it is sometimes necessary.

#### Finding 4: Pension disclosures

- The NIAO noted that the accrued cost of those leaving under the Voluntary Exit Scheme (£17k) had not been notified to the actuary for the purpose of the valuation.

Ms D Park informed the Committee that they did not find anything to report in their Adjusted and Unadjusted errors.

- Ms D Park stated that the 6% uplift amounting to £22,143 irregularity linked to the employee contributions to pension schemes is included in this report.

The Chair asked if there is any indication of when the 6% pension issue will be resolved.

Ms K Moylan (TEO) explained that the Business Case was received and returned to CRC.

Ms G McKeown explained that CRC wanted to consider TEO's comments before sending a response back.

Ms J Irwin queried why the 14/15 Pay Remit was approved but the 15/16 has not been, when the circumstances around, and details within, the applications are the same.

**ACTION:** CRC to seek clarity from TEO/DoF on why 14/15 was approved, while 15/16 was not.

Ms D Park returned to the 'Report to Those Charged with Governance':

- Appendix 1 – Letter of Representation
  - o No adjusted errors
- Appendix 2 – draft to be signed.

Ms. Park thank the Finance team for their support during the audit.

The Chair thanked the NI Audit Office for their work on the audit and their reports, and thanked Mr G McKeown and Ms T Wilson for their work over this audit period.

Ms J Irwin too gave her thanks to the Audit Office and CRC's Finance Team, stating that they were a good set of accounts, and it shows that NIAO knows CRC well.

## **6. Audit Investigations into Funded Groups.** (Appendix 4)

Ms P Jordan presented a report on the audit investigation into funded groups.

He explained that CRC have received TEO approval to write-off the refund due to CRC. The write off has been processed through CRC 2017/18 Annual Report and Accounts, with finalisation of those accounts pending the NIAO audit report.

Following receipt of an email claiming that a previously funded group have large outstanding HMRC debt, CRC consulted with TEO, who launched an investigation.

This group had received a Pathfinder letter of offer; however, this offer was placed on hold until the investigation is complete.

Preliminary reports into the claims found that CRC had double counted claims received in January and February; however, this should have been processed as one claim/payment.

The Chair asked how much money was involved in this claim, and Mr P Jordan explained that he would review and confirm. Ms D Park asked if CRC will receive a refund of this claim, and Mr P Jordan stated that CRC will have to wait until a full report is produced by TEO.

The Chair asked what the group's reaction was to the freezing of their Pathfinder grant. Mr P Jordan stated that TEO had notified that group of the investigations and that they had spoken to CRC about the claims, therefore freezing of the grant was inevitable.

Ms J Irwin added that the group did not separately notify CRC of the investigation.

**ACTION:**

Mr. P Jordan to confirm the amount and report to the ARAC.

**7. Risk Management Strategy and Full Risk Register**

(Appendix 5)

**i) Risk Management Strategy**

Ms J Irwin presented to the Committee, the Risk Management Strategy, making particular reference to the following:

- The Strategy was taken from Guidance
- There have been no substantial changes to the report
- The working on CRC's Committees is slightly amended, as CRC now have only one committee.

The Audit and Risk Assurance Committee approved the Strategy and recommended it proceed and be approved at the next full Board Meeting.

**ii) Full Risk Register**

Ms J Irwin presented the full Risk Register to the Committee, making particular reference to the following:

- CRC's Risk Register has categorised 'Political situation' as a Red Risk.
- Resources and New Policies remain amber.
- Pg 5 CRC's project to develop a new database has been categorised as 'Green Risk', however, it will need to be reassessed as the project progresses.

Chair asked whether the Committee would suggest changing the categorisation of 'Political', or whether they recommend this risk remaining red.

The Committee agreed that nothing has changed, and therefore 'Political' should remain red.

The Committee had a conversation on whether to add 'Brexit' to the Risk Register, and it was decided that, at the point when guidance has been issued from the NI Civil Service, when there may be immediate implications for CRC, the Committee can consider adding it, but in the meantime there is no need.

## **8. Reducing Bureaucracy**

(Appendix 6)

Mr P Jordan explained that at a previous Audit and Risk Assurance Committee meeting ASM had conducted a review of and made proposals on reducing bureaucracy. These proposals have been included in the 'Reducing Bureaucracy' paper. The following changes have been proposed:

- Reducing the number of times a group have to make returns
- Vouch 100% at six months.
- North Belfast Scheme – now vouched upfront at 6 months.

The Chair asked what taking on North Belfast Scheme has meant in terms of workload for CRC staff.

Mr P Jordan stated that currently we have a temporary member of staff to cover this work. However, CRC have taken on the North Belfast Scheme evaluation work too, and will eventually need a longer term solution. He stated that CRC are awaiting results of BCS staffing review. Mr P Jordan stated that this policy would be assessed in 18/19 to see if it needs amending.

Chair expressed his concern about the work pressure/workload that may result from taking on this scheme and the reducing bureaucracy proposals.

The Committee approved the 'Reducing Bureaucracy' proposals, and asked for it to be added to the Risk Register, and categorised as a 'Green Risk'.

## **9. Internal Audit**

(Appendix 7)

Ms Amanda McMaw presented the updated internal audit strategy. A previous version of the strategy was presented at the last ARAC meeting, minor changes have been made:

- Reducing the number of days of fieldwork in the 2<sup>nd</sup> year.
- These days will now be used in the third year to review grants.

The Audit and Risk Assurance Committee approved the revised plans.

## **10. Register of Audit (Internal and External) Recommendations**

(Appendix 8)

Mr G McKeown presented the Register of Audit Recommendations to the Committee, making particular reference to the following:

- 1) DFP internal Audit - Review of Grants Process – The number of board members proposed to made decision on core funding is currently seven. It was suggested that this is unnecessarily high. This issue is ongoing, as in order to make changes to the MSFM CRC would need Board and TEO approval – Delayed
- 2) Report to those Charged with Governance – Pay Remit – CRCs 14/15 Pay Remit has been approved. CRC liaising with TEO to try to resolve this issue – In Progress
- 3) Report to those Charged with Governance -The Community Relations Council should obtain up to date documented evidence for accruals - detailed review has been carried out as part of the management accounts process and the year end process. The draft Report to those Charged with Governance has not made observation that would indicate the revised procedures are not effective – Completed.

## **11. GDPR**

Mr G McKeown provided a verbal update on CRC's GDPR implementation:

- Policy has been updated and approved by the Board – Security Policy & Information Management Policy
- Privacy notice is on the website and a link has been added to CRC staff emails.
- Employee privacy notice has been circulated to all employees.
- Data Information Sharing almost all agreed – still awaiting response from one supplier.
- Archiving project largely complete
- E-files – CRC will take forward information asset register. This is a large body of work, to bring older files in line with the new system. This work will be up to individual members of staff to do carry this out.

Chair stated that CRC seem to be well ahead of other organisations. The Chair recommended that Mr G McKeown write down the process that CRC will be following and what is left to be implemented. Mr G McKeown responded informing the Committee that such a document already exists. It sets out a detailed implementation plan, columns linked to files, and evidence of what has been done, and what is left to complete.

The Chair congratulated Mr. McKeown on readying CRC for the requirement of GDPR and noted that CRC were among the most compliant organisations.

Mr G McKeown stated that staff had completed two training sessions and specific training for data controllers will be rolled out in due course.

## **12. Department of Finance Guidance**

(Appendix 9)

Ms T Wilson spoke on the four financial guidance notes published and presented in Appendix 9.

## **13. Direct Awards**

Ms T Wilson stated that there have been no direct awards to report.

**14. Small Purchases Without a Price Check**

(Appendix 10)

Ms T Wilson spoke on the small purchases which did not require a price check, presented in Appendix 10.

**15. AOB**

None

**16. Date of Next Meeting**

Committee members stated that the time of the next ARAC meeting is no longer appropriate to all members. It was agreed to change the time of the meeting to the following:

25<sup>th</sup> October 2:30pm CRC Offices

6<sup>th</sup> December 11am CRC Offices