

**Community Relations Council 67<sup>th</sup> Audit and Risk Assurance Committee**  
**Thursday 14<sup>th</sup> May 2020 11am, CRC Offices, Equality House, 7-9 Shaftesbury Square,**  
**Belfast**

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

**In attendance:** Ms J Irwin (CRC CEO), Mr G McKeown (CRC DFAP), Ms T Wilson (CRC Finance), Ms H George (CRC PA), Ms K Doey (NIAO), Mr C Gardner (TEO), Mr B Clerkin (ASM)

**Apologies:** None

**1. Minutes**

The Minutes of the 20<sup>th</sup> February 2020 Audit and Risk Assurance Committee meeting were approved.

**2. Northern Ireland Audit Office – CRC Audit Strategy**

Ms K Doey presented to the Committee, the CRC's 2019/20 Audit Strategy.

She informed the meeting that two key presumed significant risks include; risk of material misstatement owing to management override of controls; and risk of fraud in revenue recognition. She stated that, as CRC do not generate income from other sources, this second significant risk was rebutted from CRC's audit.

Ms K Doey stated that materiality would be set at £75k, which is based on 2% of expenditure. This is standard across the sector.

She informed the meeting that the NIAO audit team are broadly the same as last year, however there have been a few team changes. The new Director is Suzanne Walsh, and the new lead is Alison Busby. The makeup of the audit team is set out on page nine of the Strategy.

She stated that the audit fee will be £20,130. This is an increase of 10% from the following year. Similar increases have been applied to all audits across the sector. She explained that this increase is due to two things; increased focus on quality, more sampling, more preparation; and increased charge out rate.

The Committee asked if this is the maximum the audit would cost. Ms K Doey explained that if the audit costs come to less than £20,130 this will be reflected in the fee, however, it is possible that the fee could be higher. This may occur if a significant issue is identified which needs detailed investigating and reports prepared.

The Committee expressed their concern at the 10% increase in audit fees. They stated that there had been increases every year, and had particular concern about what increases would be imposed in 2020/21 audit.

Mr G McKeown added that since 2016 the audit fee has increased by £4k.

Ms K Doey stated that Ms S Walsh would be content to take a phone call regarding the audit fee.

She returned to the paper, and highlighted to Committee members that the error reporting threshold for this audit is £1,500. 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 asked the Committee to turn to page 6, which sets out the audit approach. This approach includes details of how personal data will be managed.

She informed the Committee that another risk which the Audit Office noted was the 6% salary adjustment. This is considered to be an irregularity, however, it is not significant enough to reach the reporting threshold.

Ms K Doey asked the Committee to keep in mind that Covid-19 restrictions might impact the audit. She presented the Board with the timetable, explaining that the audit will begin in mid-August as the start time. She highlighted that this audit is starting later in the year than usual, as TEO's audit will be taking place first.

Ms K Doey added that the auditors may need access to CRC's office for papers, but will maintain appropriate social distance. Gerard added that CRC can facilitate the auditor's access to digital files. He added that a staff member accesses CRC's office once a week, and during this time, any necessary documents can be scanned for the auditors.

Ms K Doey then highlighted the Strategy's appendix, setting out some studies that may be of interest.

The Board noted the Strategy and thanked Ms K Doey.

### **3. CRC 2019/20 Internal Audit**

Mr B Clerkin presented the Committee with three CRC audits completed in line with the agreed 2019/20 Audit Strategy.

#### **i) Grant Management and Distribution**

Mr B Clerkin presented the Board with the results of CRC's Risk Management and Complaints Handling audit. He highlighted two issues and recommendations:

Recommendation 1 - Priority 3 – CRC's grant assessments do not contain a minimum threshold applications have to meet to be considered fundable. CRC should implement this minimum threshold.

Recommendation 2 – Priority 2 - A number of CRC grant Information Sharing Agreements were not signed by CRC once returned by the group. ASM recommended that a representative from CRC sign all Information Sharing Agreements once returned by the group.

Mr B Clerkin confirmed that CRC have accepted these recommendations. This audit has received a 'satisfactory' rating.

ii) Risk Management and Complaints Handling

Mr B Clerkin presented the Board with the results of CRC's Risk Management and Complaints Handling audit. He highlighted three issues and recommendations:

Recommendation 1- Priority 3 – Improvements to Risk Register. The format of the NICRC Risk Register could be improved by reorganising it to display the risks in relation to CRC's objectives set out in the Strategic Plan.

Recommendation 2 – Priority 3 - The Senior Management Team should provide the Accounting Officer with written letter of assurance, to assist with the drafting of the Quarterly Assurance Statement to TEO.

Recommendation 3 – Priority 3 - New members of staff at CRC should receive risk management processes training.

Recommendation 4 – Priority 3 - Consideration SHOULD be given to the Complaints Handling Officer receiving top-up training.

Mr B Clerkin confirmed that CRC have accepted these recommendations. This audit has received a 'satisfactory' rating.

iii) Review of 2018/19 Audit Recommendations

Mr B Clerkin presented the Board with the results of CRC's audit of recommendations agreed in the 2018/19 audit. The review found that all recommendations had been implemented in full.

The Committee noted these reports and thanked Mr B Clerkin.

#### **4. Annual Assurance Report**

Mr B Clerkin stated that ASM have completed their work, in line with what was agreed in the Audit Strategy. Any significant issues were to be identified to the Accounting Officer, of which there were none. CRC have received a 'Satisfactory' assurance rating.

He drew the Committee's attention to the Key Performance Indicators, set out in the Statement. He stated that ASM were unable to attend one meeting of CRC's Audit and Risk Assurance Committee.

Mr B Clerkin highlighted that the audit was completed before the Covid-19 restrictions, and therefore no audit of the emergency procedures was conducted. He suggested that, as part of CRC's 2019/20 audit, these procedures be reviewed.

The Committee noted the Assurance Statement.

## **5. 2020/21 Internal Audit Strategy**

Mr B Clerkin presented the Committee with the proposed 2020/21 Audit Strategy.

He suggested that the audit cover; Board effectiveness and corporate governance; Covid-19 arrangements; grant administration and distribution; and a follow up review of 2019/20 recommendations. He stated that an audit of Covid-19 arrangements would replace the scheduled Human Resources audit.

The Committee agreed to replace the HR audit with a review of the Covid-19 arrangements. They asked that this review take place as soon as possible.

The CEO added that there are two stages to the Covid-19 arrangements; the immediate emergency response; and new ways of working. She stated that it would be beneficial to get early learning and best practice on Covid-19, and views from other organisations that the auditors review.

The Committee questioned the number of contact days, suggesting that it may be too low. They stated that two days for reviewing recommendations does not seem like enough, and would prefer the auditors schedule more contact days.

The Committee thanked Mr B Clerkin for presenting his papers.

Mr B Clerkin left the meeting.

## **6. Investigation into Funded Groups**

Mr G McKeown presented the Committee with a paper providing an update on the investigation into a group previously funded by CRC.

He stated that, following the recommendations for the last Audit and Risk Assurance Committee, he met with TEO this week. They stated that CRC's procedures are being applied and are consistent with their own. Mr G McKeown added that TEO are to check vouching and verification implementation and get back to Mr G McKeown. Mr G McKeown will feed this back to the Committee in due course.

He added that CRC had hoped to review and update procedures, however, this has been delayed due to home working. He assured the Committee that it is still a priority for CRC, and the review will hopefully take place before the next meeting. Mr G McKeown added that CRC do request and receive funded groups' Management Accounts before issuing awards.

He informed the Committee that CRC have updated their vouching processes, and now trace salaries thorough bank statements, payroll documents and HMRC accounts.

The Committee noted that 100% assurance is not feasible. The key is to encourage groups to flag up issues early.

The Committee noted this paper.

## 7. Risk Register

The CEO presented the Board with the lasted Risk Register. She stated that the Register follows the format set out in the Good Practice in Risk Management, organised under the following headlines; External; Operational; and Change Risks. The assessment matrix is set out on page two of the Register. She informed the Committee that this version of the Report shows the 'red' and 'amber' risks. The full register will be brought to a future meeting.

The CEO provided the Committee with details of the risks. 'Finances' remains red, due to the issues around the Pay Remit and Pension, as well as CRC's outstanding budget. 'Resources' remains amber, due to the HR morale issue, and the operations around Covid-19 processes. The Covid-19 mitigations are well documented, and, as agreed earlier in the meeting, will be reviewed as part of the internal audit.

The Committee stated that the categories are too broad and need to include details on assurance that controls are working. The CEO proposed a document setting out where CRC draw assurances from. The Committee stated that they would welcome this document.

**ACTION:** The CEO and Mr G McKeown to look at where CRC draw risks and assurance information from.

The Committee agreed the Risk Register, and asked that CRC now hold the Risk Workshop.

**ACTION:** Potential dates for the Risk Workshop to be circulated to Board members.

The Committee asked, regarding the outstanding budget, whether CRC are permitted to make payments to funded groups without written confirmation from TEO. Mr C Gardner, TEO, informed the Committee that CRC can commit to unavoidable expenditure, based on the 2019/20 budget plus 3.5% . He added that CRC will be able to make payments to groups of up to 33%, and can incur usual expenditure. Mr C Gardner stated that all the guidance exists but not in one place.

Mr G McKeown asked if TEO can provide written correspondence setting this out, and making it clear what expenditure CRC can commit to and what payments can be made. Ms K Doey stated that any email correspondence CRC have received from TEO setting this out would be enough assurance. The Committee asked for the written assurance, anyway, for peace of mind.

**ACTION:** TEO to provide CRC with written correspondence, setting out what expenditure and payments CRC can make.

The Committee recorded their thanks to the Chair, Mr M McDonald, for speaking to TEO seeking confirmation of CRC's budget.

## 8. Audit Recommendations.

Mr G McKeown presented the Committee with an update on the review of audit recommendations.

He stated that only one recommendation remained ongoing following the last Audit Committee meeting. This recommendation relates to the resolving of the 'No Better, No Worse Off' Guidance. He stated that a business case had been submitted to TEO and CRC have received comments. The Board have reviewed these comments, and CRC hope to have a revised draft to the sub-group in due course. The proposal TEO made at the last Board meeting will be send to the solicitor for assessment.

The Committee asked Mr C Gardner for a comment. Mr C Gardner stated that the idea of taking the cheapest option, set out in CRC's business plan, and using breaking point is innovative, but does not know how the Department of Finance will react. He stated that it was worth reviewing and costing TEO's suggestion.

Mr G McKeown added that the 2019 Pay Remit has been agreed and published.

The Committee noted this report.

## **9. Department of Finance Guidance**

Ms T Wilson presented the Committee with three pieces of Department of Finance Guidance.

The first piece of guidance relates to the payment of grants. The Government have asked ALBs and departments to exercise flexibility making payments to minimise delays. The guidance states that there is no removal of Accounting Officer's duty to ensure fiscal responsibilities are maintained.

The second piece of guidance sets out the 2019/20 Pay Remit. This Pay Remit received at 2% increase. This guidance sets out how the approval of Pay Remits is now in the hand of Ministers, where previously it was approved by department's Accounting officers. However, Ms T Wilson explained, that CRC's Pay Remits still require the approval of the Department of Finance.

The final Guidance sets out the Remuneration Report requirements. Ms T Wilson confirmed that this will be included in CRC's Annual Report and Accounts.

## **10. Direct Award**

Ms T Wilson informed the Committee that CRC made no direct awards since the previous Audit and Risk Assurance Committee meeting.

## **11. Small Purchases Without a Price Check**

Ms T Wilson informed the Committee that only one purchase was made without a price check, this is the Canon photocopier quarterly reading payment.

## **12. Any Other Business**

None

### **13. Date of Next Meeting**

The Audit and Risk Assurance Committee Chair stated that the next scheduled meeting of the Committee is due to take place in September. The Committee agreed that another meeting should take place in June, considering the current circumstances.

Mr G McKeown added that the September Board and ARAC meeting will need to be held on the same day, to approve the Annual Report and Accounts. He stated that we would review the timetable and propose potential dates.

**ACTION:** Mr G McKeown to review the timeline for future ARAC meetings, and propose a date for the next meeting in June.

The Chair thanked Committee members for attending.