

Community Relations Council 62nd Audit and Risk Assurance Committee
Thursday 19th September 2019 11:30am
CRC Offices, Equality House, Shaftesbury Square, Belfast

1. **In attendance:** Chair Mr R Campbell, Mr J McCallister, Mr M McDonnell
2. **Present:** Ms J Irwin (CEO), Mr G McKeown (DFAP), Ms T Wilson (Finance), Ms A McMaw (ASM Internal Auditors), Mr C Gardner (TEO), Ms K Doey (NIAO), Ms H George (PA to CEO & Board).
3. **Apologies:** None

4. Welcome

The Audit Committee Chair welcomed the new Board members to their first Audit and Risk Assurance Committee, and thanked them for volunteering to the Committee.

5. Minutes **(Appendix 1)**

The Minutes of the 23rd May ARAC meeting were reviewed and the following amendments were agreed:

- Ms T Wilson's name to be added to attendees
- Paragraph 6 – address to be replaced with addressed
- Annual Assurance statement – page reference to be reviewed and corrected

On the completion of these changes the minutes were agreed.

6. Matters Arising

No matters arising that are not addressed in other items on the agenda.

7. Annual Report and Account **(Appendix 2)**

Mr G McKeown spoke on CRC's Annual Report and Accounts 2018/19, which had been circulated previous to the meeting. He drew members attention to the following items:

- Pg. 23 – Corporate Governance Report – outline of Trustees and Directors and structure of the organisation as of 31st March 2019.
- Pg. 24 sets out the recruitment procedures of the Board.
- The following pages provide details of the main funding schemes.
- Pg. 29 details the Accounting Officer and Director's responsibilities.
- Pg. 31 displays the Governance Statement – which is an overview of the governance framework, including details of the Board and ARAC.
- Pg. 33 Sets out the Board and Committees responsibilities.
- Pg. 34 shows CRC's other framework responsibilities.
- Pg. 38 shows the key risks, including political, resources, and policy development.
- Pg. 40-41 Offers the independent sources of assurance
- Pg. 41 shows CRC's internal audit report summary.

- Pg. 42 sets out one significant issues disclosure – the 6% uplift to pensions to staff in post before January 2014.
- There follows the remuneration report and the accountability report.
- On Pg. 52 the Certificate and Report of the Comptroller and Auditor General to the NI Assembly will be inserted.
- The financial statement appears on Pg. 55.
- Pg 56 shows CRC’s balance sheet, which displays a £989k deficit due to pension liability. Mr G McKeown explained that TEO have provided CRC with written assurances that they would underwrite this deficit.

Mr G McKeown explained to Board members the background of significant issue disclosure on page 42. He stated that a change in rules on civil service pensions created a disagreement of parity in NICS and NILGOSC pension streams. Those with 6% pension were better off than those in the main pension stream. Department Guidance released ‘No better, no Worse Off’ guidance’, therefore CRC’s pension arrangements are not consistent with DoF rules.

He added that CRC is working with TEO on a business case to go to DoF. The Business Case proposes that the most cost effective response would be to bring all staff up to the 6%. This will ensure CRC is compliant with both equality legislation and updated Department of Finance guidance.

This business case is currently with the Sponsorship branch, and will go to the finance branch of TEO for review.

Mr G McKeown explained that the 15/16 Pay Remit was approved in June 2019, to which a condition was added that TEO will obtain appropriate legal advice around this equal pay issue and amend payments to staff if required before 1 April 2020.

The Audit Committee Chair stated that this issue continues to be raised during CRC’s audits, and is likely to affect staff morale.

The CEO added that CRC is not the only organisation affected by this issue, and that CRC, by fulfilling the 6% uplift arrangements CRC, is complying with NILGOSC scheme.

Following a conversation on the deficits on the both the Income Reserve and Pension Reserve, the Audit and Risk Assurance Committee asked Mr G McKeown to add a note to the Annual Report and Accounts explaining that TEO have provided CRC with a written guarantee explain that they would underwrite this pension liability.

ACTION: Mr G McKeown to add a line to Note 14 of the Annual Report and Accounts explaining that TEO have provided a written guarantee underwriting the pension liability.

Regarding the deficit on the Income Reserve, Mr G McKeown explained that the deficit is created as a result of charity accounting regulations that prohibit CRC recognising income until it has been drawn down (received). This creates a timing

difference between when expenditure is recognised (accruals basis) and when the income to fund that expenditure can be recognised (cash basis).

The Audit Committee Chair considered whether it would be worth asking CRC's lawyer if there is a breach of charity trustee's responsibilities if CRC's reserves are in the negative.

ACTION: Mr G McKeown to obtain legal advice and agree a form of words with TEO.

The Audit and Risk Assurance Committee recommended the Annual Report and Accounts be taken to the Board and recommended the Board approve the Report.

8. External Audit – NI Audit Office (Appendix 3)

Report to those Charged with Governance

Ms K Doey talked through the external audit Report to those Charged with Governance, circulated to members prior to the meeting. She explained that the final checks would be completed once the Annual Report and Accounts have been signed.

Ms K Doey made particular reference to the following sections in the report:

- Pg. 7-9 report the audit findings, including:
 - Priority 1 – 6% pension uplift. This item will continue to appear on CRC's audit reports.
 - Priority 3 – classification of grants. Auditors reviewed a file for a grant that was believed to be one type of grant, but was actually another type. The Audit office recommended that a different template is used for different grants. CRC confirmed that this issue has been rectified with the introduction of an online grants management system.
 - Priority 3 - A grant saw payment made for expenditure that had been incurred outside the eligible expenditure period. CRC staff were notified of this.
- Pg. 10 sets out the adjustments made to CRC's accounts including:
 - The additional provisions need to be made to cover the costs of the pension liability.
 - The reclassification of a grant which had been incorrectly classified
 - Under-accrual of grants payable.

Ms K Doey added that the Report to those Charged with Governance would be issued in its final form following the signing of the Accounts.

The Audit and Risk Assurance Committee thanked Ms K Doey for presenting and commended Mr G McKeown and his team for their work.

9. Audit Investigation into Funded Groups

(Appendix 4)

Mr G McKeown presented to the Committee an update on the investigations into funded groups.

He explained that in May 2018 CRC were made aware that a potential issue had occurred with a group receiving funding. CRC discussed this issue with TEO, who had also been made aware of the issue. It was suggested that the group had outstanding debts to HMRC. £288 was claimed by the group and then vouched however there was not sufficient evidence on the file to support the payment. CRC is following up to get evidence to complete the vouching.

Mr G McKeown and T Wilson added that CRC reviewed a sample of 8 grants, which included a total of 32 claims, but found no similar issues.

10. Risk Management Strategy and Full Risk Register

(Appendix 5)

i) Risk Management Strategy

The CEO talked the Committee through the Risk Management Strategy, a copy of which was provided to all Committee members in advance of the meeting. She stated that the Full Risk Register is reviewed by this Committee and the full Board annually at the AGM.

She explained that the Risk Management Strategy looks at the roles and responsibilities, risk management functions, risk identification, evaluation, controls and a review of the risk management strategy. The report also looks at the roles of internal audit. It details the risk areas and inherent risks, and the risk response.

The CEO highlighted to Committee members the Risk Framework set out on page 5 with Audit Office guidance, risk evaluation and risk controls.

The date of review is 19th September 2019 and was last reviewed in September 2018.

ii) Risk Register

The CEO then talked Committee members through the full risk register in advance of the AGM.

She explained that the Audit and Risk Assurance Committee would usually get the summary of the Risks, with those categorised as 'green' removed.

She then set out the red and amber risks:

- Political – Red - categorised as a red risk due to the uncertainty in Northern Ireland. She added that TEO view this Risk as 'Amber'.

The Audit and Risk Assurance Committee discussed this risk and asked to propose that the Board hold a workshop on risks and risk management. The Committee agreed for this risk to remain Red, pending a workshop with Board members taking place.

- Resources – Amber - This risk remains amber due to the delay in the pay remit and the issues related to the 6% pension uplift. The Board approved this Risk remaining amber.
- New policies – Amber - This risk was categorised as amber in the past due to the delayed Board appointment process. The CEO recommended that, as there is a new Board in place, this Risk be reduced to ‘Green’. She also suggested that the remaining issues on staffing be moved to the ‘Resources’ risk. The Board approved these proposed changes.

11. Internal Audit

(Appendix 6)

Ms A McMaw presented to the Committee a proposal to amend the 2019/20 Internal Audit Plan.

She asked the Audit Committee to approve to split the previously proposed review of Board Effectiveness, Corporate Governance, Risk Management and Complaints handling into two separate reviews. Risk Management and Complaints Handling will be reviewed in 19/20 and defer the Corporate Governance review to 20/21.

The Audit and Risk Assurance Committee agreed to these changes. They asked if they could receive copies of the Internal Audit Strategy.

ACTION: Mr G McKeown to circulate the Internal Audit Strategy to Committee members.

12. Register of Audit (Internal and External) Recommendations

(Appendix 7)

Mr G McKeown talked Committee members through CRC’s Register of Audit Recommendations, copies of which were circulated to members prior to the meeting. He highlighted the following:

- Review of Grants Processes – delayed due to the delegation and application of grants approval levels and the review of the Management Statement Financial Memorandum
- 6% pay uplift and Pay Remits
- Contract Management procedure – Review scheduled to take place on or before 31st December 2019.
- Monthly projected grant expenditure could be improved to avoid optimism bias.
- Update Financial Procedures Manual – completed
- Test Subject Access Requests and Data Breaches Protocol – implementation plan being drafted.

The Committee noted this report.

13. Information Security Update

(Appendix 8)

Mr G McKeown drew Committee members' attention to a paper setting out an incident that occurred in CRC involving a member of staff receiving a phishing email.

The Audit Committee Chair commended the handling of the issue. Mr G McKeown explained that all members of staff have read the Information Policies, however, it was an agency worker involved in the incident.

The CEO added that all staff would be made aware of near miss incidents such as this if they occur, regardless of whether they are successful as a means of raising awareness of the tactics used by fraudsters.

The Audit Committee Chair agreed, and noted that he had recently engaged the services of a cybercrime prevention organisation to do training on these issues.

14. Department of Finance Guidance

(Appendix 9)

The Committee noted this paper.

15. Direct Awards

Nothing to report

16. Small Purchases Without a Price Check

(Appendix 10)

The Committee noted this report.

17. Any Other Business

The CEO thanked the staff, Committee, NI Audit Office, and ASM for their thorough work and the assurance that could be taken from the audits.

The Audit Committee Chair added that he was not sure he should continue as the Chair of the Committee once new members are settled, but stated that he would like to continue as a member of the Committee.

18. Date of next meeting

17th October 11am
November – to be confirmed