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**AUDIT RISK & ASSURANCE COMMITTEE**  
**Minutes of Meeting**  
**Friday 14 October 2016, 10.30am**  
**Equality House**

**Present:**

Mary McIvor **MMI** (Chair)  
Brian McDonald **BMD** (Member)  
Gerry O'Neill **GON** (Member)

**In Attendance:**

Colin Moffett **CM** (TEO)  
Colin Childs **CC** (TEO)  
Kathy Doey **KD** (NIAO)  
Deborah Park **DP** (NIAO)  
Jonathan Buick **JB** (ASM)  
John Beggs, Secretary to the Commission **JB** (CVSNI)  
Craig Gartley, Head of Corporate Services **CG** (CVSNI)  
Claire Trimble **CT** (Minutes)

**1. Introduction and Apologies**

1.1. The Chair (**MMI**) welcomed everyone to the meeting. No apologies to note.

**2. Register of Interests / Contractor-Supplier List**

2.1. There were no Conflicts of Interests.

**3. Minutes of meeting on 22 July 2016**

3.1. The minutes were agreed by all. **MMI** approved the minutes.

**4. Annual Report and Accounts 2015-16**

4.1. **JB** apologised for the delay in circulating the Annual Report and Accounts.

4.2. **JB** noted that the Accounts were unqualified and had moved to a positive equity position. **JB** acknowledged that there had been a number of iterations of the annual report and accounts and highlighted two issues. Firstly, the LTTCCWG Priority 1 recommendation in respect of the quality of accounts and

journals and proposed a thorough internal review after the annual accounts are finalised this year; and secondly, the potential overspend of £2,127 in the draft accounts which would exceed tolerance limits within the Department and advised that the Department had already been notified of the overspend on depreciation.

- 4.3. **CG** also apologised for the delay and took members through the key changes to structure of annual report and points to note with the draft accounts.
- 4.4. **MMI** thanked **JB** and **CG** for the overview and asked members for further comments.
- 4.5. **BMD** asked about Long Term Expenditure Trends. **CG** stated this was on Page 63 of the report.
- 4.6. **MMI** enquired about the Stewardship Statement. **CM** stated that these are reviewed on a quarterly basis. **JB** agreed to include with future papers.

**ACTION: JB**

- 4.7. **MMI** invited any comments or questions in relation to the Accounts.
- 4.8. **GON** asked about the increase in Corporate Services Expenditure. **CG** stated this was due to external contracts and tendering exercises which took place end of March 2016.
- 4.9. **KD** stated that CVS should consider the effectiveness of the current quality review process and implement changes to ensure that this is able to identify where the draft accounts do not comply with guidance and to limit errors in the account submitted for audit. This should also include reconciliation of the TB and GL to the draft accounts submitted. This is a Priority 1 recommendation and all journals prepared should be given a full description and be numbered sequentially.
- 4.10. **JB** and **CG** acknowledged this recommendation and stated that this will be implemented going forward.
- 4.11. **MMI** asked **KD** to go over this in detail as this was a Priority 1. **KD** gave an overview stating that a significant number of changes were required to bring the Annual Report and Accounts into compliance with current DoF guidance.
- 4.12. **MMI** thanked **KD** for the overview. All agreed that as this a Priority 1 it should be given urgent attention. **CG** agreed with the recommendation.
- 4.13. **GON** stated that preparing the accounts in-house was a significant management decision and asked if **JB** and **CG** were reviewing this. **JB** stated that an Internal Review of the process will be completed in advance of next meeting and quality assurance completed.

**ACTION: JB**

- 4.14. **MMI** thanked all for their comments.

## **5. External Audit**

- 5.1. External audit fieldwork by NIAO was completed on 2 September 2016 and a draft Report to those Charged with Governance was received by the Commission on 12 October 2016.
- 5.2. **KD** stated that in relation to the Adjusted/Unadjusted errors in the bank balance it is good practice to correct this every year. **CG** agreed.
- 5.3. **KD** stated all journals prepared should be given a full description and be numbered sequentially. The staff member preparing the journal should sign it as prepared and provide on file supporting documentation as to the reason for the journal posting. All journals should be checked and authorised before posting.

- 5.4. **MMI** questioned why Priority 1 had not been followed through from last year.
- 5.5. **CG** stated that the system for processing journals had been implemented during 2015/16, however it is apparent that changes are required. **KD** referenced recommendation 1 of the RTTCWG which related to the journal processing system. **BMD** also relayed his disappointment in relation to the recommendation. **MMI** stated that Audit Office Recommendations should be taken very seriously, and was concerned it remained a Priority 1. **GON** stated that it would appear that there was insufficient internal control in place to ensure accuracy of journals posted.
- 5.6. **CG** acknowledged the comments and advised that changes will be made as soon as possible.
- 5.7. **JB** acknowledged the Committee's comments and advised that the Governance Statement shall be updated in relation to concerns over internal control.

**ACTION: CG**

- 5.8. **MMI** asked **JB** about his views on the financial functions of CVS, and queried what his recommendations would be going forward, given the discussion that had just taken place.
- 5.9. **JB** reaffirmed his concern with the Priority 1 recommendation and the urgent need to review the internal financial function. **JB** stated that an external provider was previously used to prepare the Annual Report and Accounts and this was the first time in-house had been used exclusively. **JB** stated that as Accounting Officer he took full responsibility and will ensure that this is rectified as soon as possible.
- 5.10. **BMD** put forward that whilst CVS may wish to consider the option of using an external provider in the future, in relation to financial functions, however stating that the issues raised were relatively straightforward which could be quickly rectified.
- 5.11. **GON** stated he is content to assist CVS with any changes needed in the internal review in relation to quality control.
- 5.12. **MMI** thanked **GON** for his offer of assistance, and reiterated the importance of good Accounts well prepared. **MMI** stated that the Committee are aware that CVS are a small organisation with a small workforce which impacts on capacity, and asked **JB** to consider using an external provider again to help ease workload pressures internally.
- 5.13. **GON** asked about SAGE stating it was a good benchmark, and if CVS are using it to produce the Management Accounts. **CG** gave an overview of the SAGE functions currently used.
- 5.14. **MMI** welcomed comments with reference to errors e.g. holiday accruals.
- 5.15. **BMD** gave a brief overview of the processes used within his own organisation and offered to pass on templates to CVS for their information. **MMI** and **JB** thanked **BMD** for his offer of assistance.
- 5.16. **MMI** welcomed comments, questions or issues concerning the proposed development of Monthly Management Accounts.
- 5.17. **MMI** asked **CM** and **CC** if they had any comments in relation to the proposed over spend.
- 5.18. **GON** proposed making the identified adjustments in the LTTCWG which may rectify the financial position. Members agreed that this should be progressed with urgency with NIAO before accounts are finalised. **JB** to advise members and reissue accounts and annual report for members consideration before annual report and accounts approved by Board.

**ACTION: JB**

5.19. **CM** advised that this was a non cash item and a letter was received from **JB** on 12 October 2016 and advised the Department were content to wait on the final accounts and audited expenditure for 2015/16. **CM** pointed out that overspend was a significant control issue and a breach of the ALB 0% budget tolerance level, and would require Departmental Board consideration. The Department requested CVS to update them following NIAO clearance regarding the existence of any overspend.

**ACTION: JB**

5.20. **MMI** acknowledged the ALB 0% budget tolerance level was a heavy burden and advised that this is what is required. **MMI** thanked **CM** and stated that everything must be done to avoid this escalating to Board Level unnecessarily.

5.21. **JB** stated that this will be reviewed and discussed at the CVS Board Meeting on 18 October 2016, and an Exceptional Board Meeting can be arranged if required.

5.22. **MMI** asked **JB** if there were any further issues with the Letter of Representation.

5.23. **JB** advised that this will be reviewed following completion of accounts.

**ACTION: JB**

5.24. **MMI** acknowledged this was a difficult meeting and stressed the importance of reviewing the Annual Report and Accounts as soon as possible.

## **6. Update – Accounting Officer**

### **Performance Report**

6.1. **JB** stated that the 2016-19 Corporate Plan is currently being updated and the Commission are working alongside the Victims and Survivors Service on Strategic Outcomes paper for December. The 2016-19 Corporate Plan will be tabled at the Board Meeting on 18 October 2016.

**ACTION: JB/CG**

6.2. **JB** confirmed the 2016/17 Business Plan was updated at the end of Quarter 2 (end of September 2016). **JB** gave an overview and highlighted the new research planned on a Attitudinal Survey which was benchmarked against the Charities Commission.

6.3. **BMD** queried the Budget allocation for Research and whether it was adequate. **JB** confirmed he was content with the Budget.

### **Budget Report**

6.4. **JB** stated that the Budget has been reanalysed in light of the recent appointment of the Head of Communications and Engagement and subsequent vacant post and changes to the Programme Budget.

6.5. **JB** advised that the Commission is awaiting notification of it's opening budget for 2017/18 which is expected approximately January 2017.

6.6. **JB** advised that a full complement of 24 Forum Members are now in place alongside 55 Forum Panel Members. It was also noted there was a Forum Residential on 13 October 2016.

6.7. **GON** enquired about the £25k potential underspend on the Programme costs.

6.8. **CG** advised that the budget profile was dedicated against new Communications Strategy and Research 'Attitudinal Survey'.

6.9. **BMD** stated that the format was difficult to read and requested that **CG** add a column stating 'Accumulated Budget to Date'.

**ACTION: CG**

### **Update on Business Cases and Procurement**

- 6.10. The paper at ARC/16/20d for update on Business Cases, Procurement and Post Project Evaluations was discussed.

### **External Audit/Annual Report and Accounts**

- 6.11. As above

### **Internal Audit**

- 6.12. Paper highlighting outstanding audit recommendations discussed.
- 6.13. **JB** advised that ASM completed fieldwork on 1 September on the Human Resource & Performance Management assignment. Satisfactory assurance provided with three Priority 3 recommendations accepted with management responses. ARC/16/21 Timelines for Complaints and Freedom of Information Handling and the Review of Programme/Project Management have changed and new Terms of Reference have been approved.

### **Risk Management**

- 6.14. **JB** stated that the Commission's Corporate Risk Register currently contains 1 high rated risk with red status, 2 medium rated risks with amber status and 2 low rated risk with green status.
- 6.15. **JB** stated that the Board had requested a change to CR3, amending it from Red to Amber and had sought ARAC views before making the change.
- 6.16. **MMI** queried if there had been sufficient time for the new Forum to perform its key functions and was content to review this at the next ARAC Meeting in January 2017. All agreed.

### **Pay Award 2015/16**

- 6.17. **JB** stated that the Commission formally re-submitted its completed 2015/16 pay remit for review/approval on 2 September 2016.
- 6.18. Further queries have been received on 22 September 2016 and the Commission responded to these queries on the 4 October 2016.

### **Staffing**

- 6.19. **JB** advised that the new Head of Communications and Engagement took up post on 19 September 2016.
- 6.20. The Commission currently has one vacancy.
- 6.21. The Head of Communications and Engagement is prioritising the preparation of a Business Case for Recruitment of an SO to fill the current vacancy.

### **Organisational Structure**

- 6.22. **JB** advised that following the Board request for SMT to review the Commission's Organisational Structure a Business Case was in place for an external organisation to provide some advice on the Commission's current capacity and capability.

### **Review of the Commission**

- 6.23. **JB** advised that the next triennial review is due to take place in late 2016/17.
- 6.24. **CM** gave an explanation to **MMI** about the purpose and proposed timelines for the review.

### **Forum**

- 6.25. **JB** stated that a Forum meeting took place on 13 October 2016 with **TEO** and **VSS** in attendance.

### **Audit and Risk Assurance Committee**

- 6.26. It was noted the next meeting of the **ARAC** will be in January 2017. **ARAC** will be notified of the meeting date as soon as possible.

### **Guidance Received**

- 6.27. **DAO 07-16 Internal Audit Opinions & Prioritisation of Recommendations**
- 6.28. **PGN 03-11 DACS**
- 6.29. **PGN 04-16 Selection and Tender Evaluations**

### **Freedom of Information**

- 6.30. No **FOI** requests received in the last quarter.

### **Complaints**

- 6.31. No complaints received.

### **Gifts & Hospitality**

- 6.32. All Gifts and Hospitality for the last quarter have been recorded and approved by the Accounting Officer.
- 6.33. There has been no exceptional gifts or hospitality received or provided.
- 6.34. All Registers for the last quarter are now available on the Commission's website.
- 6.35. **BMD** stated that it would be good practice if the Gifts and Hospitality Registers could be forwarded to **ARAC** end of each financial year.

**ACTION: CG/MN**

### **Fraud**

- 6.36. There have been no reported instances of fraud during the last month.

## **7. Internal Audit**

- 7.1. **JB** stated that there is a need to look again at the remaining Work Programme and ensure implementation before year end. **HR Performance Management Review** complete with satisfactory assurance. Awaiting finalisation of **Follow Up, Purchasing and Procurement** assignments.
- 7.2. Two reports on **Procurement and Follow Up** shall be tabled at the next **ARAC Meeting** in January 2017.
- 7.3. **MMI** asked **Internal Audit** to consider a review of the annual report and accounts process given the **NIAO's** re-occurring **Priority 1** recommendations over quality. A discussion took place over which assignment would be deferred to facilitate this exceptional review. **JB** undertook to review this with **Internal Audit** and advise the Committee at the next meeting.

**ACTION: JB**

- 7.4. **MMI** enquired about the recommendations on Staff Appraisals during the period without a Commissioner. **JB** advised that there was Interim arrangements in place with the Department, and appraisals were completed. **GON** recommended a Priority 3 as paperwork needs progressed.
- 7.5. **GON** also queried the changes to Internal Audit ratings. **JB** advised that he had accepted **ASM**'s recommendation to accept changes with immediate effect.

8. **Risk Register**

- 8.1. As above.

9. **AOB**

- 9.1. **MMI** requested a date be finalised for the next ARAC meeting in January 2017, and notification sent to members. **GON** advised Mondays or Tuesdays would not be suitable.

**ACTION: CG/MN**

- 9.2. **BMD** stated that the Terms of Reference for ARAC would need updating and distributed to the ARAC.

**ACTION: CG**

The date of the next meeting is to be confirmed.

Signed   
Name MARY MCIVOR

Date 25 Jan 17

