

Minutes of the Audit and Risk Assurance Committee meeting held on Monday 7 March 2022 at 10.00am via videoconference

Present: Deirdre Fitzpatrick (Chair)
Clare Duffield
Michelle McGinley
Daire Murphy
Lee Wilson

In attendance: Don Leeson (Chief Executive)
Paul Lowe (Director of Corporate Services)
Elaine Clarke, (Employment Relations Manager)
Alison Wolfe (Secretary)
Pamela Robinson (Executive Assistant)
Wendy Carberry (Department for the Economy)
Barry McLeod (Department for the Economy)
Ross Boyd (Ross Boyd Ltd)
Christine Hagan (ASM)
Stephen Brannigan (NI Audit Office)
Aideen Duggan (Boardroom Apprentice)

Apologies: Kevin McCabe
Karen Beattie (NI Audit Office)

Members of the Audit and Risk Assurance Committee (ARAC) met 'in-camera' before the meeting formally commenced. The key points from this discussion are recorded at agenda item 9.

The Chair welcomed everyone to the meeting and in particular Michelle McGinley, Ross Boyd, Stephen Brannigan and Pamela Robinson to their first meeting. Michelle is replacing Louse Crilly as a member of the Committee; Ross will present the Audit Strategy on behalf of the External Auditors; Stephen is representing NIAO in place of Karen Beattie and Pamela will be taking over from Alison Wolfe when she retires. As it was Alison's last meeting the Chair thanked her for the support she has provided to the Committee over the years.

Declarations of Interest: no conflicts of interest were declared. The Chair advised attendees of the need to raise any conflicts that may arise during the meeting.

1. Minutes of the Last Meeting

- 1.1 The minutes of the Audit and Risk Assurance Committee meeting held on 13 December 2021 (paper ARAC 02-03/22) were agreed as an accurate record.

2. Matters Arising from the Last Meeting

- 2.1 The Director of Corporate Services reported that the update to the Memorandum of Understanding between the Agency and OITFET will be progressed as part of the 2022-23 Business Plan (paragraph 3.1 of the minutes of the last meeting refers).
- 2.2 A new IT support contract for the Case Management and Records System (CMRS) has been in place since 1 February 2022 (paragraph 3.2 of the minutes of the last meeting refers). In the meantime a new Systems Developer has been assigned to complete work still outstanding under the previous contract arrangement.
- 2.3 Due to staff absence, training for staff in financial procedures and other governance matters has not been progressed this year but will form part of the training plan for 2022-23 (paragraph 3.3 of the minutes of the last meeting refers). Data Protection training has been sourced and is being scheduled.
- 2.4 This is a substantive agenda item (paragraph 3.5 of the minutes of the last meeting refers). The Chief Executive reported that following Board discussion changes were proposed to the Standing Orders. The Chief Executive and Director of Employment Relations Services continue to meet stakeholders to seek their views on the review of the Independent Appeals Services which will be carried forward as part of the 2022-23 Business Plan. A paper will be prepared for consideration at the May Board meeting.
Action: Chief Executive/Director of Employment Relations Services
- 2.5 The Agency continues to liaise with DfE colleagues in relation to the budget for 2022-23 (paragraph 3.6 of the minutes of the last meeting refers). DfE officials reported that the Agency may have to operate with a baseline budget to begin with and undertook to provide an update as soon as DfE receive further clarity. The Chief Executive reported that the Board had agreed, at their February meeting, to set a budget based on forecast requirements for 2022-23, rather than baseline. This will allow the Agency to retain current temporary staffing arrangements with a view to making a bid for in-year funding. The Agency hoped to be in a position to bring a budget to the May Board meeting for approval.

- 2.6 A procurement exercise for external legal services is currently out to tender with a closing date of 18 March (paragraph 3.7 of the minutes of the last meeting refers).
- 2.7 In light of concerns regarding emergence of the Omicron Covid-variant, two meetings of the NI Engagement Forum were convened on 5 and 28 January (paragraph 4.2 of the minutes of the last meeting refers).
- 2.8 It was noted that in light of increasing public health concerns the Board took the decision at their meeting in February to postpone the Agency's planned employment relations conference until Autumn (paragraph 4.3 of the minutes of the last meeting refers).
- 2.9 The Chief Executive reported that the outcome of an Independent Appeals Hearing associated with an internal grievance is awaited (paragraph 4.8 of the minutes of the last meeting refers). The matter is also proceeding through Tribunal; provision has been set aside in the accounts for legal advice.

3. Chief Executive's Business

- 3.1 The Chief Executive reported that following the SLT/SMT presentation to the February Board a draft Business Plan will be prepared for approval at the March Board meeting. The Business Plan will then be submitted to DfE for approval.
- Action: Chief Executive**
- 3.2 The Chief Executive highlighted the upturn in industrial disputes arising from cost of living rises and a buoyant labour market. Collective conciliation training was delivered for Employment Relations Managers to increase the capacity at that level to deal with disputes. A meeting has been scheduled with the Chair, Chief Executive, Director of Employment Relations Services and the Assistant General Secretary of NIC-ICTU to discuss the current industrial relations climate. The Agency anticipates a raft of Tribunal claims in relation to the McCloud judgement.
- 3.3 Staff absence rates in relation to the Omicron variant remain high, particularly in the conciliation section. The SLT are considering contingency arrangements should these be necessary to maintain service delivery.
- 3.4 Confirmation has been received that relocation to James House will be delayed until at least July. The Board agreed that the Agency should holdover its lease until such time as notice to leave can be given with confidence that James House will be available for occupancy within the three-month notice period required for exiting the current lease. The Agency is in discussion with DoF to recoup additional costs incurred because of the delay. The SLT will discuss

plans to reopen the Gordon Street premises which had been put on hold due to the emergence of new Covid variants. TUS will be consulted on the plans.

Action: SLT

- 3.5 The timeframe for depreciating assets may have to be extended into August/September. These will need to be taken into account in the annual report and accounts. The Board and DfE will be kept updated.

4. External Audit Matters

Audit Strategy for the Agency's Annual Report and Accounts for 2021-22

- 4.1 The Northern Ireland Audit Office presented the strategy for the forthcoming audit of the Agency's Annual Report and Accounts for 2021-22 (paper ARAC 03-03/22).
- 4.2 An initial planning meeting was held with the Chief Executive and Director of Corporate Services in February.
- 4.3 A number of particular areas for consideration by ARAC were highlighted.
- 4.4 Budget outturn is important for planning external audit; 2% is a common figure and consistent with previous years.
- 4.5 The Audit approach was outlined. NIAO are aware of dilapidations provision and are keen to see that accounting for fixed assets is addressed. It was recognised that the timetable for external audit is important with May being a critical month for statutory audit work.
- 4.6 In relation to dilapidations the Chief Executive reported that building supplies and labour costs have increased. A review of the anticipated costs has therefore been undertaken with the report due by the end of March 2022 for inclusion in final accounts.
- 4.7 Provision has also been made for the later relocation to James House.
- 4.8 The Committee approved the Audit Strategy.
- 4.9 The Chair thanked NIAO for their report.

5. Internal Audit Matters – Audit Report

Review of Information Management

- 5.1 ASM presented the review of Information Management (paper ARAC 04-3/22).
- 5.2 The Committee noted the inclusion of an objective to consider the adequacy of information management policies and email security practices, as agreed at the December 2021 ARAC meeting.
- 5.3 The Committee noted the requirement to update Data Protection and Retention Policies in line with current practice. Relevant tasks are being done in practice, however policies require updating to reflect this.
- 5.4 ASM highlighted good practice in the Privacy and Electronic Communications Policy and the Email Use Policy.
- 5.5 In light of a data breach incident which occurred in October 2021 ASM acknowledged that adequate email security controls are in place.
- 5.6 In terms of records management, ASM noted that records have been scanned accurately onto CMRS to prevent duplication and digitise records.
- 5.7 ASM recommend that consideration is given to strengthening policies around disposal of confidential waste for staff working from home.
- 5.8 ASM recommend that the Agency seeks clarification from DfE on how long to hold 'inactive' records bearing in mind GDPR.
- 5.9 ASM recognise that Covid 19 had little impact on data protection within the Agency, mainly due to digitisation and effectively operating a paperless working environment. One area of improvement was highlighted in terms of the print functionality where officers are working from home and the need to observe confidential waste procedures.
- 5.10 ASM noted that the Agency is establishing a Hybrid Working Policy which may deal with some of the weaknesses in terms of homeworking and disposal of waste.
- 5.11 The Agency received a 'satisfactory' assurance rating and all recommendations have been accepted by Management.
- 5.12 DfE officials undertook to keep the Agency informed when the Department introduce an information management policy. Some records are currently on indefinite hold pending policy advice.

5.13 The Committee noted the Priority 3 recommendation and satisfactory assurance. The Committee were content that a number of recommendations are already being addressed.

Review of Early Conciliation

5.14 ASM presented the review of Early Conciliation (paper ARAC 05-3/22).

5.15 ASM noted the swift action of the Agency in correcting an omission in the Operational Manual during the course of the audit.

5.16 ASM highlighted inconsistencies in training records compared to the information held on PAMS.

5.17 A number of exceptions in compliance with EC Certificate timelines were identified. The review also identified that there are no arrangements for reporting timeline compliance to the Board. This was accepted.

5.18 Clare Duffield welcomed the audit and recommendation about reporting to the Board; it is a statutory service so understanding data and detail is key to the Board. In relation to considering the effectiveness of training ASM reported that very few complaints are received. The Chief Executive commented that quality of work is a line manager function; officers undergo lengthy training before dealing with clients and are then supervised and supported by line managers. Customer feedback is less reliable because it tends to be related to case outcome rather than service provided by the Conciliation Officer.

5.19 The Chair acknowledged the satisfactory rating and that Priority 3 recommendations are actioned.

5.20 The Chair thanked ASM for their reports.

6. Risk Management - Corporate Risk Register for 2021-22

Corporate Risk Register 2021-22 as at March 2022

6.1 The Director of Corporate Services presented the Corporate Risk Register (paper ARAC 06-03/22).

6.2 Subject to planned discussions on a revised format, a new risk register will be presented to the June ARAC meeting.

- 6.3 In terms of the current position, no extreme risks have been identified for escalation to the Board. Two recent changes made to the Register relate to year-end budget monitoring and in respect of the Agency's response to the Omicron variant.
- 6.4 Clare Duffield asked if consideration should be given to amending the risk profile to reflect external influences which are creating a very unstable labour market for example skills shortages and Covid recovery. Given the nature of the Agency's work any instability may result in higher risks to service delivery or the Agency's ability to respond. The DCS reported that this will be picked up in discussions regarding content of the new format risk register. The Risk Register is currently reviewed on a monthly basis by SLT and risks are identified, assessed and managed appropriately.
- 6.5 It was agreed that it would be useful to hold a risk workshop in April to look at the content of the new risk register and key risks being managed.

Action: Chief Executive/Secretary

Revised format for the Corporate Risk Register

- 6.4 The Chief Executive presented the revised Risk Register format (paper ARAC 07-03/22) outlining the background to the approach now being proposed.
- 6.5 Two prototypes were developed and discussed at an ARAC workshop in February 2022 when it was agreed that the SLT choose the format which would work best for the Agency. The chosen approach focuses on single specific risks and how these are managed. All general controls have been removed; business plan strategic objectives are included showing linkages for each individual risk. Committee members discussed the revised format at their in-camera session and found it very clear and good in terms of reporting and understanding.
- 6.6 The Committee approved the revised Risk Register format.
- 6.7 The Committee Chair thanked the Chief Executive for the paper.

Revised Board Practice and Standing Orders

- 6.8 The Chief Executive presented the revised Board Practice and Standing Orders (paper ARAC 08-03/22).
- 6.9 At their January 2022 meeting, the Board agreed that the Standing Orders should be revised in light of advice received from DSO and a corporate governance expert. It was further agreed that the revised Standing Orders should be reviewed by ARAC before being presented to the Board for approval.

- 6.10 The proposed changes seek to ensure that as many Board members as possible are available for discussion; increase the quorum from five to six and allow people from all constituencies to participate in decision-making in terms of having their voice heard. Reasons for dissent will be recorded in line with recommended practice.
- 6.11 The Board will strive to achieve consensus; include a more specific definition of conflict of interest; also seek to avoid having to go to a vote where any party has a veto. Lee Wilson proposed further changes at the in-camera session, firstly regarding paragraph 23 – to add a provision along the lines of ‘providing there are representatives from each constituency in the Board membership’. This is to cover circumstances where there might be no representative from one constituency, allowing the Board to go on and make decisions; and secondly at para 25 to remove ‘from all three constituent parts/where consensus is not possible’. It was agreed that a footnote or cross reference to Schedule 4, paragraph 5 could be added to address the possibility of being in breach of The Industrial Relations Order if all three parts were not represented.
- 6.12 In light of hybrid working arrangements and the fact that it is no longer exceptional to meet online the Chief Executive will consider adding some flexibility to the wording in paragraph 11.

Action: Chief Executive

Daire left the meeting.

7. Any Other Business

Direct Award Contracts agreed since the last meeting

- 7.1 The Director of Corporate Services confirmed that no Direct Award Contracts have been awarded in 2021-22 to date.

External Guidance Documents Received

- 7.2 The Committee noted the list of relevant external guidance documents received by the Agency since the last meeting (paper ARAC 09-03/22).

8. Record of Any Matters Arising from the In-Camera Session

- 8.1 The Committee Chair reported that the Committee had used the in-camera session to discuss the possibility of getting more detailed performance information on areas of high risk to allow the Committee to interrogate data and receive assurances that relevant actions are being taken and contingency plans in place. The Chief Executive said the SLT would consider how best to achieve this perhaps by looking at key trends in a particular service area. This

could also link to the Board Learning and Development Plan which will provide a better understanding of different service areas.

- 8.2 The Committee also discussed changes to the Board Standing Orders. It was noted that ARAC and Finance and Personnel Committees were initially supposed to be two distinct committees comprising of different membership. The Chief Executive reported that it is helpful to have Board members on both Committees to avoid the risk of Finance and Personnel not being quorate. Proposed changes to the Standing Orders to be tracked to initiate discussion at Board.

Action: Chief Executive

- 8.3 It was also noted that a standard template for ARAC recommends naming Committee members in the Standing Orders. Members of the Finance and Personnel Committee are not named.
- 8.4 ARAC members were content with the outcome of the self-assessment exercise (Q.4). However, it was noted that there is currently no communication with the Departmental ARAC. In previous years annual meetings were held with ARAC Chairs. It was agreed to share the wording of a proposal to return to DfE ARAC with Committee members. DfE officials undertook to raise the matter with the Corporate Governance team and report back.
- 8.5 It was clarified that if necessary another Board member can be co-opted onto ARAC to discuss relevant issues (Q.9).
- 8.6 It was noted that members who are new to the Committee found the induction training excellent (Q.12). Training for all Board members at the recent Strategy day was considered to be very good.
- 8.7 Assurance mapping is used to target areas of greatest risk (Q.17). The Committee felt it was not proportionate to their needs but could be requested if extreme risks were highlighted.
- 8.8 The Committee Chair reported that she had contacted NIAO in respect of Cabinet Office Counter Fraud Standards (Q.27). It was noted that the Agency has adopted DfE's anti-fraud policy and is included in monitoring returns. NIAO have their own specific guidance in relation to fraud and it would be useful to know if this is applicable or not. DfE officials undertook to check.

9. Date of Next Meeting

- 9.1 The next Committee meeting will be on 13 June 2022.
- 9.2 Committee meeting dates for 2022-23 were issued previously to Members who were reminded to raise any potential clashes with the Secretary.