

**Minutes of the 8th Meeting of the Audit & Risk Assurance Committee held on Friday 4 May 2018 at GTCNI, Albany House, Great Victoria Street, Belfast**

**Present:** David Cargo (DC), Rosemary Rainey (RR), Sheila Fleming (SF), Raymond Beggs (RB), Trevor Salmon (TS)

**Apologies:** Susan Parlour (SP),

**In Attenance:** Anne Dickson (Interim Chief Officer), Majella Matthews (F&CM), Gerard Devlin (SEO), Sima Gondhia (SG-Temporary Accountant), Andrew Allen (AA - NIAO), Julie Humphries (JH - Department of Education), Gavin Patrick (GP – DE Finance Division), Tracey McCavigan (TMcC – Head Internal Audit – NICS IAFIS)

Committee members met with the internal and external auditors and representatives of the Department of Education without officers present. A separate note of the meeting was taken.

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| 1. **Welcome**   The Chair (DC) welcomed Members and Guests to the Committee and noted the apologies.   1. **Declarations of Interest**   TMcC noted the agenda item in relation to charitable status and advised that she was also Head if Internal Audit for the Charity Commission but had no remit in relation to the CCNI and their determination in relation to the Council’s application for charitable status.   1. **Minutes**   Members confirmed that the Minutes of ARAC Meeting on Tuesday 6th March were a true and accurate reflection of the content of the meeting.  **Proposed: RR**  **Seconded: RB**   1. **Matters Arising**   There were no matters arising.   1. **Anti-Fraud, Bribery and Whistle-blowing (AC/18/09/P01)**   AD confirmed that there were no reported incidents fraud, bribery and whistleblowing since the last meeting.   1. **Chair and Registrar’s Expense and Hospitality Register 2017/18 (AC/18/09/P02)**   AD presented a report of Chair’s and Registrar’s expenses and details of the Hospitality Register to the Committee and advised that the Hospitality Register is published on the website.   1. **Summary of Direct Award Contracts (AC/18/09/P03)**   MM advised members of the DACs currently in place  Some discussion took place about the Council’s accounting software and future procurement, noting the need for continuity and minimising unnecessary operational disruption in switching suppliers. JH commented on the DACs and confirmed that the Department is content that the business case demonstrates that this is the best option currently, but Council may need to look to going to the market in the future.  DC asked JH if she was satisfied that the previous matters raised by her had been satisfactorily addressed; JH confirmed  **8. 2018-19 Budget Allocation (AC/18/09/P04)**  AD took members through a letter to Tommy O’Reilly (TOR) Under Secretary at DE dated 24 April 2018, about the Council’s Resource Allocation for 2018/19. She advised that this had been discussed with the Teacher Education Team at DE and that the purpose of the letter was to formally record the Council’s position and concerns. She said that the letter articulated clearly the GTC’s position.  She advised that DE’s response is awaited but in the meantime, the June monitoring round has been commissioned albeit that there is no guarantee that bids will be met.  GP reiterated that there was extreme pressures on funding and that in this context GTCNI should take all possible measures to live within the current budget allocation.  JH noted that on the capital side, the capital bid to cover funds for procurement of the new registration database and website had been approved subject to DE’s ICT Programme Board agreement.  DC noted the responsibility of the Accounting Officer to outline the risk in relation to the Business Plan and the Budget Allocation and said that he looked forward to the Accounting Officer and DE working together to resolve these issues.  TS pointed out that to deliver a transformation program required resources, and the letter to TOR is therefore a sensible approach. He said that it is only by accessing the reserves that the Council can deliver transformation.  GP responded that access to the reserves requires budget cover but that if Business Plan commitments could be separately identified as transformational then maybe the Council could apply for transformation funding.  DC noted GP’s advices and referred this item onto the next Council meeting, to examine the work being done and see what can be categorised as transformation.  GP noted the caveat that what GTC may see as transformation, may not be same as DE.  **9. Accounts Direction (AC/18/09/P05)**  AD brought members through the Accounts Direction and Timetable for the drafting of the 2017/18 Annual Report and Accounts.  DC asks if everyone content with timetable.  TS noted the tight timescales and the efforts of staff. DC concurred and acknowledged the effort made by all.  **10. Draft unaudited Annual Report & Accounts (AR&A’s) (AC/18/09/P06)**  AD introduced the covering paper on the draft AR&A’s and advised that the accounts had been reformatted to improve the look and provide a better reader experience.  MM spoke to the paper and the Accounts confirming that they had been prepared in accordance the DE Accounts Direction, NDPB Green and the FReM. MM talked members through the principal elements of the Accounts, highlighting the pensions’ note where the Council awaited further information in order to complete.  DC noted that the Accounts are in draft and subject to change until the auditors sign off in late autumn.  MM advised that a copy of the draft Accounts would be sent, following the approval of ARAC, to NIAO for audit and copied to DE.  Members were invited to scrutinize and comment.  AA acknowledged that the draft Accounts looked better, the content fuller and noted that the main change expected in due course would be to reflect the Council’s charitable status  TS said that he was reassured with AA’s comments and was pleased to note the break-even position and pleasing outlook for the period.  JH queried the Council’s reserves position and requested a copy of the Reserves Policy. MM advised that this was still a working document but that she would send a copy to the Department following the meeting.  RB queried the Council’s cash position and asked for information on where the cash balances are invested and interest being earned.  MM provided the relevant details to RB and explained that this information is not shown in the financial accounts, but that F&GP Committee receive regular Finance Updates which includes this information. RB pointed out that with inflation currently running higher than interest rates the Council’s reserves were in fact being eroded and asked what DE’s position on this was. AD advised that this was on the agenda for discussion at the upcoming GAR meeting.  DC agreed that RB has raised a valid point regarding the Council’s cash and asked for this to remain an agenda item and urged the F&GP to work with officers to optimise the return.  GP stressed the Department’s position that the reserves cannot be spent without DE budget cover.  DC thanked MM and her team for the work done.  *GP left the meeting.*  **11. Annual report from the Chair of ARAC (AC/18/09/P07)**  AD introduced the cover paper.  DC spoke to his report and advised that the ARAC assurance given to Council was purely from an ARAC perspective.  AA noted some corrections to page 10 para. 1.13 - date stated as 12 January 2018 needed correction to 12 March 2018 and change findings in relation to charitable status to Priority 1.  DC concluded that the report is currently in draft form and subject to the changes highlighted.    **12. Draft Governance Statement (AC/18/09/P08)**  AD brought members through her draft Governance Statement forming part of the AR&A’s. She advised that it is a live document and will be updated prior to the publication of the Accounts. She drew members’ attention to the main highlights of her report and in particular to the Council’s removal from Departmental ‘special measures’.  A correction in relation to Committee attendance was noted.  *GP returned to meeting*.  Members confirmed that the Governance Statement was complete and accurate and reflective of the organisations position at this point in time.  **Proposed: RR**  **Seconded: TS**  **13. Audit recommendations**  TMcC apologised for the late tabling of the Annual Internal Audit Assurance Statement.  She advised that based on an assessment of the work completed by the previous internal auditors, their follow-up review of outstanding audit recommendations and recently completed fieldwork on HR and Information Management, she was satisfied that an overall satisfactory rating could be given on the operation of the Council’s internal control and risk management processes .  DC acknowledged the report’s usefulness in tidying up past issues and identifying a way forward.  Members noted the content of the report.  **14. Internal audit recommendations (AC/18/09/P09)**  MM spoke to the paper and explained that further to the Committee’s request only Priority 1 recommendations would be brought to ARAC with all outstanding recommendations presented annually.  She confirmed that the outstanding Priority 1 recommendations were in relation to;  (1) The Reserves Policy and  (2) The Council’s charitable status.  MM confirmed that there had been no major change apart from an update on the recent communication from the CCNI.  Members noted the content of the report.  **15. Charitable status (AC/18/09/P10)**  AD introduced the paper to the Committee explaining that the CCNI had upheld their decision to reject the Council’s application for charitable status and that TP (BTMM) who has been acting on the Council’s behalf has agreed to brief members and advise on options available in the light of the CCNI decision.  TS enquired about the position of the F&GP Committee with regards to the letter from CCNI.  AD said that F&GP had considered the CCNI’s latest response and agreed that an appeal would be costly and fruitless but that they would like to hear the opinion of the ARAC.  *Since TP was delayed the Committee to move onto agenda item 16 – the Corporate Risk Register pending his arrival.*  *TP joined the meeting at 12.40pm*  After introductions TP addressed members giving a synopsis on the current position.  He said that charitable status for tax purposes was granted to GTCNI by HMRC in 2015 and that BTMM became were first commissioned to act as intermediary with the CCNI and HMRC in Mar/Apr 2017.  He reminded members that the decision of the CCNI in November 2017 to reject the GTCNI’s application for charitable status was based on their view that DE exercised ultimate control. TP advised that in his view at the time was that the CCNI based too much emphasis on the technical aspects of the relationship between GTCNI and DE and so in December 2017 an appeal was lodged seeking a review of decision. CCNI sought external counsel and upheld its decision to reject GTCNI’s application for charitable status in March 2018.  TP went on to advise on the options now available to GTCNI including the options of a late appeal to the Charities Tribunal and/or to pursue the tax implications of being designated a statutory body.  AD reflected F&GP thoughts that an appeal would be unsuccessful, expensive and time-consuming. She said that their preference was to engage with HMRC regarding statutory body status.  Members discussed the cost/benefits to the Council of statutory body status  GP said that the Department has been working with HMRC on behalf of a number of NDPB’s to sort out their taxation issues and that they are happy to work with BTMM to try to resolve the Council’s position.  Some further discussion took place about the various options and the Council’s liability to corporation tax. TP expressed the view that the Council is a charity at least to the point where CCNI delivered their final decision in March 2018.  DC recommended that Council should not lodge an appeal, and to contact HMRC as an intermediate measure to minimise any tax liability.  **Proposed: RR**  **Seconded: RB**  *TP left the meeting*  DC asks for consideration of whether the Council should extend the contract with BTMM, or revert to DE to act on GTCNI’s behalf.  GP replied that this would need some further consideration within the Department and that they would advise in due course.  DC noted the decision that DE would consider what contribution they could make and advise Council accordingly.  AD emphasized the urgency associated with this matter  **16. Corporate Risk Register (AC/18/09/P11)**  MM spoke to the Corporate Risk Register and acknowledged the help from David Savage at DE in developing and refining the Register. MM briefed members on each of the five risks and their status and invited members to consider what further action the Council should take to mitigate its risks and in particular to address the knock on risks resulting from the budget shortfall.  TS noted that in his opinion the ability to deliver the 2018-19 Business Plan within the resource envelope is the greatest risk and suggested a workshop around risk for Council  He commented that the Risk Register looked like a very good document in whole.  TMcC suggested that the Council revisit the Business Plan and adjust to align delivery with the approved budget allocation.  *SF left the meeting.*  DC reiterated the need to revise and align the business plan with the budget and to note risk of doing this. He stated that Council need to be aware of the risk and take ownership.  RB agreed the need to highlight risk to the Council but not rely on ARAC to find solutions. He said that Council members needed to be appropriately trained and agreed with TS suggestion of a risk workshop for Council members.  Members concluded that AD would make arrangements to deliver risk management training for Council members.  **17. Fraud Risk Register (AC/18/09/P12)**  MM took members through this paper explaining that it was a first fraud risk assessment formally undertaken for the Council.  It was agreed that the paper was a good start; that fraud is everyone’s responsibility and that training is key.  TMcC advised that members could draw comfort in the knowledge that the audit of financial systems and the identification of fraud and other irregularity forms part of the annual internal audit plan of work.  RB suggested adding ‘theft of data’ onto the fraud risk register.  The amendment was noted.  *TS left the meeting*  *MM brought TP (BTMM) into the meeting at 12.40 and the Committee addressed agenda item 15.*  **18. AOB**  **19. Date of next meeting**    TBC  Signed…………………………….. Dated ……………………………….. | Action  AD  DC/AD  AD/MM |