

**Minutes of the 10th Meeting of the Audit & Risk Assurance Committee held on Tuesday 4 December 2018 at GTCNI, Albany House, Great Victoria Street, Belfast**

**Present:** David Cargo (DC), Sheila Fleming (SF), Susan Parlour (SP), Trevor Salmon (TS)

**Apologies:** Rosemary Rainey (RR), Raymond Beggs (RB)

**In Attendance:** Sam Gallaher, (SG - Chief Executive), Majella Matthews (MM - F&CM), Gerard Devlin (GD - SEO), Gary Fair (GF – Department of Education), Julie Humphries (JH - Department of Education), Tracey McCavigan (TMcC – Head Internal Audit – NICS IAFIS), Andrew Allen (AA - NIAO), Caroline Laird (CL - NIAO), Lesley Dickson (LD – PA), Sima Gondhia (SG – Temporary Accountant)

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| 1. **Welcome**   The Chair (DC) welcomed members and guests and noted the apologies.   1. **Declarations of Interest**   There were no Declarations of Interest. The Chair reminded members that they could declare an interest during the meeting if required.   1. **Minutes**   Members confirmed that the Minutes of ARAC Meeting of Tuesday 25 September were a true and accurate reflection of the content of the meeting and adopted.  **Proposed by SF, seconded by SP.**   1. **Matters Arising**   There were no matters arising.   1. **Anti-Fraud, Bribery and Whistle-blowing (AC/18/10/P01)**   MM confirmed that there were no reported incidents since the last meeting.  **FINANCE AND PROCUREMENT**   1. **Summary of Direct Award Contracts (AC/18/10/P02)**   MM reminded members that this update is a standing item for the ARAC. She advised that the Council has three DACs in place.   1. MTL for database support and maintenance to 31.3.2020 2. I3Digital – website support and maintenance to 31.3.2019 3. Marsh – insurance broking services to 29.9.2019.   TS pointed out that time was needed to procure insurance broking services. MM advised that this would go out to procurement early next year and that the DAC was necessitated in this instance by a number of issues/queries raised by the Department of Finance which delayed the necessary approvals to go to procurement on time.   1. **Projected Finance Position (AC/18/10/P03)**   MM provided members with a report on projected income and expenditure over the years 2018-19 to 2021-22. She advised that the report is based on a number of underlying assumptions all of which may be subject to change. She outlined the assumptions and asked members to note the projected financial position and the possible implications.  The CEO highlighted the Rest of World (RoW) assessment fees and advised that work was currently underway to explore the costs of assessing and registering RoW applications. Some further discussion took place about other possible revenue streams.    JH pointed out that RoW fees was an income stream considered in the DE commissioned Organisational Review of GTCNI. She said that DE supported the review of RoW fees, offered assistance and advised that any proposed change may require consultation with the teaching profession.  Members discussed the paper in detail.  JH emphasised that in considering its activities the Council needs to ensure its statutory functions are a priority. This was acknowledged.  The Chair said that the Committee should welcome the work done on this preliminary projection and encouraged the F&GP Committee to continue to monitor the position, and also encouraged the CEO and SMT to use it as a means of informing the future Corporate Plan.  GF stressed that there should be continued engagement with the sponsor team.  TMcC spoke in the context of the Risk Register and stressed the need to ensure that any relevant risk is appropriately documented.  The CEO informed members that the Register is reviewed by SMT on a quarterly basis and that a further review will be carried out after Christmas.  Members noted the report and the Chair thanked officers.  **8. Regulation Update (Verbal)**  The CEO advised members that he had received a letter from T O’Reilly, DE with a set of revised Conduct Rules attached and had considered the actions needed to be taken. He advised that following a review of the content of the draft Rules, there are a few minor amends to be made and that these are now with the Council’s Legal Advisor who will be attending to brief Council on 11 December 2018. The CEO added that there may be a need to hold a special Council meeting in January to approve the Rules after which GTCNI would write to the Department. He said that the issue of risk sharing with the Department would need to be clarified and said he would give an update to Council on 11th.  The Chair stressed the need to move to regulation.  **9. Corporate Planning (Verbal)**  The CEO reminded Council members that an email had been sent out for feedback after the last Council meeting and asked for replies.  **10. Taxation Status (Verbal)**  The CEO updated members on the present situation regarding the Council’s tax status, advising that a face to face meeting with HMRC had still not happened. He said that the matter needed to be resolved as soon as possible. The CEO advised members that he had been notified by the Northern Ireland Audit Office (NIAO) on Friday that because of the time taken to try to resolve this matter, the Accounts could be qualified. He recommended that a meeting with HMRC needs to happen quickly and that nothing will be decided about finalising the Accounts until that meeting occurs.  GF stressed that the Department wants the right outcome for the Council and that whilst a meeting with GTCNI and their taxation adviser had taken place on 12 October, that they had not received the Council’s position paper to HMRC until recently. He said there were some flaws in the paper and that in advance of any meeting with HMRC there is a need to engage closely to correct and resolve these.  The CEO said that he thought the arguments from the Council’s taxation adviser were reasonable and advised that he thought the taxation adviser should have a face to face meeting with HMRC.  GF said that the Department’s view is not to proceed on this basis.  TS informed members that in his experience HMRC will look to the Charity Commission for Northern Ireland (CCNI) and if the CCNI advise that the Council is not a Charity, then HMRC are likely to uphold that opinion.  The Chair advised members that the Accounting Officer is the person charged by the Council to address the matter and be accountable for this. He said he was unhappy with the delays and that the Accounts could be qualified over such a minor matter and stressed that in his opinion the Accounting Officer should be supported to resolve and conclude the Council’s taxation status. He said he would note GF’s view.  AA advised that the options open to the Council are to finalise the Accounts with a limitation of scope qualification or to proceed as quickly as possible to hold a conversation with HMRC and resolve the Council’s taxation status.  It was agreed that finalising the Accounts with a qualification was unacceptable at this time and the CEO proposed that he meet with GF after the meeting to discuss.  Members agreed.  **AUDIT AND GOVERNANCE**  **11. NIAO – External Audit**  **2017-18 Draft Audited Annual Report and Accounts** **– (AC/18/10/P04)**  This item wasdeferred due to the uncertainty about the Council’s taxation status  **Report to those charged with Governance (RTTCWG) -** (**AC/18/10/P05)**  AA took members through this Report and highlighting that it was draft and would be subject to revision after the Council’s meeting with HMRC.  Members discussed and asked about the work of the Technical Review team and how they decided to qualify the Accounts. AA explained the specifics in relation a technical review as follows;   1. the Council’s taxation status had not as yet been resolved and a contingent liability and “emphasis of matter” paragraph were proposed as part of the certification process by the C&AG; 2. under these circumstances, the Audit Offices’ technical team are required to review the information giving rise to the “limitation of scope qualification”; 3. following their review the technical team specified that they were not satisfied that sufficient appropriate evidence had been provided that GTCNI had made enough effort to resolve their taxation status with HMRC; and 4. as a consequence the Accounts could only be certified with a limitation of scope qualification.   The Chair proposed that the Committee adopt the RTTCWG with the recommendations contained therein. He extended his thanks to and congratulated MM and her team on their work.  **12. NICS IAFIS – Internal Audit (AC/18/10/P06 & P07)**    TMcC took members through a revised Audit Plan for 2018-19 and gave an update on progress and the current status of the audit assignments on the approved Audit Plan and advised that there were no significant issues to highlight to the Committee. She went on to advise members that it was proposed that the review of business continuity is deferred to 2019/20 to allow sufficient time for the interim Business Continuity and Disaster Recovery Plan to be finalised.  She brought members through the audit report on a Review of Information Management, advising that the scope of the audit included control, governance and risk management arrangements associated with Data Security; and GDPR readiness. The internal audit opinion was satisfactory with three recommendations.  Members conveyed their willingness to adopt the recommendations contained in the audit report.  TMcC advised that reports on the audits of HR Policies and Financial Management would issue shortly.    **13. Internal Audit Recommendations Update (Priority 1) (AC/18/10/P08)**  MM updated members on Priority 1 outstanding internal and external audit recommendations, advising that the Committee is required to review progress on the implementation of outstanding audit recommendations at each meeting. She informed members that the paper has been amended to reflect the ARAC request to have sight of Priority 1 recommendations at each ARAC meeting and bi annual oversight of all outstanding recommendations.  MM advised that the Council has two Priority 1 audit recommendations relating to 1) cash balances and reserves and 2) charitable status and potential liability to corporation tax and that both matters had been adequately addressed at earlier parts of the ARAC meeting.  **14. Corporate Risk Register (AC/18/10/P09)**  MM spoke to this paper reminding members of its purpose in providing an update on the Council’s corporate risks and the opportunity to consider what further action the Council should take to take to mitigate its risks.  MM informed members that following the most recent review no further risks have been added to the Risk Register but mitigating actions/planned actions have all be reviewed and updated.  The CEO confirmed that the Risk Register is subject to a quarterly review by the SMT.  TS enquired about cyber security and MM advised that the Council’s IT support is provided by NICS IT Assist. She said that there are issues with the existing registration database due to its ageing software and that it is being kept under review with both the supplier and IT assist. She advised that at present officers are working with IT Assist to set up and test business continuity arrangements for the system. However she pointed out that initial indications are that the system does not function well over a wide area network and that this business continuity issue is reflected on the risk register.  TMcC noted that there has been no change to the contingency plans on the Risk Register since the last quarter and asked members if they were content to live with these risks at present.  JH advised that she has a responsibility through the Sponsor Team and asked for it to be recorded that the Risk Register is owned by the Council and that they are aware of the 5 risks identified.  TS enquired about cyber security and asked if the Council is robust in that area.  CEO advised that penetration testing had been carried out in 2016 on the Council’s systems and that matters highlighted had been addressed as far as possible. He noted that the Council has the same levels of security as the Department.  TMcC said that IT Assist have a cyber-strategy and assurance framework She stated that if penetration testing has been carried out then assurance has been received.  Members advised that they were content with the risks, their representation on the Risk Register and the planned mitigating and contingency actions described.  **15. Terms of Reference**  Members were asked to consider and agree the Terms of Reference (ToR) of the ARAC.  AA highlighted a number of minor amendments to descriptions that he would like to have reflected in the ToR  The Committee agreed the amendments and recommended the ToR to Council.  **16. Any Other Business (e.g. Independent Member)**  With under a year left for the current Council, TS indicated that he was content to stay on as an independent member of the ARAC. Some further discussion took place about future membership and handover arrangements.  **17. Date of next meeting**    Tuesday 5 March 2019  Signed…………………………….. Dated ……………………………….. | Action  Action  MM  CEO  CEO  Action  Action  Action  Action |
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