

Community Relations Council 95th Audit and Risk Assurance Committee
Tuesday 14th November 11:00am 2023
Held In Person

Present: Mr J McCallister (Chair of CRC Audit and Risk Assurance Committee), Mr M McDonnell (Board Member), Mr R Campbell (Board Member)

In attendance: Dr J Irwin (CRC CEO), Mr. Brian Clerkin, (ASM), Ms H George (CRC EA), Francesco Sowa (CRC EA), Mr P Garrity (CRC Finance Manager) Una Kelly (Director of Finance Administration & Personnel) Suzanne Jones (NIAO)

Apologies: Mr. A. Allen (NIAO)Ms Susan Nicholson (TEO)

1. Welcome

The Chair welcomed everyone to the 95th Audit and Risk Assurance Committee.

2. Conflict of Interests

Mr R Campbell works at the same firm as CRC's legal advisors, assisting with the FOI set out in the Risk Register and the tribunal case. There is no conflict as Mr R Campbell was not involved in the procurement process and is not involved in these legal matters.

Mr J McCallister informed the Committee that, in relation to the pension risk on the Risk Register, he was a member of the NI Assembly and sat on the Finance Committee when the piece of legislation related to this issue was tabled. There is no current conflict, however the Chair is highlighting this issue for transparency.

3. Minutes

The Board reviewed the minutes of the 94th Audit and Risk Assurance Committee, which took place on 31st August 2023.

The minutes were approved by the Committee.

4. Matters Arising

The 65% cap on in-year expenditure has been lifted.

5. External Audit

i)Annual Report and Accounts 2022/23:

The CEO presented the Committee with CRC's final Annual Report and Accounts draft. She noted that the first draft had been approved by the Finance and General Purposes Committee and this draft had since been audited by NIAO. The CEO noted

that there was no substantial change to the lay out of the Annual Report. She noted the various reports and thanked CRC's staff, and the Audit Office for their work on the 2022-23 Annual Report and Accounts.

The Finance Manager took members through the Statement of Financial Activities which indicates that the company had incoming resources of £3,310,999 (2021-22 - £3,239,861) in the year. Note 2 on page 66 shows The Executive Office as being the sponsor of 98.7% (2021-22 99.5%) of this income. In line with the "Charities SORP FRS 102" the Community Relations Council recognises income as it is received and expenditure as it is incurred. As a result, income was exceeded by outgoing resources of £3,579,963 by £268,964 (2021-22 – income exceeded outgoing resources of £3,602,728 by £362,867)

The Community Relations Council was allocated a resource budget of £3,348,000 for the year to 31st March 2023 by The Executive Office. This budget funded net resource expenditure of £3,348,000 (excluding actuarial movements on the pension liability) which represented 100% of total funding allocated to The Community Relations Council by The Executive Office. The Community Relations Council was also allocated a capital budget of £10,000 for the year to 31st March 2023 by The Executive Office. This budget funded capital expenditure of £4,000.

The Balance Sheet on page 60 shows that the company had a pension fund deficit of £(366,449) at 31st March 2023 (2021-22 – deficit of £2,866,485). The organisation's Restricted Reserve at 31st March 2023 was a deficit of £366,449 (2021-22 – deficit of £2,866,485) of which £560,449 was a deficit in the income reserve (2021-22 – a deficit of £480,485). This was largely accounted for by the valuation of the company's pension scheme as at 31st March 2023, for the purposes of IAS19, which showed a funding surplus of £194,000 (2021-22 - deficit of £2,386,000). This surplus represents the difference between the liabilities of the pension fund and the value of its underlying assets.

The Audit and Risk Assurance Committee recommended the approval of the Annual Report and Accounts by the Board.

ii) Report to Those Charged With Governance

Suzanne Jones NIAO presented the Committee with the Report to those Charged with Governance. She drew the Committee's attention to page 5 which sets out the significant risk that is tested during the audit of every organisation, relating to fraud arising from management override controls. This review found no evidence of this risk present at CRC. No additional significant risks were identified during the audit. It was noted that the Community Relations Council has robust processes in place for the production of the accounts and have produced good quality supporting working papers. It was also noted that officers dealt efficiently with audit queries, effectively prioritising them. However, the audit process was delayed due to the need to change the presentation of information on leases following guidance to amend the accounts submitted for audit in relation to IFRS 16.

The report made 1 Priority 1 recommendation and 1 Priority 2 recommendation.

The Priority 1 recommendation relates to the Employee Superannuation Contributions and the Priority 2 recommendation concerned the Lack of Manual Journals Approval.

The Committee thanked the Northern Ireland Audit Office for undertaking the audit and presenting the findings.

The CEO presented the Committee with CRC's 'Management Response' to the recommendations made by the Audit Office. In relation to the Priority 1 recommendation an update was provided in relation to meetings with The Executive Office. In relation to the Priority 2 recommendation the Management Response noted this action as since completed.

The Committee approved the Management Responses.

The CEO stated that these recommendations will now be added to CRC's 'Audit Register' and updates will be provided at the next meeting. It was also noted that subject to Board approval of Annual Report and Accounts later in the day and signing by CRC and NIAO they will then be submitted to Companies House, the NI Assembly, and the Charity Commission.

6. Internal Audit

Mr. Clerkin noted that the internal audit plan for the year would be discussed with the CEO at a meeting due to take place on 28th November.

7. Risk Register

The CEO presented the Committee with the Risk Strategy, Risk Depository and the latest Risk Register.

The Risk Strategy, full Risk Depository and the Risk Register were reviewed. The Risk Strategy were approved with no changes recommended. The Risk Depository was approved, subject to the changes recommended in the Risk Register. In relation to the Risk Register and higher risks the following was noted:

Risk 1 - Implementation of DOF pay remit guidance.

The Audit and Risk Assurance Committee recommended that this risk remain Red.

Following an Accountability and Liaison meeting on Monday 4th September, TEO sent through the most recent version of the draft business case (submitted by CRC in 2020) with comments for the new DFAP Director's reference. CRC met with TEO specifically on this issue on Monday 2nd October to discuss the next steps. An updated Business Case is now being drafted. CRC's Finance and General Purposes Committee discussed related correspondence from TEO at their October meeting. The Chair has responded to TEO's letter. TEO and CRC are meeting regularly to discuss the next steps.

Risk 2- Staffing

The Audit and Risk Assurance Committee recommended that this risk be moved from Red to Amber. The Director of Funding position was advertised and following interviews on 13th October a candidate was offered the position and accepted. The new Director of Funding and Development, Brian McDonald began work on 1st November. A period of induction is underway. CRC's Vouching and Verification position is now vacant. Work has now begun to review the Job Description and open the recruitment process. The Core Fund Officer position has been filled on a temporary basis. Mr M Hughes, the new temporary Core Fund Officer, comes with great experience in the sector. CRC have reviewed the Job Description and Job Specification for the Finance Manager Position and will advertise in due course. A temp to cover the Executive Assistant post began at CRC on the 24th October, and is being trained by Ms H George before the beginning of her maternity leave

Risk 3- External Audit Fee Increase,

The Audit and Risk Assurance Committee recommended that this risk be reduced to Green. The Audit fee has been confirmed to be reduced by 12% next year.

Risk 4- NILGOSC Pension Scheme

The Audit and Risk Assurance Committee recommended that this risk be maintained at Amber. In September 2023 CRC's solicitors updated on this issue. Originally the test cases were to be heard in July 2023, however, there was a delay in a consultation process, and therefore the cases have been stayed until October. CRC have recently received correspondence from DoF informing of the outcome of its consultation: After careful consideration of the responses received the Department of Finance will continue with the proposed legislation, which will be made and laid in advance of 1 October 2023. This will restore eligible pension members with service between 1 April 2015 and 31 March 2022 to a position they would have been in had the discrimination not occurred, giving them a choice of alpha or PCSPS(NI) benefits for 2015-22. However, CRC's legal advisors stated that this Government decision will not affect whether test cases progress.

Risk 5- Resource.

The Audit and Risk Assurance Committee recommended that this risk be reduced to Amber. On 21st September CRC received notice from TEO that the 65% cash cap had now been lifted, following the passing of legislation in Parliament. However, the total cash resource figure allocated to CRC is below what was expected and being queried by CRC. CRC has carried out a budget exercise detailing CRC's budget position, cash position, and anticipated accruals. This has been reported to TEO.

8. Register of Audit Recommendations

The CEO presented the Committee with an update on the recommendations made during CRC's recent audits.

Recommendation one relates to the employee superannuation contribution. There has been no further update on this. CRC await further guidance from TEO on how to resolve this issue, but will continue to press the sponsor department to reengage on this matter.

Recommendation two relates to the quality of CRC's draft accounts presentation. This recommendation can now be marked completed as there were no issues with the quality of 2022-23 accounts..

Recommendation three relates to the IT accounting systems. Members were updated on the plans in relation to the upgrade of SAGE and the current business case in relation to the CRC Grant Management system. Journals are now reviewed in line with CRC financial procedures.

The final recommendation relates to the review of Governance and Data protection policies. The Director of Finance, Admin and Personnel advised members that the data protection policy and procedure on the record management and document retention policy and procedures are due for review at the next meeting of the Finance and General Purposes Committee.

The Committee thanked the CEO for this update and noted the report.

9. Investigations into Funded Groups

The CEO informed the Committee that there are currently no open investigations into groups in receipt of CRC grant funding.

10. Department of Finance Guidance

Ms H George presented the Committee with two new Department of Finance Guidance letters.

Laying of Annual Reports and Accounts in the Northern Ireland Assembly: This letter sets out the procedures for laying of Annual Reports and Accounts for Departments and ALBs. ALBs will continue to be able to lay this Report in an electronic format with the Assembly. Government Departments, due to the absence of Ministers, will also have to lay their ARA with the House of Commons.

Compulsory Acquisition Compensation Interest Rate
Guidance: this sets out the interest rate for Departments who undertake compulsory acquisition.

The Committee thanked Ms H George for this update and noted the guidance.

11. Direct Awards

Ms H George informed the Committee that there have been no direct awards made following the previous ARAC meeting.

12. Purchases Without a Price Check

Ms H George presented the Committee with a report setting out a number of purchases made following the previous meeting, that did not require a price check.

Payments include: photocopier fees; conference attendance fees; and catering for meetings held in Core Funded group's premises.

The Committee noted the report and approved.

13. Any Other Business

None

14. Date of Next Meeting

11th January 11am – Online