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Audit and Risk Assurance Committee Meeting Outputs

Wednesday 12 April 2017, 10:00am at CJI offices

Attendees:

Independent member: (Acting Chair)	Sam Pollock, (SP)
Independent member:	Mairead McCafferty, (MMcC)
DoJ Internal Audit:	Amanda Oliver, (AO) (representing Derek Anderson)
FSD:	Richard Logan, (RL) (representing Joanne Jamison)
CJI:	Brendan McGuigan (BMcG); James Corrigan, (JC); Meloney McVeigh, (MMcV); and Stephen Dolan, (SD)
ARAC Secretary:	Linda Boal (LB)

Agenda No	Description / Comments
1	Introduction / acknowledgements SP welcomed everyone to the spring meeting.
2	Apologies Declan Cooper, (DC) NIAO; External Audit Leanne Gordon (LG) NIAO; External Audit Michael Scoffield, (MS) External Audit Joanne Jamison (JJ) FSD; Jane Holmes, (JH) DoJ; and Derek Anderson (DA) DoJ Internal Audit
3	Declaration of interest / Conflict of interest Nil return.
4	Minutes of previous meeting – 26 January and matters arising The minutes of the previous meeting were circulated, agreed and signed.



5

Consideration of the A&RAC Self Assessment of its work

SP and MMcC had reviewed the document prior to the meeting. SP stated that it was important for the Committee to have good governance and controls over CJI and provide oversight. The Committee works well with both internal and external audit. SP commented that the administrative support of the Committee is superb and thanked all the officials involved in providing this.

It is for all members of the Committee to ensure that the Audit and Risk Committee works effectively. SP invited members of the Committee to suggest ways to strengthen the Committee. It was noted that members avoid conflicts of interest, the Committee is open and transparent.

Minutes are provided quickly with an opportunity to provide factual accuracy checks and provision is provided for the Annual Report.

The strategic process of risk control is done well and done thoroughly. If a risk is growing action is taken to mitigate it.

The Committee operate in line with accounts guidance and support of the process is rigorous. Internal and external reports are good with good planning. The strength of management responses is noted and operating at a satisfactory level.

Strong corporate governance is a central responsibility of the Committee and it should not become complacent. Maintaining CJI as a strong Inspectorate in Northern Ireland is so essential.

There is a combined responsibility between Sponsor Department, the Inspectorate, the Audit Committee and Auditors in terms of public money and accountability.

When being squeezed for money CJI's professionalism could be weakened by not being able to replace or retain staff. There is a need for strong oversight and a weak Inspectorate is not good for the well being of Northern Ireland.

MMcC endorsed the comments made by SP and confirmed she was happy with the work and support of all staff involved in the Committee. MMcC shares SP's concerns particularly with the potential of a reducing budget, and feared that robustness would be compromised. CJI have produced creative and impressive measures which have been put in place. A strong CJI is vital going forward and it is important that we keep that.

SP invited comments from the members.

BMcG stated that the budget was the single biggest concern. He has raised this at the highest levels within Sponsor Department but with no Justice Minister, Justice Committee or Executive in place, this leaves CJI in limbo. CJI have a future work programme which will be pursued. The Department look at money and not the political impact of losing CJI. BMcG has been in close contact with Politicians. Small budget cuts have a disproportionate impact on small organisations. The CJI workforce is getting older and there will be the need for the replacement of staff. CJI need to wait until staff leave before a Business Case can be submitted to source a replacement. This then creates a significant time when we run with a vacancy. CJI have only managed because of the flexibility of the staff. Two Business Support staff were lost under VES and it was only because remaining staff stepped up that we managed. CJI need to be able to deliver their Inspection Programme because the core issues are still there and there needs to be political oversight to deliver this. MMCC asked, as an Arms Length Body does there come a point when the risk should

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be transferred to Sponsor Department?

BMcG responded that it had not quite come to that point yet but he had made it clear to Sponsor Department what further cuts would mean. It takes up a lot of energy and time from a small group of people to negotiate for small sums of money. CJI appreciate there are cuts across all areas but these have a significant impact on small organisations. There is a daily battle for JC, MMcV and JJ to provide clear up to date information on where we are financially. BMcG has mentioned this to the Justice Minister. Under Direct Rule, money was not an issue. Oversight issues were well embedded in the NIO thinking.

JC added that the core function of CJI is inspections and the Inspectorate are unable to carry out as many as in previous years. We need to sustain what we are doing. Cost cutting will continue, but has to be proportionate and take account of the impact on small organisations. Further budget cuts would threaten the sustainability of CJI and we need to retain what we have to maintain the Inspectorate.

SP asked those again if they felt the Audit Committee was working effectively.

RL responded that for a small organisation such as CJI, the effort and work of corporate governance is disproportionately high and that CJI are obviously taking this seriously. The next two weeks will see what the next stage will be.

AO added that DA had no issues in relation to the CJI Audit Committee.

SP and MMcC will not be complacent and appreciate the comments from the Committee and propose that the Committee adopt the Self-Assessment as from April 2017. The Committee agreed.

6

Review of ARAC Terms of Reference

SP spoke to the ToR and drew attention to the changes made by MMcV.

SP advised that there is now a HR Connect recruitment process in respect of the position of Audit Committee Chair and hoped that by the September/October meeting the CJI Chair would be regularised. In the meantime, he and MMcC will continue to rotate the role of Committee Chair.

The Committee confirmed they were happy with the ToR. MMcV will mark the document as FINAL. SP proposed CJI adopt the ToR and members agreed.

Action: MMcV.

7

Report summarising any significant changes to CJI's Risk Register

A copy of the Risk Register was provided to Committee members prior to meeting attendance. MMcV advised that a revision was undertaken in March 2017 by CJI staff and highlighted the areas of highest risk as follows:

2.2 Loss of staff capacity including skills and knowledge.

- Whilst the scoring on the risk had not changed since the last review, it remains a constant issue.
- SP asked if there were any imminent staff losses and MMcV replied there was nothing formal to report.

2.3 Timeliness/relevance of report findings and recommendations may lose value due to delay around factual accuracy checking and permission to publish.

- This risk has increased due to the current political situation as CJI are unable to seek Ministerial permission to publish. There is now the potential for reports to lose their relevance.

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4.2 Recurring annual budget cuts together with in-year reductions undermines the range and depth of inspections.

- This is the area of highest risk for the organisation. CJI have prepared for a 4% cut to the baseline but do not have a confirmed budget as yet. SP asked if there were any queries in relation to this. There were none.

8 Internal Audit Assurance report for 2016-17 financial year

AO spoke to this on behalf of DA. The draft is not ready for formal issue and DA will bring to the meeting next year.

Action: DA

9 Consider the draft three year Internal Audit Strategy (2017-18 to 2019-20)

AO asked for comments on the Strategy.

SP stated that it was important for the Committee to be comfortable with the document which covers the areas of IT, then Corporate Governance followed by HR and Finance Support and queried if this was a reasonable spread.

BMcG agreed that it was particularly with the potential move to ESS as a cost saving measure.

AO advised that a separate NICS IT audit strategy for both NICS wide and department specific systems is being developed and MMcV confirmed CJI were included in this.

RL suggested this was one benefit of being resident on the Stormont Estate.

BMcG didn't feel this would impact on the independence of CJI and has always valued the input from audit.

SP asked AO if there would be merit in spending more time on financial support. AO will take this point back to DA. MMcC agreed this was a good suggestion.

Action: AO/DA.

10 Review the draft CJI Governance Statement for inclusion in the 2016-17 Annual Report & Accounts

MMcV shared the Governance Statement and was keen to take feedback from the Committee. The structure of the report was similar to previous years and can be read as a stand-alone document. It covers the following areas:

- Scope of Responsibility;
- The Role of the Senior Management Team;
- Diagram showing CJI accountability arrangements;
- Risk Management and Internal Control, including Category of Risk and Risk Appetite;
- Risk assessment;
- Audit and Risk Assurance Committee;
- Core Business Risks;
- Shared Services which will include ESS in the next statement;
- Value for Money;
- Information Security;
- Review of Effectiveness;
- Conflicts of Interest;

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- Significant Internal Control Issues; and
- Accounting Officer statement on assurance.

RL advised that the key thing is internal control issues and that nothing in the findings will give cause for concern. He has seen the draft Annual Report and reviewed it and will provide a few comments to MMcV for inclusion.

Action: RL / JJ

SP and MMcC noted that the A&RAC is happy with this Statement subject to the inclusion of the points from RL and the Committee agreed.

11 Overview of work ongoing in the preparation of the 12-month set of Accounts for CJI

RL advised the accounts are being prepared and MMcV has drafted the narrative. RL will be reviewing the Accounts and submitting them by Friday 28 April. The Annual Report and Accounts are to be laid in the Assembly. The plan is that the Assembly deadline will still apply. RL would see a major impact on work if this was no longer the case. We need to see how the next few weeks will play out to finalise the narrative which is subject to review. RL is content that CJI will meet the deadline.

12 Report from Management on whistle blowing and fraud issues, if applicable Nil return.

13 Report from management on any direct award contracts (DACs) during the period

Nil return.

RL advised that from 1 April 2017 FSD will lead on procurement support and any queries will now go to FSD.

14 Report summarising the expenses submitted by the Chief Inspector and the Deputy Chief Inspector. Report on the annual expenditure by CJI

MMcV provided the relevant figures as undernoted since the last meeting:

Government Procurement Card		Travel & Subs	
CI	£20.00	CI	£67.90
DCI	£0	DCI	£7.20
TOTAL	£20.00	TOTAL	£75.10
CI Annual Expenditure 16-17 financial year	£90.50	CI Annual Expenditure 16-17 financial year	£464.40
DCI Annual Expenditure 16-17 financial year	£624.54	DCI Annual Expenditure 16-17 financial year	£57.05
CJI Organisational	£7,977.02	CJI Organisational	£2239.78

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Annual GPC
expenditure

Annual
expenditure

MMcV flagged that CJI use the Government Procurement Card to pay for a number of standing bills such as mobile phones, broadband, flights and accommodation in order to maximise on-line savings.

MMcC commented that the low cost of CJI Travel and Subsistence expenses were impressive.

15 **Review of CJI's gifts and hospitality register**

MMcV reported as follows:

Since the last meeting the amount of £19.60 was extended by the Chief Inspector in relation to a working lunch. The amount given by the Deputy Chief Inspector amount was nil. The annual expenditure given by the Chief Inspector was £19.60 and £54.90 for the Deputy Chief Inspector. Across CJI the amount of £42.00 was extended which was in respect of a working lunch for a CJI Inspector and two Inspectors from HMCPSI. This gave a total of £116.50 extended and £10 received over the last 12 months.

16 **AOB**

The CJI Anti-Fraud Policy and Response Plan was discussed.

MMcV advised the policy was reviewed in November when she sourced additional guidance. The Policy was noted as reviewed and agreed by the Committee.

RL advised that in September the NI Executive agreed a shared services programme 5-10 year Strategic Plan for Finance, HR and IT which has now been formally launched. An information session will be held and an invite sent out. This will not have an impact on the day to day working of CJI.

17 **Dates of next meetings**

Summer meeting – Thursday 8 June 2017, 10am.

All located at CJI offices, Block I Knockview Buildings, Stormont Estate.

Sam Pollock
Acting Chairperson

8th June 2017

Date