



Minutes of the VSS Audit and Risk Committee
Tuesday, 26 July 2016, 2pm
VSS, Seatem House, Belfast

ARC Members Present:

Colm Doran (CD)	ARC Chair
Richard Solomon (RS)	Board Member
Seamus Magee (SM)	Board Member

VSS Officers in Attendance:

Brendan Smith (BS)	Head of Corporate Services
Caroline Armstrong (CA)	Finance and Governance Manager (Secretary)

Other Officers in Attendance:

Rodney Allen (RA)	NIAO (External Audit)
Pauline Poots (PP)	Capita (Internal Audit)
Alan Davidson (AD)	Capita (Internal Audit)
Colin Moffett (CM)	TEO
Kerry Stanley (KS)	TEO

Apologies:

Bertha McDougall (BMcD)	Board Member
Margaret Bateson (MB)	CEO and Accounting Officer
Christine Burns (CB)	NIAO (External Audit)
Patricia McIntyre (PMcI)	TEO
Marie Matthews (MM)	TEO

The Committee expressed thanks to the VSS for the full and thorough papers presented and asked the VSS to ensure this was relayed to all staff involved.

A Apologies

A1 Apologies were received from BMcD, MB, CB, PMcI and MM.

B Minutes of Previous Meetings

B1 11 April 2016: The minutes of the previous meeting were agreed.

C Action Points

C1 The ARC noted the update provided.

D Conflict of Interest

D1 No conflicts of interest were declared.

E Accounting Officer Update

The Chair asked the Head of Corporate Services to present the Accounting Officer Update report. BS highlighted the following points:

A1: Closure of INP 2015/16: This position will change when the financial statements are finalised in September 2016. The VSS continue to engage with clients and groups to maximise expenditure.

A2: Opening of INP 2016/17: Temporary appointment of the INP Programmes Manager has worked well with improved cohesion between teams and smoother opening of the schemes.

A3: Supporting Clients: Unprecedented number of calls in June 2016, almost 9,000. Highlighted subsequent pressures on staff due to number of telephone calls and drop ins which essentially diverts staff resources on processing rather than client health and well being. BS indicated that staff health and well being was also being monitored. The Committee recognised the challenge in balancing client health and well being with service delivery.

B2: VSP Operational Delivery: All milestones on target.

C: MIS Project: Appointment of contract expected in early August. Key milestones on target.

D: M&E: July 2016 marks the first time reporting data has been produced.

F: Other Stakeholder Engagement: BS reported that the number of complaints had dropped in 2015/16 but has increased in 2016/17 year to date with clients expressing discontent with the 2016/17 Financial Assistance Scheme.

The Committee congratulated VSS staff on their performance despite the extreme pressures and commended the resilience being shown.

E1 Progress against Budget

The Chair asked the Finance and Governance Manager to present this paper.

CA advised that the VSS expect to achieve full expenditure in 2016/17. CA indicated that graphs have been incorporated into the report to visualise actual expenditure against a profiled expenditure. This will allow proactive measures to be taken sooner to ensure the INP budget line is maximised by year end.

The Committee noted the update in respect of the remaining budget lines.

E2 Quarterly ALB Performance Report

The Committee noted this report, in particular the one Amber Business Plan target and the 10 Amber and Red risks.

E3 Quarterly Assurance Statement

The Committee noted this report.

E4 Status re: Scheme 6 Financial Assistance Spot Check

The Chair asked the Finance and Governance Manager to present this update.

CA provided an update on the spot check exercise and indicated that work continues on reviewing 2016/17 documentation as it is being received. CA indicated, however, that the risk of qualification in this respect remains as the extrapolated error currently exceeds the materiality threshold of £270K.

The Chair indicated that he accepted the risk of qualification arising from the Financial Assistance Scheme is significant.

NIAO indicated that the view of external audit is only one opinion and pointed out that the C&AG didn't qualify TEO's accounts but rather added a note. NIAO indicated that even if the materiality is reduced this will not necessarily fully mitigate the risk of qualification given the qualitative nature of the matter. NIAO indicated that they believed the VSS is accurate in reflecting it is in significant risk of the 2015/16 accounts being qualified.

NIAO indicated that the C&AG reviews the qualitative nature of irregularities when considering qualification and could attach narrative to explain the background. This note would normally be referenced to the narrative in the Governance Statement. NIAO encouraged the VSS, therefore, to ensure the full extent of the spot check is referenced in narrative of the Governance Statement including the VSS's response to the findings as this will be important to the C&AG in his own report.

The Chair indicated that TEO's 2015/16 accounts are finalised so the focus for the VSS should now be on determining what the Financial Assistance Scheme will look

like in 2017/18 as, clearly, the changes made in 2016/17 following the spot check exercise is not sustainable.

The Chair indicated that the ARC, the Board and the VSS had taken all appropriate actions to mitigate against this risk so the strategic objective now is to engage with key stakeholders regarding an appropriate way forward in respect of the Financial Assistance Scheme in 2017/18.

BS indicated that MB has a number of meetings scheduled with TEO and other officials and stakeholders in the next few weeks to discuss the future of the Financial Assistance Scheme. The Committee indicated they are keen to provide support to MB, where necessary.

E5 Impact on staff and clients re Scheme 6 Financial Assistance

BS presented the report and highlighted the pressures on VSS staff and clients as a result of the changes to the Financial Assistance Scheme for 2016/17.

The Committee discussed this matter at length and were keen that appropriate changes were made to the Financial Assistance Scheme to alleviate the pressures experienced as these were not sustainable based on the impact on staff and clients, ie, a resource intensive exercise during a 4 month window.

The Committee are content that appropriate actions are being taken by the VSS to manage this issue.

F Internal Audit Update

The Chair asked PP to present these papers.

F1 2015/16 Internal Audit Plan - Status Update

PP indicated that all fieldwork in respect of 2015/16 is complete. The remaining three draft reports have been issued to the VSS for review and management responses.

The Chair congratulated Capita and thanked them for completing the fieldwork in a timely fashion.

The Committee look forward to the remaining final reports being presented at the next meeting in October 2016.

F2 Final Report – ICT

AD provided the Committee with an overview of the final report in relation to ICT. A Satisfactory rating was provided with no priority 1 recommendations.

F3 Final Report – Follow Up

AD indicated that good progress has been made in implementing the recommendations from 2014/15. AD informed the ARC that of the 36 recommendations made, 34 had been implemented or partially implemented.

F4 Final Report – VSP

AD provided the Committee with an overview of the final report in relation to VSP. A Satisfactory rating was provided with no priority 1 recommendations.

F5 2015/16 IA Assurance Report - DRAFT

PP presented the draft report and drew attention to paragraph 8 relating to findings and recommendations.

PP will update the report when the final three audit reports are received from the VSS.

PP indicated that 6 reports had been issued, 5 providing a Satisfactory assurance and 1 providing a Limited assurance. PP indicated, therefore, that the overall assurance for 2015/16 was Satisfactory

The Chair enquired as to the impact of the one Limited assurance on the overall assurance. PP asserted that she was comfortable that the overall Satisfactory assurance was based on a balanced view of the VSS, considering that the Limited assurance within the INP report was specifically related to Financial Assistance only.

The Committee is content with this position.

G External Audit

G1 2015/16 Audit Strategy

RA presented the 2015/16 Audit Strategy and outlined the purpose and scope of their audit. RA also drew the Committee's attention to paragraphs 2.9 and 2.10 pointing out that NIAO take into consideration qualitative matters regardless of materiality threshold.

RA also referenced the significant risk detailed at section 3 in respect of the 2015/16 Financial Assistance Scheme which had already been discussed at length at agenda item E4.

H Standing Agenda Items

H1 ARC Self Assessment

The Committee noted the report and completed checklist, particularly the actions arising from the 2015/16 Self Assessment.

The Committee were content that the actions were being progressed by the VSS.

H2 ARC Training Update and Requirements

The Committee noted the update provided.

No further training needs were identified by the Committee.

H3 Gifts and Hospitality Update

The Committee noted the update provided.

H4 Compliance Update (Tabled)

The Chair asked the VSS Finance and Governance Manager to present this paper.

CA provided an update in respect of all compliance cases that remain open.

CA informed the Committee that a meeting has been scheduled with TEO, GFIS and the PSNI on 30 August 2016 to discuss procedures for managing and referring cases to the PSNI. As a result, progression of a number of cases is on hold pending the collective agreement arising from this meeting.

H5 Procurement Update

The Committee noted the update provided.

I Any Other Business

I1 Impact of Brexit

The Chair informed the Committee that this item had been added as his request. He thanked the VSS for circulating a comprehensive paper on the implications of Brexit on the current Peace IV application which the Committee found useful.

The Committee discussed the paper and the implications beyond August 2018. CM indicated that proposals to August 2018 will be honoured, however, considerations need to be given in respect of commitments beyond that date, particularly salaries. CM informed the Committee that the VSS and TEO are in discussions on alternative options and that these are currently ongoing.

The Committee were content that this matter was being appropriately considered and asked that it be kept up to date in this respect. BS indicated that updates will be provided via the Accounting Officer's report.

I2 Independent Review

The Chair asked the Finance and Governance Manager to explain why this item had been added to the agenda.

CA explained that it arose during the 2015/16 ARC Self Assessment. The Committee expressed that it wanted to discuss how it seeks confirmation from Internal and External Audit on the effectiveness of the relationship.

The Chair suggested that a closed session with both Internal and External Audit could be scheduled after the Committee meetings. PP indicated that a meeting should occur at least once per year, but that more sessions could be scheduled depending on need.

NIAO were content that once per year was sufficient.

I3 ARC TEO Representation

CM confirmed that he will be attending in place of PMCl going forward and usually accompanied by MM. The ARC were content with this change.

I4 IA 2016/17 and 2017/18 Audit Strategy/Plan

PP indicated that Capita had met with the VSS on 17 June 2016 to discuss the new audit strategy. PP informed the ARC that this will be finalised in August and issued to the VSS for circulation to the ARC immediately and prior to the next meeting in October 2016.

I5 IA Representation at the ARC

PP indicated that she would not be present at the next ARC meeting in October 2016 as she will be on maternity leave but believed she would return in the New Year. PP informed the ARC that AD will provide support to the VSS as necessary and attend the ARC meeting in October 2016 in her absence.

The ARC thanked PP, congratulated her and wished her good health.

I6 Chair of the ARC

Good practice guidelines in respect of Audit Committees issued by TEO indicate that a Board member should hold the position of Audit Committee Chair. As a VSS Board Member does not chair the VSS Audit and Risk Committee, the VSS wrote to TEO to

seek approval that they were content with the current arrangements. The VSS Board had considered CD's experience, knowledge and professionalism and felt that CD was excellently positioned to be the Chair of the VSS Audit and Risk Committee, particularly as he is co-opted from within the NICS.

CA informed the Committee that TEO had provided approval on 9 May 2016 that they were content CD continues as Chair.

J Date of Next Meeting

The date of the next meeting is scheduled for Wednesday, 12 October 2016 at 2pm.

It was agreed that members would attend as follows:

- 1.30pm – CD, SM, BMcD, RS, MB with BS
- 2.00pm – All other attendees