

**SECRETARIAT AUDIT AND RISK
COMMITTEE**

**REPORT TO THE ASSEMBLY
COMMISSION**

YEAR ENDING 31 MARCH 2017

CHAIRPERSON'S FOREWORD

I would like to begin by thanking Colm McKenna, who served as Chairperson from 1 December 2011 until 30 November 2016, and who also served for almost three years before that as Independent Member, and Bernard Mitchell, who served as Independent Member from 17 September 2012 until 16 November 2016. I am also grateful to Jim Wells MLA, who has served as the Commission Member on the Secretariat Audit and Risk Committee ("SARC") since 23 June 2016.

In particular, I want to record my appreciation of Derek Martin's input as Independent Member to the work of SARC. Derek and I were both appointed on 1 December 2016 and we have worked closely together since then.

It is important that I acknowledge, in writing this Annual Report, that the Northern Ireland Assembly ("the Assembly") is experiencing a period of political uncertainty at present. A new Assembly was elected on 2 March 2017 but Ministers were not appointed within the statutory time limit. This time limit has now been extended until 29 June 2017 and the Secretary of State has confirmed that formal political talks are due to resume after the General Election on 8 June 2017.

In the context of the imminent commencement of negotiations between the United Kingdom Government and the European Commission, and the introduction of the Great Repeal Bill, I also acknowledge the potential future impact of the United Kingdom's withdrawal from the European Union on the work of the Assembly and the Assembly Commission.

I am pleased to present the Annual Report for 2016/2017 on behalf of SARC. This Report describes how SARC fulfilled its role of providing support and advice to the Assembly Commission and the Clerk/Chief Executive in order to ensure sound financial and governance arrangements. In line with its policy of openness and accessibility, SARC Annual Reports and the minutes of SARC meetings are placed on the Assembly website.

During the reporting year, SARC provided support to the Secretariat in relation to managing risk and contributed to the completion process for the 2015/16 Accounts. In particular, SARC concentrated on assurances in relation to Members' expenses, contracting activity and the implementation of outstanding audit recommendations.

SARC members met with the Independent Financial Review Panel in April 2016 in relation to the Panel's 2016 Determination. SARC considered the Independent Parliamentary Standards Authority Peer Review Report; the classification of Internal Audit findings; and compliance with HM Treasury's Audit and Risk Assurance Committee Handbook, issued in March 2016. SARC members held a briefing and induction session with the new Clerk/Chief Executive, Lesley Hogg, in September 2016.

The Corporate Risk Register was reviewed each quarter by SARC, and a new format Risk Register was presented at the January 2017 SARC meeting. Stewardship

Statements were reviewed in June 2016 and January 2017. SARC members completed a self-assessment template, based on the National Audit Office's checklist for Audit Committees, on 17 May 2017. An element of external review has been added to the assessment by requesting comments on SARC's effectiveness from the NI Audit Office's representative. The findings confirm that SARC is fully compliant with best practice.

The draft Internal Audit Plan for 2016-17 was considered and agreed by SARC at its meeting on 22 March 2016. The plan was reviewed by SARC throughout the year in light of the Activity Reports received from the Head of Internal Audit at each meeting, and the programme was successfully completed, with one review being carried forward to 2017-18.

SARC has this year continued to see significant progress maintained in the timely implementation of audit recommendations and has continued to monitor the implementation of all audit recommendations to clear timetables and targets.

I am pleased to report that the Secretariat has developed and maintained a strong culture of accountability throughout the organisation and wisely continues to use the Internal Audit function as a business improvement tool. In these financially challenging times, I am also pleased to report that SARC achieved all of its targets within the allocated budget.

I am grateful to the Assembly Commission for its support and for allowing the outgoing Chairperson, Colm McKenna, to attend its meetings and to contribute to its discussions throughout the year. This is very helpful in providing a broader perspective for the work of SARC, and I look forward to similarly attending. The opportunity given to Mr McKenna to meet privately with the Assembly Commission to discuss matters pertaining to SARC has proved to be particularly helpful.

Finally, my thanks go to the Clerk/Chief Executive and the staff of the Assembly Secretariat for their commitment and diligence in providing SARC with the information necessary to achieve its objectives as well as very valuable secretarial services.

**JIM BROOKS
CHAIRPERSON**

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SECRETARIAT AUDIT AND RISK COMMITTEE

REPORT TO THE ASSEMBLY COMMISSION FOR YEAR ENDING 31 MARCH 2017

1 INTRODUCTION

This Report provides the Assembly Commission with an account of the activity and achievements of the Secretariat Audit and Risk Committee (SARC) in 2016/2017 in relation to its objectives for that year.

2 SECRETARIAT AUDIT AND RISK COMMITTEE (SARC)

SARC plays an important role in the overall system of corporate governance in the NI Assembly Secretariat. It is independent of the Secretariat and aims to support the Clerk/Chief Executive in her role as Accounting Officer. It also provides independent support to the Assembly Commission in monitoring its responsibilities for issues of risk, control and governance and by reviewing the comprehensiveness of assurances.

2.1 Membership 2016/17

Colm McKenna	Independent Chairperson	Until 30 November 2016
Bernard Mitchell	Independent Member	Until 16 November 2016
Jim Brooks	Independent Chairperson	From 1 December 2016
Derek Martin	Independent Member	From 1 December 2016
Vacant	Assembly Commission Member	Until 22 June 2016
Jim Wells MLA	Assembly Commission Member	From 23 June 2016

2.2 Meetings

SARC meets at least four times a year, although the Chairperson may convene additional meetings should he feel that this is necessary. During 2016/17, SARC met four times. Attendance was as follows:

Member	Meetings attended
Colm McKenna	3/3
Bernard Mitchell	3/3
Jim Brooks	1/1
Derek Martin	1/1
Jim Wells MLA	0/2

SARC meetings are normally attended by the Accounting Officer, Directors, the Head of Internal Audit and a representative from the Northern Ireland Audit Office. Secretarial support is provided by the Legal and Governance Services Directorate.

The Chairperson of SARC attends meetings of the Assembly Commission as an observer. Colm McKenna attended meetings of the Commission on 23 June, 29 September and 15 November 2016.

2.3 Training

The new Chairperson and Independent member have, since appointment on 1 December 2016, undertaken an extensive induction programme to become familiar with business areas throughout the Assembly Secretariat and to meet key staff. The new Chairperson and Independent Member also met with the outgoing Chairperson as part of the induction programme.

2.4 Management Information Systems and Controls

At each meeting, SARC is provided with a number of analyses and reports including:

- A log of all outstanding Audit Recommendations together with a statement of the status of each and a target date for completion. This is used at each meeting to monitor progress and ensure that recommendations are implemented in a timely manner.
- Changes to the Corporate Risk Register and any areas of concern. SARC monitors the actions taken by SMG to manage the Corporate Risks to ensure they remain relevant and that appropriate mitigating actions are taken. Copies of the Assurance Statements completed by Risk Owners are submitted to SARC for scrutiny every six months.
- A report in relation to any issues of concern relevant to SARC regarding the delivery of Business Plan objectives.

- A progress report from the Head of Internal Audit summarising:
 - Work performed and a comparison with work planned
 - Key issues emerging from Internal Audit work
 - Management responses to audit recommendations
 - Changes to the Periodic Plan
 - Any resource issues affecting the delivery of Internal Audit objectives

- A progress report from the NI Audit Office representative summarising work done and emerging findings.

As and when appropriate, or when requested, SARC will also be provided with:

- The Internal Audit Charter;
- The Internal Audit Strategy;
- Head of Internal Audit's Annual Opinion and Report;
- Quality Assurance reports on the Internal Audit function;
- The draft accounts of the Assembly;
- The draft Governance Statement;
- A report on any changes to accounting policies;
- A report from the Accounting Officer summarising progress against the Secretariat's Business Plans, highlighting any issues that may be relevant to the work of SARC;
- The NIAO's Report to Those Charged with Governance;
- A report on any proposals to tender for audit functions;
- A report on co-operation between Internal and External Audit;
- The NIAO audit strategy; and
- Information on any impending changes (as identified by Internal or External Audit) that may impact upon the work of SARC.

SARC is satisfied with the comprehensiveness, reliability and integrity of assurances, the quality of audit, financial reporting and the management of risk. SARC members considered the contents of a draft Governance Statement at the SARC meeting on 17 June 2016.

3 PROGRESS OF SARC IN 2016/17

3.1 Performance against key objectives

KEY OBJECTIVE	PERFORMANCE
<p>To ensure the effective implementation of audit recommendations, including External and Internal Quality Assurance recommendations</p>	<p>Continued success in the rapid implementation of outstanding audit recommendations. On the 59 recommendations made since the March 2016 SARC meeting, 52 have been implemented.</p>
<p>To oversee the handling of key risk areas by the Secretariat to ensure that risk is being appropriately managed and value for money secured.</p> <p>To keep under review any risks arising from organisational change programmes, where appropriate, and any issues arising out of the work of the Independent Financial Review Panel.</p>	<p>Corporate Risk Register reviewed at SARC meetings. The economical, effective and efficient use of resources is considered as part of the ongoing audit programme.</p> <p>Corporate Risk Register reviewed at SARC meetings. Directorate Risk Registers are reviewed annually</p> <p>Meeting held with the Independent Financial Review Panel.</p>
<p>To oversee the timely sign-off of the Annual Report and Accounts.</p>	<p>Following the SARC meeting on 21 June 2016, SARC members recommended that the Accounting Officer sign the 2015/16 Annual Accounts.</p>
<p>To promote best practice where possible in the operation of SARC.</p>	<p>The operations and Terms of Reference for SARC were reviewed by SARC on 5 October 2016 and compared against the requirements of the HM Treasury Audit and Risk Assurance Committee guidance of March 2016 / Audit and Risk Assurance Committee Handbook NI and minor adjustments were made. SARC members bring experience from other Audit Committees, undertake training as necessary and keep abreast of updates and guidance.</p>

4 INTERNAL AUDIT ACTIVITY 2016/17

4.1 Internal Audit Programme 2016/17

Details of progress in relation to the Internal Audit Programme for 2016/17 are outlined below. Risk Rating Definitions are attached at Annex A.

ASSIGNMENT	AUDIT RATING	REPORT DATE
Review of Governance	Satisfactory	June 2016
Review of Business Office-Plenary	Substantial	June 2016
Review of Members Expenses	Satisfactory	July 2016
Review of DPA Compliance	Satisfactory	July 2016
Review of Committee for Regional Development	Unacceptable	August 2016
Review of Admin support to SARC	Substantial	August 2016
Review of Bill Office	Satisfactory	February 2017
Review of VES Admin	Satisfactory	May 2017
Review of Provision of Hardware and Software	Satisfactory	May 2017
Review of Winding Up Expenditure	Satisfactory	May 2017

Follow-up audits have been carried out as follows:

FOLLOW-UP AUDITS	AUDIT RATING	REPORT DATE
Review of Accounts Payable	Substantial	April 2016
Review of Accounts Preparation	Substantial	April 2016
Review of Social Media	Substantial	May 2016
Review of Ethics	Satisfactory	August 2016
Review of Post-Contract Benefits Realisation	Satisfactory	October 2016
Review of Northern Ireland Assembly & Business Trust	Satisfactory	January 2017
Review of DPA	Substantial	March 2017

Review of Committee for Infrastructure (Responsibilities of the Committee for Regional Development were subsumed by the Committee for Infrastructure following the reorganisation of NI Executive departments in 2016)	Satisfactory	March 2017
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Work ongoing:

ASSIGNMENT	AUDIT RATING	REPORT DATE
Review of Risk Management	To be determined	In progress
Scoping Review of Cyber Security	To be determined	In progress
Review of Committee for Communities	To be determined	In progress
Review of Roof Project	Carried forward to 2017-18	N/A

4.2 Key Issues

Recommendations were made in respect of each of the assignments completed by Internal Audit in order to enhance control / manage risk. The rate of acceptance and implementation of recommendations remains high and has helped to maintain the overall level of assurance at satisfactory.

With the exception of the review of the Committee for Regional Development, the results of the audits carried out in the 2016/17 year were either satisfactory (7) or substantial (2). Follow-up audit results were either satisfactory (4) or substantial (5).

The review of the Committee for Regional Development resulted in a number of high priority findings associated with issues including:

- Failure to meet a key Committee objective (resulting from a breakdown in administrative control);
- Significant financial management control breakdowns; and
- Significant administrative control weaknesses.

As a result of the findings, the assurance rating arising from the review was unacceptable.

Management action to address the findings and implement recommendations was taken forward promptly. Internal Audit carried out follow-up testing. Based on the follow-up findings, we are satisfied that prompt action was taken

to address the weaknesses. Satisfactory assurance has been given to the Accounting Officer on the procedures now in place.

Audit work in relation to the NI Assembly & Business Trust highlighted a number of issues which resulted in an investigation under the terms of the Fraud and Bribery Joint Response Plan. The matter was also referred to HR and the PSNI.

5 NI ASSEMBLY ACCOUNTS 2015/2016

Based on an examination of the Accounts and the Report to Those Charged with Governance, SARC members, following the SARC meeting on 21 June 2016, recommended that the Clerk/ Chief Executive sign the 2015/16 accounts. SARC members appreciate the work of the Secretariat and NIAO staff involved in delivering the accounts to timetable.

6 EVALUATION OF SARC 2016/17

On 17 May 2017, SARC members completed a self-assessment checklist for 2016/2017; SARC was fully compliant in all areas.

7 INTERNAL AUDIT PLAN 2017-18

A draft Internal Audit plan was considered by SARC on 17 May 2017. SARC members approved the Audit Plan and Strategy on 17 May 2017.

8 CONCLUSION

SARC is satisfied that it has discharged its duties as guided by its Terms of Reference. Given this, and taking into account the work of Internal Audit and the NI Audit Office, and assurances provided to the Committee, SARC is satisfied that it provides sufficient assurance to the Assembly Commission and to the Accounting Officer in the discharge of accountability obligations.

ASSURANCE DEFINITIONS

SUBSTANTIAL

There is a robust system of risk management, control and governance which should ensure that objectives are fully achieved.

SATISFACTORY

There is some risk that objectives may not be fully achieved. Some improvements are required to enhance the adequacy and / or effectiveness of risk management, control and governance.

LIMITED

There is considerable risk that the system will fail to meet its objectives. Prompt action is required to improve the adequacy and / or effectiveness of risk management, control and governance.

UNACCEPTABLE

The system has failed or there is a real and substantial risk that the system will fail to meet its objectives. Urgent action is required to improve the adequacy and / or effectiveness of risk management, control and governance.