NORTHERN IRELAND ASSEMBLY COMMISSION

CORPORATE GOVERNANCE FRAMEWORK

OCTOBER 2010

NI ASSEMBLY COMMISSION CORPORATE GOVERNANCE FRAMEWORK

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NI ASSEMBLY COMMISSION CORPORATE GOVERNANCE FRAMEWORK

1   DEFINITION OF CORPORATE GOVERNANCE

1.1   Corporate Governance is the way in which an organisation is directed and controlled. It defines the distribution of roles and responsibilities among the different stakeholders and participants in the organisation, determines the rules and procedures for making decisions on corporate affairs including the processes through which the organisation's objectives are set and provides the means of attaining those objectives and monitoring performance.

1.2   This Framework provides an overview of the corporate governance processes and responsibilities within the Secretariat of the Northern Ireland Assembly. It is consistent with the role and responsibilities of the Assembly Commission which is the body corporate for the Northern Ireland Assembly.

2   INTRODUCTION

2.1   The Northern Ireland Assembly was established pursuant to the Belfast Agreement[1]. The powers and functions of the Assembly are set out in the Northern Ireland Act 1998[2].

2.2   As a legislature the Assembly is independent from the Executive and is responsible for its own governance. As a self governing institution, the Assembly must demonstrate that the Commission and the Secretariat:

- are able to show excellence in and withstand detailed scrutiny of its governance and management;

- are responsive to the needs of Members and others;

- meet recognised standards of best practice; and

- ensure the effective, efficient and economic use of resources.

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[1] The Belfast Agreement (also known as the 'Good Friday' Agreement), reached on 10 April 1998, was the result of extended talks between the political parties in Northern Ireland and the Governments of the United Kingdom and the Republic of Ireland about how Northern Ireland should be governed.
The electorate of Northern Ireland endorsed the Belfast Agreement in a referendum held on 22 May 1998.

[2]   ISBN 978-0-10-544798-6

2.3 The Corporate Governance Framework sets out details of the Northern Ireland Assembly Commission's corporate governance arrangements. It is intended to be a living document which will evolve as the Assembly Secretariat's corporate governance practices develop. It will therefore be kept under continuing review. It will be formally reviewed at least once a year in the context of the Annual Report and Accounts of the Assembly Commission and as part of the Business Planning cycle.

3   ORGANISATION AND STRUCTURES

3.1   Background

The structure of the Assembly Secretariat is illustrated at Annex A. There are three key organisational structures which support the delivery of corporate governance in the Assembly Secretariat. These are:

- The Assembly Commission

- The Secretariat Management Group

- The Secretariat Audit and Risk Committee

The relationship between groups is illustrated at Annex B.

3.2   The decision making process

The authority of the Assembly Commission derives from the Northern Ireland Act 1998. The Clerk/Director General operates within the authority formally delegated to him by the Assembly Commission. The Corporate Business Plan and the associated policies and procedures are developed by the Assembly Secretariat as directed by the Secretariat Management Group for approval as appropriate by the Assembly Commission.

3.3   The Assembly Commission

3.3.1 The Commission was established by the Northern Ireland Act 1998 (Section 40) to "provide the Assembly, or ensure that the Assembly is provided, with the property, staff and services required for the Assembly's purposes". The Commission's statutory duties are listed at Annex B. The Assembly Commission may delegate any of its functions to the Speaker or a member of staff of the Assembly and may determine its own procedures.

3.3.2 Membership

The Assembly Commission is chaired by the Speaker and consists of five other Assembly Members. The current membership is as follows:

Mr William Hay, the Speaker (Chairman),

Mr Peter Weir, Democratic Unionist Party

Mr Pat Doherty, Sinn Fein

Rev Dr Robert Coulter, Ulster Unionist Party

Mr Pat Ramsey, Social Democratic and Labour Party

Mr Sean Neeson, Alliance Party

The Independent Chair (or Independent Member) of the Secretariat Audit and Risk Committee attends meetings of the Assembly Commission in an observer capacity.

3.3.3 Meetings

The Assembly Commission normally meets monthly. The minutes of Commission meetings, once approved, are placed on the Assembly website.

3.3.4 Commission Secretariat

The Commission is supported by staff from the Assembly Secretariat, headed by the Clerk to the Assembly Commission. The Commission Office is part of the Director General's Office.

3.3.5 Annual Report and Accounts
The Assembly Commission produces an Annual Report which provides a comprehensive explanation of the work of the Commission and the Assembly. In addition, the Assembly's annual financial statements are audited by the Comptroller and Auditor General as required by the Government Resources and Accounts Act (Northern Ireland) 2001.

3.3.6 Clerk/Director General's Report

The Clerk/Director General submits a Report, normally at the end of each quarter, to the Assembly Commission. This provides an update on the activity across the organisation, and the progress of the Assembly Secretariat in the delivery and development of its Corporate Plan objectives and its services.

The format of the Report is based upon the five strategic priorities of the Assembly Commission, namely:

- Supporting Assembly Business
- Engaging the public
- Supporting and developing Secretariat staff
- Ensuring the effective governance of the Secretariat
- Accommodating the Assembly

3.4 Secretariat Management Group (SMG)

3.4.1 Role

The Secretariat Management Group is a top level management forum to advise and support the Clerk/Director General in the exercise of his duties. Decisions are taken both corporately and objectively. Its Terms of Reference are attached at Annex C. The SMG aims to undertake its responsibilities in a manner which is consistent with the HM Treasury Corporate Governance in Central Government Departments: Code of Good Practice. It also aims to ensure that the Commission complies with the Parliamentary and Health Service Ombudsman's Principles of Good Administration (Annex D). The members of SMG are required to adhere to the Seven Principles of Public Life (the Nolan Principles) (see Annex E).

3.4.2 Membership

The Secretariat Management Group (SMG) comprises the Clerk/Director General (Chair) and the Directors of:

- Clerking and Reporting
- Resources
- Engagement
- Facilities/Keeper of the House

The Director of Legal Services attends meetings of SMG. Other officials may be invited to attend for specific agenda items.

The Clerk/Director General operates within the authority conferred on him by the Commission in a formal Letter of Delegation. Similarly the scope of the authority under which each Director operates is contained in Letters of Delegation from the Clerk/Director General.

3.4.3 Meetings

The Secretariat Management Group normally meets twice monthly. The minutes of SMG meetings, once approved, are placed on the Assembly intranet (AssISt). Policy papers, other than staffing or

other restricted papers, discussed at SMG meetings are also placed on AssISt. Where some issues discussed by SMG require the approval of the Commission, papers will not appear on AssISt until that has happened.

3.4.4 Evaluation

The performance of SMG is evaluated as follows:

- Annual evaluation against Corporate Plan objectives
- Annual appraisal of Chairperson's performance by the Assembly Commission
- Individual assessment of Directors' performance by the Clerk/Director General
- Identification of performance improvements in relation to individual members of the Secretariat Management Group
- Annual self review of SMG's remit, and operating procedures
- Three yearly assessment by the Assembly Commission

3.4.5 SMG Secretariat

The Secretariat Management Group is supported by staff from the Corporate Policy Unit (CPU) in the Office of the Clerk/Director General. CPU is responsible for ensuring compliance with the SMG procedures including recording Directors' interests. An agenda and papers are circulated three working days in advance of meetings and a summary of the SMG Action Points is circulated to relevant staff within three working days of each meeting. The formal minutes are posted on the intranet (AssISt) within three working days of their approval at the next SMG meeting. CPU provides an induction pack and programme for new members.

3.5 Secretariat Audit and Risk Committee (SARC)

3.5.1 Role

The Secretariat Audit and Risk Committee supports the Clerk/Director General in his role as Accounting Officer. It also provides support to the Assembly Commission in monitoring its responsibilities for issues of risk, control and governance by reviewing the comprehensiveness of assurances and reviewing the reliability and integrity of these assurances. SARC Terms of Reference are attached at Annex F.

3.5.2 Membership

Membership of the SARC includes a member of the Assembly Commission and two independent non-executive members, one of whom acts as Chairperson. The Clerk/Director General, a representative of the NI Audit Office, the Assembly's Director of

Resources and Head of Internal Audit attend SARC meetings but are not members of SARC. Other Directors and senior officials are invited to attend meetings of SARC as required.

3.5.3 Meetings

The Secretariat Audit and Risk Committee meets quarterly and on other occasions as deemed necessary by the Chairperson and/or the Commission.

3.5.4 SARC Secretariat

The Committee is provided with a secretariat function by the Corporate Policy Unit within the Office of the Director General. Minutes of SARC meetings are placed on the Assembly website and also on the intranet (AssISt) once approved.

3.5.5 SARC Evaluation

An assessment of the performance of SARC is undertaken as follows:

- SARC undertakes a self evaluation annually and includes the results in their Annual Report to the Commission.

- The appraisal of the SARC Chairperson is carried out annually by the Clerk/DG against objectives contained in the Letter of Appointment, the SARC Terms of Reference and the annual objectives for SARC. The Speaker as Chair of the Assembly Commission countersigns the Appraisal Report.

- The appraisal of the SARC independent member is carried out annually by the Clerk/DG against objectives contained in the Letter of Appointment, the SARC Terms of Reference and the annual objectives for SARC. The Chair of SARC countersigns the Appraisal Report.

4 ROLES AND RESPONSIBILITIES

4.1 Clerk/Director General

The Clerk/Director General operates within the authority formally delegated to him by the Assembly Commission. The role of the Clerk/Director General comprises three elements. First, as Clerk he is responsible for providing or ensuring the provision of procedural advice to the Speaker and Members of the Assembly. Secondly, as Director General he is responsible to the Assembly Commission for the management of the administrative support services to the Assembly.

Thirdly, the Clerk/Director General is the Accounting Officer for the Assembly Commission's budget.

The Office of the Clerk/Director General incorporates the following business areas..

- The Speaker's Office
- Commission Support and Compliance Unit
- Legal Services
- Examiner of Statutory Rules
- Corporate Policy Unit
- Internal Audit

4.2 Accounting Officer

Acting within the authority of the Assembly Commission to whom he is responsible, the Clerk/Director General as Accounting Officer takes personal responsibility for ensuring the highest standards of probity in the management of public funds. He may be called to account to the Assembly for the stewardship of the resources within the organisation's control. The standards the Accounting Officer is expected to deliver in the organisation are summarised in the Department of Finance and Personnel document "Managing Public Money Northern Ireland"[3] It should be noted that while the Commission is not accountable to the Executive in financial matters, it seeks to operate to common standards of best practice.

The Accounting Officer signs the resource accounts, the Annual Report and the Statement on Internal Control (SIC).

4.3 Directors

Directors operate within the authority delegated to them by the Clerk/Director General in formal Letters of Delegation. They are required to:

- Lead, manage and develop their staff, their allocated responsibilities and projects

- Contribute to the Corporate Planning Process and report quarterly to the Clerk/DG on progress against Corporate Plan objectives.

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[3] Published in June 2008 and available from the Department of Finance and Personnel (www.dfpni.gov.uk)

- Develop and deliver Directorate Business Plans and report quarterly to the Clerk/DG on progress against the achievement of objectives.

- Develop and manage Directorate Risk Registers and contribute to the management of corporate risks.

- Prepare assurance statements twice yearly for the Accounting Officer to support his/her review of the effectiveness of controls.

- Prepare and manage Directorate budgets

- Attend SMG meetings and declare an interest where appropriate in relation to agenda items.

5   INTERNAL CONTROLS AND RISK MANAGEMENT

5.1   Risk Management

The Assembly's Risk Management Policy (Annex G) forms a central part of the Secretariat's internal control and corporate governance arrangements. It defines the Secretariat's approach to risk management throughout the organisation. It also ensures a consistent approach to dealing with risks which may have an impact on the Secretariat's ability to achieve its strategic aims and objectives. It outlines the key aspects of the Risk Management process, and identifies the main reporting procedures.

The policy is subject to regular revision as the Risk Management process becomes embedded throughout the Assembly Secretariat, and is updated as necessary to reflect the changing environment.

5.2   Corporate Risk Register

To assist in the process of managing Risk, the Secretariat has produced a Corporate Risk Register which identifies high level risks, assesses the impact of each risk and likelihood of it occurring. The measures in place to mitigate each risk are listed as well as any other controls which are being developed. A Risk Owner at Director level is identified for each Risk.   Risk Owners have overall responsibility for ensuring that controls are in place at all levels to manage the risk or risks for which they are the "owners".

5.3 Directorate Risk Registers

Directorate Risk Registers underpin the Corporate Risk Register. Each Directorate is responsible for identifying lower level risks which have specific relevance to their business objectives. As with the Corporate Risk Register, the impact of each Risk is assessed together with the likelihood of it occurring. A Risk Owner is appointed who is responsible for ensuring that the Risk is managed effectively. Directors provide the Clerk/Director General with Assurance Statements at end of September and March each year to confirm that Directorate Risks are being managed.

5.4 Assurance Statements

Assurance (or Stewardship) Statements are provided by Directors at the end of September and March each year to the Clerk/Director General as Accounting Officer and to the Secretariat Audit and Risk Committee to:

- confirm that the Corporate Risk(s) for which they are responsible and their Directorate Risks are being managed effectively.

- confirm that all expenditure has been incurred within agreed budgets, has been properly authorized, complies with the Assembly's procurement procedures and represents value for money;

- confirm that information is generated, transmitted and stored in an appropriate manner and in a way which does not pose a risk to the business or reputation of the Assembly;

- verify that all accepted recommendations made by Internal Audit and the Northern Ireland Audit Office (NIAO) have been/are implemented as agreed.

- highlight any additional material issues which may be of interest to the Accounting Officer and the Secretariat Audit and Risk Committee.

5.5 Statement on Internal Control (SIC)

5.5.1 Purpose
The Statement on Internal Control is an integral part of the Annual Report and Accounts that are presented by the Accounting Officer to the Comptroller and Auditor General. The system of internal control is designed to manage the risk of failure to implement policies and aims and to achieve objectives. It cannot eliminate all risk and therefore

only provides a reasonable and not absolute assurance of effectiveness. The Statement on Internal Control confirms whether the system of internal control was in place for the whole of the year. Material changes or the absence of the risk management process for a material period is disclosed where appropriate.

5.5.2 Scope
The SIC includes assurance in relation to:

- The Assembly's capacity to handle Risk

- The Risk and Control framework

- A review of effectiveness

- Any significant internal control issues

5.5.3 Accounting Officer's Responsibilities
The Clerk/Director General as Accounting Officer has personal responsibility for maintaining a sound system of internal control which accords with HM Treasury guidance[4], reviewing the effectiveness of the system and the preparation of the SIC. He/she must sign and date the SIC in acknowledgement of this.

5.6 Internal Audit

The Assembly's Internal Audit Service is responsible for providing the Accounting Officer and the Secretariat Audit and Risk Committee with an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. It does this by carrying out audits across the Directorates, focusing on the key risks in each business area. Internal Audit also has a role to play in:

- Acting as an independent advisor by providing advice on the management of risk, especially those issues surrounding the design, implementation and operation of systems of internal control.

- Monitoring, reporting and providing assurance on the effectiveness of the risk and control mechanisms in operation.

- Investigating fraudulent activity and advising on financial and other security procedures

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[4] Regularity, Propriety and Value for Money November 2004 – HM Treasury

- Promoting Risk Management and control concepts across the Assembly.

6 THE CORPORATE PLANNING PROCESS

6.1 Corporate Plan

6.1.1 A Corporate Plan covering the period 2008/2011 was approved by the Assembly Commission. This included Corporate Business Plans for each of the three years 2008/2009, 2009/2010 and 2010/2011.

6.1.2 In developing this three year Plan, it was recognised that input from staff at all levels was essential to ensure that the Plan was relevant to the needs of the organization, was achievable and also that staff would have ownership of the various planned outcomes and targets. To this end workshops took place with all Heads of Business and the resulting draft Plan was copied to all staff for comments and input.

6.1.3 In January 2009 and 2010, the Corporate Business Plans for the forthcoming year were updated to include additional planned outcomes where necessary as a result of developments in the previous years and to carry over any planned outcomes which had not been achieved.

6.1.4 Future corporate planning will follow a similar process. The development of a three year plan will commence in November of the final year of the current Plan to allow for research and consultation to take place. Subsequent annual reviews will commence in January.

6.1.5 Underpinning the planning process is the Secretariat's aim of becoming an exemplar organisation in relation to sustainability. In addition to environmental impact considerations, sustainable development also relates to the Assembly's economic and social impacts. The Assembly is committed to responsible business practice in the community, economy, environment and workplace.

6.2 Directorate Plans

Each Director prepares, for the approval of the Clerk/Director General, an annual Business Plan for his/her Directorate which contributes to the achievement of the Corporate Plan objectives. The Clerk/Director General prepares an annual Business Plan for his office.

6.3 Performance against Corporate and Directorate objectives

6.3.1 At the end of each quarter, a report which monitors performance against Corporate Plan objectives is prepared for submission to the Secretariat Management Group.

6.3.2 The Clerk/DG provides the Assembly Commission with a report at the end of each financial year which states how the Secretariat performed against the corporate objectives for that year.

6.3.3 Directors provide the Clerk/DG with quarterly Exception Reports in relation to their Directorate Plans. These indicate targets which have not been met or which are behind schedule.

6.3.4 Management Accounts are produced on a monthly basis and presented to SMG and the Commission. The purpose of these Accounts is to provide Senior Management with a report in relation to expenditure by the Secretariat against the funds voted to the Assembly in the Budget Bill. Management Accounts are supplemented by more detailed monthly expenditure reports which are produced and circulated to budget holders within the Assembly Secretariat.

7 PERFORMANCE MANAGEMENT SYSTEM

7.1 Managing the performance of individual staff members is fundamental to the success of the Northern Ireland Assembly in achieving its business objectives. The key factors in managing performance are setting objectives, monitoring/reviewing performance, providing regular feedback (through face to face reviews and written assessment) and coaching/development.

7.2 The objectives of the performance management framework are to:

- provide a framework which embeds best practice for performance management;
- clearly identify the standards and how an individual's work contributes to business objectives and the agreed performance and outputs;
- ensure individuals have regular and constructive feedback on how effectively they are performing;
- help identify and support an individual's development needs to enhance performance and develop potential;
- help identify good and bad performance; and
- support vacancy filling/staff movement.

7.3 At the beginning of the financial year, each member of staff agrees with their line manager their objectives and targets for the incoming year. This forms a Personal Performance Agreement. Performance against this Agreement is reviewed after six months and at the end of the year a Performance Appraisal report is prepared by the line manager.
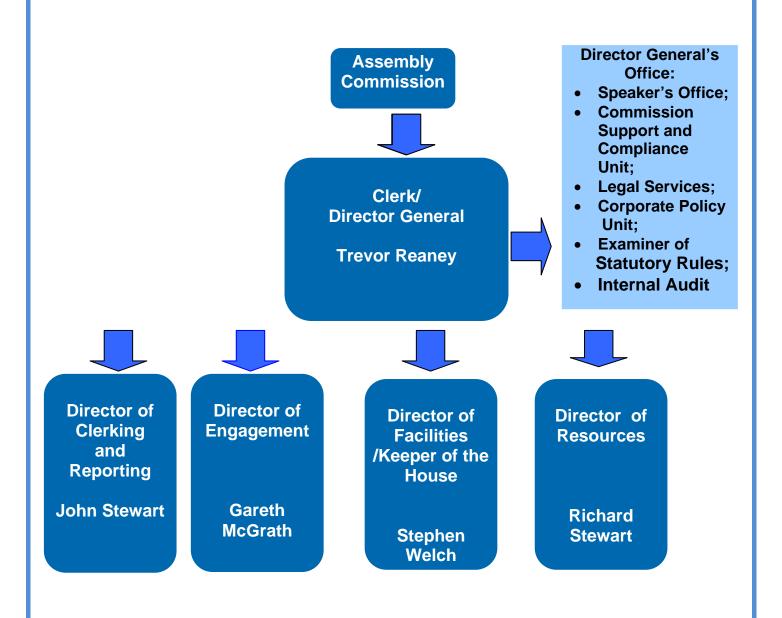
8 CORPORATE STRATEGIES

The Corporate Plan is currently supported by the following corporate strategies:

- HR Strategy
- Engagement Strategy
- IT Strategy
- Information Management Strategy
- Training and Development Strategy
- Good Relations Strategy
- Accommodation Strategy
- Sustainable Development Strategy
- Annual Financial Plans

STRUCTURE OF THE NI ASSEMBLY SECRETARIAT

Assembly Commission

Clerk/ Director General

Trevor Reaney

Director General's Office:
- **Speaker's Office;**
- **Commission Support and Compliance Unit;**
- **Legal Services;**
- **Corporate Policy Unit;**
- **Examiner of Statutory Rules;**
- **Internal Audit**

Director of Clerking and Reporting

John Stewart

Director of Engagement

Gareth McGrath

Director of Facilities /Keeper of the House

Stephen Welch

Director of Resources

Richard Stewart

CORPORATE GOVERNANCE STRUCTURE

ASSEMBLY COMMISSION

SECRETARIAT AUDIT AND RISK COMMITTEE

CLERK/ DIRECTOR GENERAL

SECRETARIAT MANAGEMENT GROUP

| **Director of Clerking and Reporting** | **Director of Resources** | **Director of Facilities** | **Director of Engagement** |

STATUTORY RESPONSIBILITIES OF THE
NI ASSEMBLY COMMISSION

The statutory duties of the Assembly Commission are set out in Section 40 of the Northern Ireland Act 1998. These are:

- To perform the function conferred on the Commission by virtue of any enactment

- To perform any functions conferred on the Commission by resolution of the Assembly

- To provide the Assembly, or ensure that the Assembly is provided with, the property, staff and services required for the Assembly's purposes

SECRETARIAT MANAGEMENT GROUP

TERMS OF REFERENCE

The Northern Ireland Assembly Commission is required to provide the Assembly with the property, staff and services required for the Assembly's purposes. Further detailed provisions are set out in the relevant legislation. The Commission may delegate any of its functions to the Presiding Officer or a member of staff of the Assembly. The Commission has not chosen to delegate functions to the Presiding Officer. The Commission has delegated its functions to the Clerk/Director General subject to certain specified functions which it has chosen to retain for itself.

The Clerk/Director General is also the Accounting Officer for the Assembly Secretariat responsible, in accordance with Managing Public Money, for the organisation, management and staffing of the Secretariat and for Secretariat-wide procedures in financial and other matters.

The Secretariat Management Group (SMG) has been established as a top-level management forum to advise and support the Clerk/Director General in the exercise of these duties.

Membership

The Secretariat Management Group comprises the Clerk/Director General (Chair) and the Directors of:

- Facilities/Keeper of the Hosue;
- Engagement;
- Clerking and Reporting; and
- Resources.

The Director of Legal Services attends meeting of SMG.Other advisors may be invited to attend for particular agenda items.

Secretarial and administrative support is provided by the Corporate Policy Unit.

Meetings

Twice monthly or as required.

Business

Individual responsibilities are delegated to members under letters of delegation. However, the Secretariat Management Group acts as a high level advisory group to provide assurance and advice to the Accounting Officer, and through him/her to the Commission, in relation to:

- •   Corporate Planning;
- •   Management of the programme of change;
- •   Financial Planning;
- •   Human Resource Planning;
- •   Corporate Risk Management;
- •   Achievement of Corporate Plan commitments;
- •   Cross-cutting projects;
- •   Communications;
- •   Emerging Issues.

Papers for consideration by the Secretariat Management Group should be distributed at least 2 working days before each meeting. Minutes of meetings (and papers considered at meetings), when approved, will appear on AssISt. .

PRINCIPLES OF GOOD ADMINISTRATION
(Source: Parliamentary and Health Service Ombudsman)

Good administration by a public body means:

**1	Getting it right**

- **Acting in accordance with the law and with due regard for the rights of those concerned**
- **Acting in accordance with the public body's policy and guidance**
- **Taking proper account of established good practice**
- **Providing effective services using appropriately trained and competent staff**
- **Taking reasonable decisions based on all relevant considerations**

**2	Being customer focused**

- **Ensuring people can access services easily**
- **Informing customers what they can expect and what the public expects of them**
- **Keeping to its commitments, including any published service standards**
- **Dealing with people helpfully, promptly and sensitively bearing in mind their individual circumstances**
- **Responding to customers' needs flexibly including, where appropriate, co-ordinating a response with other service providers**

**3	Being open and accountable**

- **Being open and clear about policies and procedures and ensuring that information and any advice provided is clear, accurate and complete**
- **Stating any criteria for decision making and giving reasons for decisions**
- **Handling information properly and appropriately**
- **Keeping proper and appropriate records**
- **Taking responsibility for its actions**

4 Acting fairly and proportionately

- **Treating people impartially with respect and courtesy**
- **Treating people without unlawful discrimination or prejudice and ensuring no conflict of interests**
- **Dealing with people and issues objectively and consistently**
- **Ensuring that decisions and actions are proportionate, appropriate and fair.**

5 Putting it right

- **Acknowledging mistakes and apologising where appropriate**
- **Putting mistakes right quickly and effectively**
- **Providing clear and timely information on how and when to appeal or complain**
- **Operating an effective complaints procedure which includes offering a fair and appropriate remedy when a complaint is upheld**

6 Seeking continuous improvement

- **Reviewing policies and procedures regularly to ensure they are effective**
- **Asking for feedback and using it to improve services and performance**
- **Ensuring that the public body learns lessons from complaints and uses these to improve services and performance**

THE SEVEN PRINCIPLES OF PUBLIC LIFE
(THE NOLAN PRINCIPLES)

Selflessness
Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity
Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

Objectivity
In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability
Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness
Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty
Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership
Holders of public office should promote and support these principles by leadership and example.

NORTHERN IRELAND ASSEMBLY SECRETARIAT AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

1   BACKGROUND

The Northern Ireland Assembly Secretariat Review Report of October 2007 dealt with a number of issues including the identification of the appropriate organisational and management structures, policies and governance arrangements necessary to provide the Assembly with the property, staff and services required and to the standards expected.

In particular, recommendations relating to the Audit Committee structure and membership were made in order to ensure compliance with the HM Treasury "Audit Committee Handbook", as relevant to the context of the Assembly Secretariat.

Therefore, in order to support the revised governance arrangements within the Assembly Secretariat (which include delegated authority from the Commission to the Clerk/Director General, an enhanced system of business planning and risk management, stewardship reporting and clear management structures) it was agreed to improve upon the existing Audit Committee arrangements.

The appointment of an independent Chair and an independent Member to the Secretariat Audit and Risk Committee (SARC) will facilitate an objective assessment of the assurances provided to the Accounting Officer on the risk management, control and governance arrangements within the Secretariat. These assurances will range from stewardship statements from operational management, financial statements and reports from both Internal and External Audit.

The information provided to the Committee will enable the Chair to advise the Accounting Officer on the adequacy and effectiveness of the assurances and on how well the assurance received meets the assurance need.

2 ROLE

The Commission has established the Secretariat Audit and Risk Committee (SARC) to support the Director General (in his/her role as Accounting Officer) and the Assembly Commission and Secretariat Management Group in monitoring their responsibilities for issues of risk, control and governance by reviewing the comprehensiveness of assurances in meeting the organisation's assurance needs and reviewing the reliability and integrity of these assurances.

3 MEMBERSHIP

The members of the SARC include:

• One member of the Assembly Commission;

• Two independent members;

• The SARC will be chaired by one of the independent members.

The SARC will be provided with a secretariat function by the Office of the Clerk/Director General.

4 REPORTING

The SARC will provide the Commission, Accounting Officer and the Secretariat Management Group with an Annual Report, timed to support the finalisation of accounts and the Statement on Internal Control, summarising its conclusions from the work it has done during the year. The report will summarise the SARC opinion regarding:

(a) the comprehensiveness of assurances in meeting the Commission's and Accounting Officer's needs;

(b) the reliability and integrity of these assurances;

(c) whether the assurance available is sufficient to support the Commission and Accounting Officer in their decision taking and their accountability obligations;

(d) the implication of these assurances for the overall management of risk;

(e) any issues the SARC considers pertinent to the Statement on Internal Control and any long-term issues the Committee thinks the Commission and/or Accounting Officer should give attention to;

(f)   financial reporting for the year;

(g)   the quality of both Internal and External Audit and their approach to their responsibilities;

(h)   the SARC view of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed;

(i)   the manner in which issues involving best use of resources/value for money have been addressed.

The Chair of the SARC should attend at least one meeting of the Commission each year to report in private, without the presence of members of the Secretariat.

The minutes of each SARC meeting should be made available to the Commission.

The Independent Chair and Member of the SARC will undergo an annual appraisal.

5   RESPONSIBILITIES

The SARC can help the Commission to formulate its assurance needs and then advise on how well assurance received actually meets the assurance need.   Assurance will help the Commission to judge whether or not its agenda is focussing on the issues that are most significant in relation to achieving the Secretariat's objectives and whether best use is being made of resources.

The SARC will advise the Commission, the Accounting Officer and the Secretariat Management Group on:

•   the strategic process for risk control and governance and the Statement on Internal Control;

•   the accounting policies, the accounts and the annual report of the Assembly Secretariat, including the process for review of the accounts prior to submission for audit, levels of error identified and management's letter of representation to the Northern Ireland Audit Office (NIAO);

•   the adequacy of management response to issues identified by audit activity including the Report to those charged with Governance from the NIAO;

•   assurances relating to the corporate governance requirements for the Assembly Secretariat;

- assurance relating to the adequacy and effectiveness of both Internal and External Audit, the definition of future audit requirements and assist where required in deciding the best means of procuring these services;

- the extent to which anti-fraud policies, whistle-blowing processes and arrangements for special investigations comply with best practice.

Actions taken by the SARC in order to discharge its responsibilities will include:

- approval of the planned activity and results of both internal and external audit;

- the commissioning of specific audits;

- the identification (where appropriate) of sources of expert advice.

6   RIGHTS

The SARC may:

- co-opt additional members for a period not exceeding one year to provide specialist skills, knowledge and experience;

- procure specialist ad-hoc advice at the expense of the Assembly, subject to budgets agreed by the Commission.

7   ACCESS

The Chair of the SARC should have right of access to the Speaker in his role as Chair of the Commission.

The Head of Internal Audit and the representative of the Northern Ireland Audit Office will have free and confidential access to the Chair of the SARC.

8   MEETINGS

The SARC will meet at least four times a year. The Chair of the SARC may convene additional meetings, as he/she deems necessary.

A minimum of two Members of the SARC will be present for the meeting to be deemed quorate.

SARC meetings will normally be attended by the Accounting Officer, the Director of Resources, the Head of Internal Audit and a representative from the Northern Ireland Audit Office.

The SARC may ask any other officials of the Assembly to attend to assist it with its discussions on any particular matter.

The SARC may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

The Commission, the Accounting Officer or Secretariat Management Group may ask the SARC to convene further meetings to discuss particular issues on which they want the Committee's advice.

At the discretion of the Chair, minor matters which require attention between scheduled meetings of SARC may be dealt with by correspondence and reported to the next scheduled meeting.

9   INFORMATION REQUIREMENTS

For each meeting the SARC will be provided with:

- A report summarising any significant changes to the Assembly Secretariat's Corporate Risk Register and any issues of concern relevant to SARC regarding the delivery of the Corporate Plan;

- 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 response to audit recommendations
  ▪ Changes to the Periodic Plan
  ▪ Any resourcing issues affecting the delivery of Internal Audit objectives

- A progress report from the NIAO representative summarising work done and emerging findings.

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

- Proposals for the Terms of Reference of Internal Audit;
- 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 Statement on Internal Control;
- A report on any changes to accounting policies;
- A report from the Accounting Officer summarising progress against the Secretariat's Business Plan, highlighting any issues that may be relevant to the work of the 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;
- Information on any impending changes (as identified by Internal or External Audit) that may impact upon the work of the SARC.

10 REGISTER OF INTERESTS

Members of the SARC will record in the SARC Register of Interests any issues on which they might have a conflict or perceived conflict of interest. The SARC as a whole should consider how matters on which a member may have a conflict of interest will be handled.

11 SECRETARIAT

The Corporate Policy Unit of the Director General's Office will provide secretariat services to the SARC. The secretariat will be responsible for ensuring compliance with procedures and maintenance of a Register of Interests. An agenda and papers will be circulated one week in advance of each meeting. A summary of action points will be sent to the Chairperson within three working days of each meeting. Approved action points will be issued to relevant staff within one working day of receipt. Draft minutes will be sent to the Chairperson within five working days of the meeting. The formal minutes will be posted on the Assembly website within three working days of their approval.

The Secretariat will prepare an induction pack for new members.

RISK MANAGEMENT POLICY

October 2008

CONTENTS

1   Introduction

The Risk Management Policy forms a central part of the Northern Ireland Assembly Secretariat's internal control and corporate governance arrangements. It defines the Secretariat's approach to risk management throughout the organisation. It also ensures a consistent approach to dealing with risks which may have an impact on the Secretariat's ability to achieve its strategic aims and objectives. It outlines the key aspects of the Risk Management process, and identifies the main reporting procedures.

The policy is subject to regular revision as the Risk Management process becomes embedded throughout the Assembly Secretariat, and will be updated as necessary to reflect the changing environment.

2   Background

2.1   DAO (DFP) 05/01 http://www.aasdni.gov.uk/pubs/DAOs/dao0501.pdf and DAO (DFP) 25/03 "Corporate Governance: Statement on Internal Control" http://www.aasdni.gov.uk/pubs/DAOs/dao2503v2.doc set out the requirement to:

- develop a continuing process to identify the principal risks to the achievement of policies, aims and objectives;
- evaluate the nature and extent of those risks; and
- manage risks efficiently, effectively and economically.

2.2   Guidance on Risk Management was produced by HM Treasury in October 2004 in "Management of Risk – Principles and Concepts" ("The Orange Book") http://62.164.176.164/d/FE66035B-BCDC-D4B3-11057A7707D2521F.pdf. That guide built on earlier publications by detailing the lessons learned about Risk Management. It continues to provide broad based guidance on the principles of Risk Management.

2.3   Developments in corporate governance mean the evaluation of risk and the implementation of suitable control strategies are key management responsibilities. Risk Management impacts on decisions in all the Secretariat's activities.

3   Definition of Risk

3.1   A number of definitions exist, all of which are broadly similar in nature. The Cabinet Office definition is:

"any event or uncertainty that may enhance or impede an organisation's ability to achieve its current or future objectives".

3.2   This definition makes a direct connection between risk and the objectives of the Assembly Commission as set out in the Corporate and Business Plans. A risk must be assessed in respect of the combination of the likelihood of something happening, and the impact which arises if it does actually happen.

4   Definition of Risk Management

4.1   Risk Management is an essential part of good management and governance which staff already perform on a day-to-day basis.

4.2   When Risk Management processes are in place in an organisation:

- there is regular and ongoing monitoring and reporting of risk including early warning mechanisms;

- an appropriate assessment is made of the cost of operating particular controls relative to the benefit obtained in managing the related risk;

- the organisation conducts, at least annually, a review of the effectiveness of the system of internal control in place;

- the organisation reports publicly on the results of the review, and explains the action it is taking to address any significant concerns that are identified; and

- Corporate and Directorate Risk Registers are aligned to allow the escalation and de-escalation of risks at a Corporate level. (Maintaining the Corporate Risk Register is both a top-down and bottom-up process, and Directors should discuss high level risks with the Clerk/Director General.)

4.3   The Risk Management process should be ongoing, embedded in the culture of the organisation, and have the potential to re-focus the whole organisation around performance improvement. It is used to complement the normal corporate and business planning processes, at a strategic level or at a project, function or site level. However, it is not a process for avoiding risk. When used well, it can actively encourage an organisation to take on activities that have a higher level of risk, because the risks have been identified and are being well managed and the exposure to risk is both understood and acceptable.

5 The Purpose of Risk Management

5.1 Risk Management is one aspect of the Secretariat's system of internal control (alongside financial, operational and compliance management) and is key to the fulfilment of business objectives.

5.2 Risk Management is an integral part of good management practice. In identifying and taking action to address risks, it will aid the achievement of business objectives. A formal systematic approach to Risk Management should improve decision-making, accountability and performance as well as fostering an environment of '*no surprises'*.

5.3 The purpose of Risk Management is to manage and control risks, not eliminate them — the management of risk rather than risk aversion. It can be defined as:

"The systematic application of principles, approach and processes to the task of identifying and assessing risk and then planning and implementing risk responses".

6 The Benefits of Risk Management

A comprehensive and sound Risk Management strategy will bring the following benefits:

- A clear assessment of the risks affecting the achievement of Assembly business objectives, providing a supporting role to the corporate and business planning process.

- Enhanced communication within and between Directorates through a greater appreciation and understanding of the risks facing the organisation.

- Better use of resources, by directing these to areas of most need.

- The promotion of a culture of continuous improvement.

- More effective tailoring of internal audit programmes to target areas of high risk.

- A reduction in unwelcome surprises / shocks.

- Reassurance to stakeholders, particularly the Assembly Commission, that the Assembly is continually reviewing the environment and actively identifying and managing risk.

7 The Risk Management Process

(The timetable for 2008 is attached at Annex 1)

The Assembly's Risk Management Process will consist of the following key stages:

- Development of a Risk Management Policy.

- Development of a Corporate Risk Register (see format at Annex 2).

- Development of Directorate Risk Registers (see format at Annex 2).

- Stewardship Statements (see Annex 3) provided by Corporate Risk Owners indentified in Corporate Risk Register) at end of September and March each year to Clerk/Director General.

- Corporate Risk Register and Stewardship Statements submitted to the Secretariat Audit and Risk Committee (SARC) twice yearly.

- Review of Corporate and Directorate Risk Registers by the Senior Management Group and individual Directors (monitored by SARC) on an ongoing basis and formally in April and October each year.

8 Roles and Responsibilities

8.1 Clerk/Director General

The Clerk/Director General, as the Accounting Officer, has ultimate responsibility for managing the risks faced by the Assembly Secretariat. As Accounting Officer, he is required to sign an annual Statement on Internal Control as part of the preparation of the Annual Report and Statutory Accounts. In order to fulfil this responsibility, there is a need for a Risk Management process to be fully embedded and operational within the Assembly Secretariat.

The Clerk/Director General as Accounting Officer will champion the Risk Management process, and ensure that appropriate commitment from the organisation is given. This commitment will include ensuring the provision of appropriate Risk Management training for management and staff.

8.2 Secretariat Audit and Risk Committee

The Secretariat Audit and Risk Committee (SARC) has been established to support the Clerk/Director General in his role as Accounting Officer and the Assembly Commission and Secretariat Management Group in monitoring their responsibilities for issues of risk, control and governance.
Membership will comprise a member of the Assembly Commission and two independent members, one of whom will chair the Committee.

The Secretariat Audit and Risk Committee will review the adequacy of all risk and control-related disclosure statements, together with any accompanying Internal Audit statement, prior to endorsement by the Clerk/Director General, as well as the structures, processes and responsibilities for identifying and managing key risks facing the organisation.

The Secretariat Audit and Risk Committee will review the Corporate Risk Register and Stewardship Statements twice yearly.

8.3 Secretariat Management Group (SMG)

SMG members will develop and maintain a culture of Risk Management within their area of responsibility. This includes:

- Determining what types of risks are acceptable and which are not.

- Ensuring that line management and staff are aware of their risk and control responsibilities.

- Determining the level of risk that the Assembly will carry in relation to specific major activities or projects across the organisation as a whole.

- Approving major decisions affecting the organisation's risk profile or exposure.

- Identifying risks and monitoring their management and control.

- Satisfying themselves that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.

- Annually reviewing the NI Assembly Secretariat's approach to risk management and approving changes or improvements to key elements of its processes and procedures.

- Ownership of Directorate Risk Registers for their area of responsibility.

- Submission of Directorate Risk Registers to the Clerk/Director General, as appendix to bi-annual stewardship statements.

- Alerting the Clerk/Director General to any risks which arise within the reporting cycle. (The Corporate Risk Register will be a monthly agenda item for Secretariat Management Group meetings.)

- Alerting the Clerk/Director General of any 'near miss' incidents as they occur and reviewing and implementing controls to address weaknesses.

- Ownership and approval of the Corporate Risk Register through six-monthly review at Secretariat Management Group meetings.

8.4   Line management and staff

All line management and staff are expected to:

- Work within the Assembly's policies on Risk Management.

- Alert management to emerging risks or control weaknesses.

- Participate fully in the regular risk review process.

- Assume responsibility for risks and controls within their own areas of work.

8.5   Internal Audit

Although Risk Management and internal control are management's responsibility, Internal Audit clearly has an interest in supporting the maintenance of effective internal control. Internal Audit's primary objective is to provide independent assurance on the effectiveness of the Risk Management internal control framework to the Clerk/Director General in his role as Accounting Officer, and to the Secretariat Audit and Risk Committee. It does this by carrying out audits across the Directorates, focusing on the key risks in each business area.

Internal Audit also has a role to play in:

- Acting as an independent advisor by providing advice on the management of risk, especially those issues surrounding the

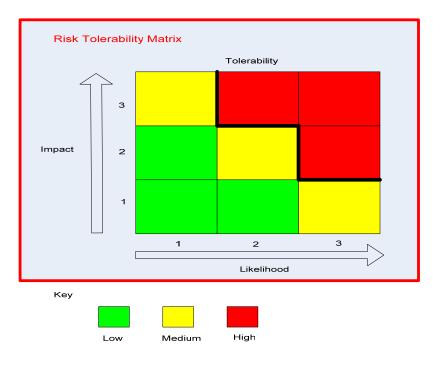design, implementation and operation of systems of internal control.

- Monitoring, reporting and providing assurance on the effectiveness of the risk and control mechanisms in operation.

- Promoting Risk Management and control concepts across the Assembly.

9 The Analysis of Risk

Assessing Risk

Consistent with the approach outlined in HM Treasury's document 'The Orange Book: Management of Risk – Principles and Concepts' (October 2004), identified risks should be categorised through a "3x3" risk matrix, based on:

- The impact that the risk would have on the business should it occur, and

- The likelihood of the risk materialising.

The Assembly Secretariat has adopted a categorisation of high / medium / low to assess the Impact and Likelihood, with colour coding being used in a traffic-light system to further clarify the risk.

The following impact definitions should be used when assessing each identified risk:

Rating	Key word	Safety	Financial	Reputation	Business Interruption
HIGH	Major – Potentially Catastrophic	Major accident involving death or serious injury. Breach of relevant legislation, primarily that relating to Health and Safety	Financial loss / damage > £50k	Severe adverse media attention likely to significantly affect long-term public perception of the Assembly, and political affairs	Interruption during a critical period leading to extended loss of service (greater than 1 week) Interruption due to short or long term critical system failure
MEDIUM	Moderate	Reportable injury and/or lost time form work. Breach of ApprovedCodes of Practice/Procedures	Financial loss / damage between £10k - £50k	Adverse media attention likely to affect medium-term public perception of the Assembly and the Secretariat	Interruption during a critical period leading to temporary disruption (less than 1 week)
LOW	Minor - Insignificant	Minor accidents requiring first aid treatment	Financial loss / damage < £10k	Adverse media attention likely to affect short-term public perception of the Assembly or the Secretariat	Interruption during a non-critical period leading to temporary disruption

Risks should be identified and scored using the agreed Risk Register format, outlined in Annex 2 to this document.

10 The Reporting of Risk

The process of regularly updating and reviewing both Corporate and Directorate Risk Registers will be monitored by the Secretariat Audit and Risk Committee and will form part of its annual report to the Accounting Officer. The Risk Management section of this annual report should consider:

- Any significant change in the nature and extent of the risk profile of the organisation since the last report.

- The scope and quality of management's ongoing monitoring of risks and of the system of internal control, and, where applicable,   the work of internal and external audit.

- Any significant gaps in the provision of Stewardship Statements.

- The incidence of significant control failings or weaknesses that have been identified at any time during the reporting period.

RISK MANAGEMENT PROCESS
2008 TIMETABLE

- Risk Management Workshop for Clerk/Director General's office and Directors on 1 October 2008.

- Development of the draft Risk Management Policy by 10 October 2008.

- Further refinement of draft Risk Management Policy by Secretariat Management Group (SMG) by 15 October 2008.

- Risk Management Workshop for Directors and Heads of Business by 23 October 2008, to include final comments on draft Risk Management Policy.

- Development of draft Corporate Risk Register by 31 October 2008.

- Approval of Corporate Risk Register by SMG by 12 November 2008.

- Directorate Risk Registers completed by 21 November 2008.

- Directorate Risk Registers approved by Clerk/Director General by 28 November 2008.

- In-year Stewardship Statements for 2008/2009 to be provided by Corporate Risk Owners by 31 October 2008.

- Corporate Risk Register presented to Secretariat Audit and Risk Committee (SARC) by December 2008.

RISK REGISTER FORMAT (SAMPLE)

KEY RISK 1: **Inadequate corporate governance**

RISK CATEGORY: **Organisational Capability**

RELATED CORPORATE OBJECTIVE(S): **OC4**

RISK OWNER: **Clerk/Director General**

INHERENT RISK ASSESSMENT

Impact: **High**   **Likelihood:** **High**

Potential root causes: **Poor corporate planning/timeliness of planning process**

Inappropriate management structures

Failure to apply best practice re governance arrangements

Ineffective Risk Management

Poor decision making process

Current Controls: **Corporate and business planning process in place**

Performance monitoring system in place

Risk Management process in place Assurance Statements submitted to Clerk/DG twice yearly

Management responsibilities clearly defined

Review of Secretariat Audit and Risk Committee

RESIDUAL RISK ASSESSMENT

Impact: High   **Likelihood: Medium**

Actions to improve controls

1   **Appointment of independent Chair and Member to Secretariat Audit and Risk Committee**
       Responsibility: Head of Internal Audit   Priority: High
       Deadline: 31 December 2008

2   **Appointment of independent member to Secretariat Management Group**
       Responsibility: Clerk/DG   Priority: High
       Deadline 28 February 2009

3   **Approval of Risk Management Policy by SMG**
       Responsibility: Clerk/DG   Priority: High
       Deadline 30 November 2008

Controls adequate: **Yes**

Gap acceptable: **Yes**

NIA SECRETARIAT

STEWARDSHIP STATEMENT

RISK OWNER:

DIRECTORATE:

REPORTING PERIOD:

1. ACKNOWLEDGEMENT OF OWNERSHIP OF RISK

I acknowledge my responsibility for managing the allocated Corporate risk(s) as detailed in the Corporate Risk Register dated
and Directorate risks as detailed in the Directorate Risk Register dated
. (Note checklist at Annex A).

Signed: **Name:**

2. RISK MANAGEMENT STATUS

Controls Appropriate

I am satisfied that the controls in place (as listed in the Corporate Risk Register dated   and in the Directorate Risk Register dated   ) to manage the risk(s) for which I am responsible, are appropriate. They provide reasonable assurance that the risk will not occur or if it does occur, it will be detected and corrected in sufficient time to reduce the impact of the risk to tolerable or negligible levels.

*Notes for completion – Where an "Appropriate" status is entered, **the Reporting officer should outline below the broad basis for arriving at the classification**, i.e. how does the reporting officer know that controls are effective and operating as intended (e.g. operational risk/control frameworks, team briefings/reports, spot checks on key controls, audits, other)?*

Controls not appropriate

I am not satisfied that the measures/controls in place to manage the risks for which I am responsible, are appropriate. Remedial action as detailed below is required in order to safeguard the Assembly from the impact of the risk materialising.

*Notes for completion – Where a "Not Appropriate" status is entered, **the reporting officer should detail the steps that are to be taken to address perceived weaknesses**. Alternatively, the reporting officer should record the factors that prevent adequate management of risk — for example, resource constraints or external pressures.*

Significant Changes to Risk/ Risk Management (if applicable)

Please outline any major changes to the allocated Corporate risk(s) or Directorate risks (e.g. in respect of impact or likelihood) or to the manner in which risk is managed.

Business Area Input

I have confirmed with the relevant Heads of Business that there are no additional factors which may impact on risk or the manner in which it is currently managed.
(Any exceptions should be noted below).

3.   DELEGATED RESPONSIBILITIES

As detailed in the delegation letter of functions and financial responsibilities of May 2009, I can confirm that all expenditure:
- **has been incurred within agreed budgets;**
- **has been properly authorised;**
- **complies with the Assembly's procurement procedures regarding Directorate responsibilities; and**
- **represents value for money.**
(Any exceptions should be noted below).

4. INFORMATION MANAGEMENT

I have confirmed that the manner in which information is generated, transmitted and stored is appropriate for the content involved and does not pose a risk to the business or reputation of the Assembly.
(Any exceptions should be noted below).

5. INTERNAL / EXTERNAL AUDIT ACTION POINTS

I have verified that all accepted recommendations made by Internal Audit and the Northern Ireland Audit Office (NIAO) have been/are being implemented as agreed, including agreed implementation dates.
(Any exceptions should be noted below).

6. ADDITIONAL INFORMATION (IF APPLICABLE)

Please highlight any additional material issues which may be of interest to the Accounting Officer and the Secretariat Audit and Risk Committee.

Signed: **Name:**

Grade: **Date:**

RISK MANAGEMENT CHECKLIST

• All roles, responsibilities and levels of accountability in respect of allocated Corporate risk(s) and Directorate risks are communicated and understood.
• Policies relevant to the management of allocated Corporate risk(s) and Directorate risks are in place along with corresponding guidance, instructions etc.
• Sufficient resources have been identified and the efficiency and effectiveness of their use monitored.
• The management of allocated Corporate risk(s) and Directorate risks has been included in the business planning process.
• The controls used to manage allocated Corporate risk(s) and Directorate risks are regularly reviewed to ensure they remain appropriate to the associated likelihood and impact.
• All relevant action points in relation to Internal and External Audit reports are up to date.
• Effective communications are in place to ensure that incidents relating to allocated Corporate risk(s) and Directorate risks are brought to the attention of the Accounting Officer, SMG and SARC as necessary.