

## Questions from the NI Assembly Audit Committee to the Chair of NIPSO Audit and Risk Committee:

1. Appointment and membership of the committee.
2. The role and remit of the committee.
3. The role the committee plays/contribution it makes to the governance and accountability arrangements.
4. A view on whether there is a need to widen/reduce the role or remit of the committee or introduce any further mechanisms to improve governance arrangements/enhance accountability.
5. An assessment of the extent to which the committee fulfils a challenge function as opposed to an advisory one (specific examples to illustrate this would be particularly useful).
6. Frequency of committee meetings and who is entitled to attend.
7. Whether minutes of meetings/non-restricted meeting papers are published.
8. Reporting requirements of the committee.

### 1. Appointment and membership of the committee.

In line with good practice, in particular the April 2018 DOF guidance *Audit and Risk Assurance Committee Handbook (NI)*<sup>1</sup>, and reflecting arrangements in other Ombudsman's offices (where the office holder is also a Corporation Sole), NIPSO's Audit and Risk Committee (ARC) is comprised solely of non-executive members. At present the Ombudsman makes provision for a non-executive Chair and two non-executive members. This total of three is the recommended<sup>2</sup> minimum number and, given the relative organisational size of NIPSO, has historically been viewed as proportionate.

Following an appointment process in March 2019, I have in been in post as the Chair of NIPSO's ARC since 24 June 2019.

Appointments are made by a transparent external appointment process led by the Ombudsman. In appointing the ARC Chair the Ombudsman chairs the selection panel and is supported by a minimum of two additional independent panel members, chosen so as to provide an appropriate mix of knowledge and expertise regarding the experience, insight and qualities expected in the role.

In appointing non-executive ARC members the panel consists of the Ombudsman, the ARC Chair and an external independent member.

It is the Ombudsman's aim to achieve an appropriate blend of financial, legal, regulatory and governance & accountability knowledge and experience in appointing this key Committee.

For NIPSO, the term of appointment of the ARC Chair and members is for three years, with an option, by mutual agreement, for the term to be extended by the Ombudsman for up to a further two years.

### 2. The role and remit of the committee.

As set out in the ARC Terms of Reference (last reviewed at the ARC meeting of 6 May 2021, and included at **Annex A**) the role and remit of the ARC is as follows:

..... to review arrangements put in place by the Office and its management with regard to: risk, governance, independence and effectiveness of internal and external control; maintenance of proper

<sup>1</sup> <https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/daodof0318att.pdf> April 2018

<sup>2</sup> *ibid*, Para 3.1, Page 7

accounting records and quality of financial statements; policies against fraud; implementation of new systems and compliance with laws and regulations; and more specifically to review:

- the accounts for the year just finished prior to their finalisation and submission for audit;
- the content of the Governance Statement for the year, presented alongside the finalised accounts;
- Financial Management budgetary reports;
- Internal Audit's finalised periodic work plan;
- Internal Audit opinion for the financial year just finished;
- the Internal Audit strategy and the periodic work plan for the financial year;
- emerging findings from Internal Audit engagements;
- the emerging External Audit opinion for the financial year just finished and advising the Accounting Officer on signing the accounts and the Governance Statement;
- the implications of the result of the Accounting Officer's review of effectiveness of the system of internal control in relation to the Governance Statement;
- the External Audit management letter for the previous year, any emerging findings from the current interim / in-year work of External Audit, and External Audit's approach to their work;
- External Audit strategy proposed in respect of the current year's accounts;
- any residual actions arising from the previous year's work of both internal and external audit;
- re-visiting emerging findings from auditors and review actions in response to the External Audit management letter and internal audit reports;
- periodically its own effectiveness and report on that review to the Accounting Officer;
- Anti - fraud policies & whistleblowing practices for appropriateness and effectiveness;
- Issue of annual assurance reports to the Ombudsman as Accounting Officer;
- Review procurement single tender actions; and
- Disaster recovery contingency, crisis planning and business continuity

### **3. The role the committee plays/contribution it makes to NIPSO's governance and accountability arrangements.**

The Committee supports the Ombudsman, as Accounting Officer, by monitoring the corporate governance, risk management and control systems in the NIPSO Office.

The Committee fulfils its role by offering objective advice and challenge on issues concerning the risk, control and governance of the Office and associated assurances. The Committee provides reports through the Independent Chair to the Ombudsman and any matters identified in those reports are actioned and dealt with by the NIPSO Senior Management Team (SMT). As previously noted, the Committee's current Terms of Reference are attached at Annex A. The Committee also conducts, on a regular basis, a review informed by the recommendations that emerge from the annual Self-Assessment process which is based on a checklist published by the Financial Management and Governance Practice Unit of the National Audit Office. This process also includes a review of the Terms of Reference of the Committee.

Throughout the year the Committee provides effective scrutiny and support to the Office. At each meeting the Committee reviews a number of standing items including:

- (i) financial and operational performance;
- (ii) audit, accountability and governance measures in place;
- (iii) the NIPSO Risk Register;
- (iv) NIAO and Internal Audit reports, and
- (v) relevant emerging DAO guidance, where applicable.

In addition to providing assurance on the preparation and audit of the Office's Annual Report and Accounts, the Committee considers the findings of the investigations undertaken and reports prepared by the out-sourced Director of Internal Audit.

The annual internal audit programme of work is in fulfilment an agreed (usually three year) programme, which is agreed in advance by the Committee.

In terms of assurance, the Head of Internal Audit issues each year an independent opinion on the adequacy and effectiveness of the Office's system of internal control. The ARC reviews and, where appropriate, interrogates this annual statement in the course of gaining the requisite level of assurance in relation to NIPSO's risk management, internal control and governance.

#### **4. A view on whether there is a need to widen/reduce the role or remit of the committee or introduce any further mechanisms to improve governance arrangements/enhance accountability.**

The Ombudsman is fully mindful of best practice in all aspects of the appointment, role and remit of the NIPSO Audit & Risk Committee, as exemplified in the April 2018 DOF guidance: "Audit and Risk Assurance Committee Handbook (NI)"

This handbook in turn draws on guiding principles from the DOF "*Corporate governance in central government departments: Code of Good Practice (NI)*". The handbook at para 1.2 quotes the following extract from the Code:

1.2 On Audit and Risk Assurance Committees, this principle [namely, concerning effective arrangements for governance, risk management and internal control] is supported by six supporting provisions in the Code.

- The Accounting Officer and Board should be supported by an Audit and Risk Assurance Committee, comprising of at least three members;
- Advising on key risk is a role for the Board. The Audit and Risk Assurance Committee should support the Board in this role;
- An Audit and Risk Assurance Committee should not have any executive responsibilities or be charged with making or endorsing any decision;
- The Board should ensure that there is adequate support for the Audit and Risk Assurance Committee, including a secretariat function;
- The Audit and Risk Assurance Committee should normally lead the assessment of the annual Governance Statement for the Board; and
- The terms of reference of the Audit and Risk Assurance Committee should be made available publicly.

The NIPSO ARC complies fully with these provisions (albeit with the NIPSO Senior Management Team functioning as proxy for a "Board" in the context of a Corporation Sole). In so doing the role/remit of the committee is tightly drawn and any move to widen or reduce its scope would need to be carefully considered and could potentially compromise the distinct place of the ARC within NIPSO's governance structure.

#### **5. An assessment of the extent to which the committee fulfils a challenge function as opposed to an advisory one (specific examples to illustrate this would be particularly useful).**

This assessment may best be made by reference to the reported range of work typically carried out by the committee over the course of an annual cycle. To that that end the following table lists the activities reflected in the Committee's annual report for 2019-20 and makes an assessment of whether each listed activity entailed challenge, advice (or both). Specific tasks involved evaluating, and advising on, the following issues, through a series of recurring and specific items dealt with at

meetings:

ARC Review/Challenge Activities over Course of Year	Challenge?	Advice?
1. Review of arrangements made by management in relation to risk management, including how ongoing risks are identified, assessed, monitored, managed and reviewed	√	√
2. Draft accounts for the year ended 31 March 2020 prior to their finalisation and submission for external audit	√	
3. Content of the Governance Statement (GS) for the prior year (2018-19) , presented alongside the finalised accounts for that year	√	√
4. Internal Audit's periodic work plan	√	√
5. Internal Audit's opinion for the financial year		√
6. The Internal Audit strategy and the periodic work plan for the financial year	√	
7. Emerging findings from Internal Audit engagements		√
8. Emerging External Audit opinion for the financial year just finished and advising the Accounting Officer on signing the accounts and the Governance Statement (GS) in respect of the prior year		√
9. The implications of the result of the Accounting Officer's review of effectiveness of the system of internal control in relation to the GS	√	√
10. External Audit <i>Report to Those Charged with Governance</i> (RTTCWG) for the previous year, any emerging findings from the current interim/in-year work of External Audit, and External Audit's approach to their work	√	√
11. External Audit strategy proposed in respect of the current year's accounts		√
12. Residual actions arising from the previous year's work of both internal and external audit	√	√
13. Re-visiting emerging findings from auditors and review actions in response to the External Audit RTTCWG	√	√
14. Financial reports on actual spend against budget	√	√
15. Actual performance against KPIs	√	√
16. Consideration of NIPSO policies or updated policies relevant to the role and functions of the ARC including Fraud, Whistleblowing and Information Security.	√	√
17. Any learning points arising from the Committee's review of its Effectiveness		√
18. Consideration of NIPSO's preparations for GDPR, based upon a number of presentations to the Committee.		√

## 6. Frequency of committee meetings and who is entitled to attend.

The committee meets on a minimum of four occasions each year. During 2020-21 it met six times.

Attendance at meetings held during that year was as follows:

Present	30/04/2020	28/05/2020 <sup>1</sup>	30/07/2020	13/08/2020 <sup>2</sup>	27/10/2020	28/01/2021
<b>Dónall Curtin</b> (Independent Chair)	√	√	√	√	√	√
<b>John Paul Irvine</b> (Independent Non-Executive Member)	√	√	√	√	√	√
<b>Ursula O'Hare</b> (Independent Non-Executive Member)	√	√	√	√	√	√

<sup>1</sup> This was a single-item meeting to discuss the draft Governance Statement and Financial Statement elements of the 2019-20 Annual Report and Accounts.

<sup>2</sup> This was a special meeting to discuss solely the draft 2019-20 Report to those Charged with Governance (RTTCWG).

Others who are entitled to attend committee meetings include: The Ombudsman, Deputy Ombudsman/Deputy Commissioner, Director of Finance, Director of Internal Audit (or representative) and a representative of NIPSO's external auditors (NIAO).

In addition, other members of staff may part attend, as required, to assist with the discussion of certain agenda items.

#### **7. Whether minutes of meetings/non-restricted meeting papers are published.**

Minutes of Committee meetings are published on NIPSO's website. Other meeting papers are not routinely published but are available upon request.

#### **8. Reporting requirements of the committee**

The Committee Terms of Reference require the Ombudsman to be provided with an annual report on the work of the ARC. This report typically includes the follows sections:

- A. Introduction
- B. Committee's scope of work
- C. External audit
- D. Internal audit
- E. Assurance provided
- F. Conclusion.

The last such report, in respect of the financial year 2019-20, was considered at the January 2021 Committee meeting and is attached at **Annex B**.

**Dónall Curtin**  
**Chair of NIPSO Audit and Risk Committee**  
**27 May 2021**



## **NORTHERN IRELAND PUBLIC SERVICES OMBUDSMAN (NIPSO) AUDIT AND RISK COMMITTEE**

### **Terms of Reference**

#### **1. Introduction**

- a. The Audit and Risk Committee (the Committee) is appointed by the Ombudsman as Accounting Officer. It is an advisory body with no executive powers. It is appointed to support the Ombudsman as Accounting Officer in monitoring the corporate governance and control systems in the NIPSO Office.
- b. It fulfils this role by offering objective advice on risk management, the control environment, and governance. The integrity and the comprehensiveness of the financial statements and the reliability of the annual report of assurance.
- c. These issues are considered by reviewing the assurances on risk management, the control environment and governing provided management, in conjunction with consideration of the work undertaken by internal and external audit throughout the course of the financial year.

#### **2 Authority**

- a. The Committee is authorised by the Ombudsman to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any member of staff and all staff are directed to co-operate with any request made by the Committee.
- b. The Committee meets in accordance with its Terms of Reference which, in turn, are informed by the core work programme laid out in HM Treasury's Audit and Risk Assurance Committee Handbook, March 2016.

### **3. Membership**

- a. The Audit and Risk Committee membership consists of non-executives as follows: Dónall Curtin, (Chair); Ursula O'Hare; and a third subject to an ongoing recruitment process as at May 2021. In line with HM Treasury's best practice guidance on the operation of such committees, the Committee is chaired by a non-executive member.
- b. The Office's External Audit Assignment Director, or their representative, and the Internal Audit Assignment Director, or their representative, are invited to attend meetings. Other attendees routinely include: the Ombudsman; the Deputy Ombudsman; and the Director of Finance and Corporate Services.
- c. The Committee routinely receives oral reports from representatives of the external and internal auditors on their work programmes, supplemented by formal audit reports at appropriate junctures during the year.
- d. The Committee is provided with a secretarial function by the administration section of NIPSO's Corporate Services.
- e. The Committee may also co-opt a member(s) for a period of time (not exceeding a year and with the approval of SMT) to provide specialist knowledge and/or experience if it is deemed necessary. This may also involve procuring a service or external expertise/experience on an ad-hoc basis.

### **4. Duties of the Committee**

- a. The duties of the Committee are to review arrangements put in place by the Office and its management with regard to: risk, governance, independence and effectiveness of internal and external control; maintenance of proper accounting records and quality of financial statements; policies against fraud; implementation of new systems and compliance with laws and regulations; and more specifically to review:
  - the accounts for the year just finished prior to their finalisation and submission for audit;
  - the content of the Governance Statement for the year, presented alongside the finalised accounts;
  - Financial Management budgetary reports;
  - Internal Audit's finalised periodic work plan;
  - Internal Audit opinion for the financial year just finished;
  - the Internal Audit strategy and the periodic work plan for the financial year;
  - emerging findings from Internal Audit engagements;
  - the emerging External Audit opinion for the financial year just finished and advising the Accounting Officer on signing the accounts and the Governance Statement;
  - the implications of the result of the Accounting Officer's review of effectiveness of the system of internal control in relation to the Governance Statement;

- the External Audit management letter for the previous year, any emerging findings from the current interim / in-year work of External Audit, and External Audit's approach to their work;
- External Audit strategy proposed in respect of the current year's accounts;
- any residual actions arising from the previous year's work of both internal and external audit;
- re-visiting emerging findings from auditors and review actions in response to the External Audit management letter and internal audit reports;
- periodically its own effectiveness and report on that review to the Accounting Officer;
- Anti-fraud policies & whistleblowing practices for appropriateness and effectiveness;
- Issue of annual assurance reports to the Ombudsman as Accounting Officer;
- Review procurement single tender actions; and
- Disaster recovery contingency, crisis planning and business continuity

## 5. Information requirements

a. The Audit and Risk Committee will be provided, as appropriate, with:

- A report summarising any significant changes to the Office's Risk Register;
- A report on any internal audit reviews ;
- Internal Audit Charter;
- Draft and final accounts;
- Draft and final Governance Statement;
- A report on any changes to accounting policy;
- External Audit's management letter;
- A report on any proposals to tender for audit functions;
- A report on co-operation between Internal and External Audit;
- An Annual Audit Strategy from NIAO;
- A 'Report to Those Charged With Governance Report' from NIAO;
- Record of decision and matters arising from minutes of Senior Management Team Meetings;
- Report from external expert (as required);
- Annual NIPSO Business and Strategic Plans;
- Ombudsman's Report;
- Report on Office performance against KPIs;
- Reports on budgets and financial outcomes;
- Report on ongoing implementation of NIPSO functions and remits; and
- DAO and FD Letters.

b. In relation to strategic processes for risk, control and governance, the Committee, in the course of its work, aimed to secure assurances:

- that the risk management culture was appropriate;



- that there was a comprehensive process for identifying and evaluating risk, and for reviewing what levels of risk were tolerable;
- that the Risk Register was an appropriate reflection of the risks facing the NIPSO;
- that appropriate ownership of risk was in place;
- that management had an appropriate view of how effective internal control was;
- that risk management was carried out in a way that benefited the NIPSO and added value;
- that the NIPSO as a whole was aware of the importance of risk management and risk priorities;
- that the system of internal control was effective;
- that good corporate Governance priorities and arrangements are in place; and
- that the Ombudsman's Annual 'Governance Statement' was comprehensive and evidence based.

## **6. Meetings**

- a. Meetings shall be held quarterly but the Chair may convene additional meetings as deemed necessary.
- b. The Ombudsman as Accounting Officer may seek the advice of the Audit and Risk Committee and may wish to convene further meetings to discuss particular issues.
- c. A minimum of 2 independent members of the Committee will be present for the meeting to be deemed quorate.
- d. The Committee may ask other NIPSO officials of the Office to attend to assist it with its discussions on any particular matter.
- e. The Chair of the Committee should meet with the Ombudsman, Head of Internal Audit and the Director of External Audit bilaterally at least once a year.

## **7. Reporting**

- a. Discussions at the Committee meetings shall be formally recorded and the Chair will advise the Ombudsman of the outcome of proceedings.
- b. Clear direct lines of communication and reporting will be maintained between the Chair of the Committee and the Ombudsman, Head of Internal Audit, Director of External Audit and the NI Assembly Audit Committee.
- c. The Committee will provide the Ombudsman with an Annual Report, timed to support finalisation of the annual accounts and the Governance Statement, summarising its conclusions from the work it has done during the preceding year.

## **8. Responsibility**

- a. In the event of a disagreement between the Committee and the Senior Management Team, the Ombudsman will take any necessary decision as she has ultimate responsibility, given her legal status as a Corporation Sole.

## **9. Conflict of interest**

- a. It is the responsibility of the Committee members to proactively declare any potential conflict of interest arising out of business arising on the Committee's agenda or from changes in the member's personal circumstances. This should be a standing first item on the agenda of every Committee meeting. Should a conflict be declared the Chair of the Committee will then determine an appropriate course of action with the member.
- b. If it is the Chair who has a conflict of interest, the Ombudsman will ask one of the non-executive attendees to lead in determining the appropriate course of action.

## **10. Access**

- a. The Head of Internal Audit and the representative of External Audit will have unhindered and confidential access to the Chair of the Committee.
- b. The Chair of the NI Assembly Audit Committee will have access to the Chair of the Committee.

## **11. Outline Annual Work Programme of the Audit and Risk Committee**

- a. The Annual Core Work Programme is detailed at Appendix 1.

## **12. Review**

- a. These Terms of Reference will be reviewed annually.

## **13. Publication of Terms of Reference**

- a. The up-to-date Terms of Reference are publicly available on NIPSO's website.

**May 2021**

**Audit and Risk Committee (ARC) Annual Core Work Programme.**

The Audit and Risk Committee will ordinarily meet four times a year.

The meetings will be held in April/May, June/July, October/November and January/February. Meetings will normally be scheduled for the third/fourth Thursday of the month, apart from April/May which will be scheduled to meet the Annual Resource Accounts return to the NIAO and review of the Draft Governance Statement.

The following is the core work programme identified for each meeting. This is not a definitive list but is a guide to the core issues to be reviewed.

**Late April/Early May**

**Committee Matters:**

- Apologies
- Conflicts of interest
- Agree minutes of last meeting
- Review action points and update from last meeting

**Performance:**

- Comment on the annual report and accounts for the year just finished prior to their finalisation and submission for Audit (Financial sections only)
- Advise on the Governance statement for the year just finished
- Review Case Performance Management

**Audit, Accountability and Governance:**

- Consider any Internal Audit Reports and Internal Audit's opinion for the financial year just finished
- Review progress against NIPSO Strategic Plan

**Risk:**

- Consider the Risk Register(Summary)

**General:**

- Subject of Interest
- **For information**
- Schedule of progress made against audit recommendation
- Senior Management Team Meeting Minutes
- DAO's and FD issued
- Risk Register
- Financial Management Report
- Policy progress schedule

Prior to the June meeting the finalised Annual report section of the Annual Report and Accounts will be issued to the ARC for consideration in May for review, comments (if any) and onward submission to NIAO by early June.

**Late June**

**Committee Matters:**

- Apologies
- Conflicts of interest
- Agree minutes of last meeting
- Review action points and update from last meeting

**Performance:**

- Financial Review
- Case Performance Management Review

**Audit, Accountability and Governance:**

- Consider External Audit's Draft Report To Those Charged With Governance
- Review and Challenge Internal Audit's strategy and work plan for the current year
- Review progress made against NIPSO Strategic Plan including current year business objectives

**Risk:**

- Consider the Risk Register (Summary)

**General:**

- Subject of Interest

**For information**

- Schedule of progress made against audit recommendations
- Senior Management Team Meeting Minutes
- DAO's and FD issued
- Risk Register
- Financial Management Report
- Policy progress schedule

**Late October/Early November****Committee Matters:**

- Apologies
- Conflicts of interest
- Agree minutes of last meeting
- Review action points and update from last meeting

**Performance:**

- Financial Review
- Case Performance Management Review

**Audit, Accountability and Governance:**

- Consider External Audit's Final Report To Those Charged With Governance
- Consider mid-year report(s) from Internal Audit
- Review progress against NIPSO Strategic Plan including current year business objectives
- Agree the ARC Chair's Annual report to the Accounting Officer

**Risk:**

- Consider the Risk Register (Summary)

**General:**

- Subject of Interest

**For information**

- Schedule of progress made against audit recommendation
- Senior Management Team Meeting Minutes
- DAO and FD Letters issued since last meeting
- Risk Register
- Financial Management Report
- Policy progress schedule

**Late January/Early February****Committee Matters:**

- Apologies
- Conflicts of interest
- Agree minutes of last meeting
- Review action points and update from last meeting

**Performance:**

- Financial Review
- Case Performance Management Review

**Audit, Accountability and Governance:**

- Consider mid-year report(s) from Internal Audit
- Review progress against NIPSO Strategic Plan and current year business objectives
- Consider the Committee's own Effectiveness in its work
- Review the overall Assurance Framework
- Consider the External Audit Strategy and work plan
- Review NIPSO Strategic Plan including next financial year's Business Plan and objectives
- Review the Terms of Reference of the ARC including the core work programme for next the financial year

**Risk:**

- Consider the Risk Register (Summary)

**General:**

- Subject of Interest

**For information**

- Schedule of progress made against audit recommendation
- Senior Management Team Meeting Minutes
- DAO's and FD issued
- Risk Register
- Internal Annual Budget
- Policy progress schedule

### NIPSO Audit & Risk Committee

#### Annual Report 2019-20

1. This report is structured under the following headings:

- G.** Introduction
- H.** Committee's scope of work
- I.** External audit
- J.** Internal audit
- K.** Assurance provided
- L.** Conclusion.

#### **A. Introduction**

2. The Ombudsman (Accounting Officer) retains an Audit and Risk Committee (ARC) to support her in relation to the responsibilities for governance, risk management and internal control. This is in accordance with the 'Audit and Risk Assurance Committee Handbook (NI)<sup>3</sup> 2018.
3. The ARC supports the Ombudsman by reviewing the comprehensiveness and reliability of assurance<sup>4</sup> on governance, risk management, the control environment and the integrity of financial statements and the annual report.
4. The ARC assists the Ombudsman in formulating her assurance needs and subsequently considers how well the assurances received meet these needs by gauging the extent to which the assurance on the management of risk is comprehensive and reliable.
5. The ARC does not have any executive responsibilities although it may draw attention to strengths and weaknesses in control and make suggestions as to how the

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<sup>3</sup> <https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/daodof0318att.pdf>

<sup>2</sup> 'Assurance' is defined as an evaluated opinion, based on evidence gained from review of the NIPSO's governance, risk management and internal control framework'.

weaknesses might be dealt with.

6. The current Terms of Reference require the Ombudsman to be provided with an annual report on the work of the ARC. This annual report addresses the work undertaken by the ARC in respect of the financial year 2019-20.
7. The Committee meets in accordance with its Terms of Reference which, in turn, are informed by the work schedule laid out in 'Audit and Risk Assurance Committee Handbook (NI) 2018. Terms of Reference are kept under regular review as guidance in the field of corporate governance and audit and risk committees is developed. A particularly useful guide for evaluating the effectiveness of the work of the Audit and Risk Committee's terms of reference is the '*The Audit Committee Self-Assessment Checklist*', published by the National Audit Office. A review of the Committee's effectiveness was last completed in September 2018 and a further review is currently scheduled to be undertaken in January 2021.
8. Issues are considered through the regular review of the risk management processes undertaken by management, in conjunction with consideration of the work undertaken by internal and external audit throughout the course of the financial year.
9. The NIPSO ARC met on four scheduled occasions during 2019-20 (29 April 2019, 24 June 2019, 28 October 2019 and 30 January 2020). In addition, the Committee held a special meeting on 3 July 2019 to discuss the implications of the impending Ombudsman vacancy at that time. Also the 2020-21 meetings of the Committee on 30 April 2020, 28 May 2020, 30 July 2020, 13 August 2020 and 27 October 2020 were wholly or partially concerned with matters pertaining to the 2019-20 financial year.
10. Over the course of 2019-20 the ARC membership comprised the following non-executive members: David Best (Chair until June 24 2019), Dónall Curtin (Chair from 25 June 2019), John Paul Irvine and Ursula O'Hare. In line with 'Audit and Risk Assurance Committee Handbook (NI) 2018 on the operation of Audit Committees, the Committee is chaired by a non- executive member. Each meeting was quorate.
11. As provided for in their initial letters of appointment, the two independent Committee members had their original three year appointment period extended for up to two further

years and continued to serve on the Committee throughout 2019-20. As a result of the Ombudsman vacancy, these extensions were not formalised in writing until May 2020. I am most grateful for the members' willingness to extend their period of service in this manner, ensuring welcome continuity during the ongoing period of considerable change for the Office.

12. I also note and welcome the recent advertisement placed by the Ombudsman for new members with a view to phased replacement of John Paul and Ursula's extended terms which end following the January 2021 and July 2021 meetings respectively.

**B. Committee's Scope of Work**

13. The Office's External Audit Assignment Director, Andrew Allen of the NIAO (or his representative), and Mr Brian Clerkin, the Internal Audit representative (or his representative) were invited to attend meetings.
14. During 2019-20 other attendees routinely included: the Ombudsman, Mrs Marie Anderson (up to her departure on 15 July 2019); the Deputy/Acting Ombudsman, Paul McFadden; and John McGinnity (Director of Finance and Corporate Services).
15. The Committee routinely received oral or written reports from representatives of the external and internal auditors on their work programmes, supplemented by formal audit reports at appropriate junctures during the year.
16. At its meetings during the year the Committee considered a range of issues (detailed in paragraph 17 below). These reflect some of the key aspects of its duties, deriving from the Committee's Terms of Reference, including internal audit, external audit, risk management and internal control.
17. Specific tasks involved evaluating, and advising on, the following issues, through a series of recurring and specific items dealt with at meetings:
  - a. the draft accounts for the year ended 31 March 2020 prior to their finalisation and submission for external audit;
  - b. the content of the Governance Statement (GS) for the prior year (2018-19) , presented alongside the finalised accounts for that year;
  - c. Internal Audit's periodic work plan;



- d. Internal Audit's opinion for the financial year;
  - e. the Internal Audit strategy and the periodic work plan for the financial year;
  - f. emerging findings from Internal Audit engagements;
  - g. the emerging External Audit opinion for the financial year just finished and advising the Accounting Officer on signing the accounts and the Governance Statement (GS) in respect of the prior year;
  - h. the implications of the result of the Accounting Officer's review of effectiveness of the system of internal control in relation to the GS;
  - i. the External Audit *Report to Those Charged with Governance* (RTTCWG) for the previous year, any emerging findings from the current interim/in-year work of External Audit, and External Audit's approach to their work;
  - j. External Audit strategy proposed in respect of the current year's accounts;
  - k. any residual actions arising from the previous year's work of both internal and external audit; and
  - l. re-visiting emerging findings from auditors and review actions in response to the External Audit RTTCWG.
  - m. Financial reports on actual spend against budget
  - n. Actual performance against KPIs
  - o. Consideration of NIPSO policies or updated policies relevant to the role and functions of the ARC including Fraud, Whistleblowing and Information Security.
  - p. Any learning points arising from the Committee's review of its Effectiveness
  - q. Consideration of NIPSO's preparations for GDPR, based upon a number of presentations to the Committee.
18. The Committee also reviewed arrangements made by management in relation to risk management, including how ongoing risks are identified, assessed, monitored, managed and reviewed.
19. The Committee regularly reviewed Risk Registers prepared by the Office. In relation to strategic processes for risk, control and governance, the Committee, in the course of its work, aimed to secure assurances:
- a. that the risk management culture was appropriate;
  - b. that there was a comprehensive process for identifying and evaluating risk,

and for reviewing what levels of risk were tolerable;

- c. that the Risk Register was an appropriate reflection of the risks facing the Office;
- d. that appropriate ownership of risk was in place;
- e. that management had an appropriate view of how effective internal control was;
- f. that risk management was carried out in a way that really benefited the organisation and added value;
- g. that the organisation as a whole was aware of the importance of risk management and risk priorities;
- h. that the system of internal control was effective; and
- i. that the Accounting Officer's annual Governance Statement was meaningful, and underpinned by credible evidence.

20. The ARC considered the draft financial statements and the draft Governance Statement for 2019-20 at its meeting on 28 May 2020.

21. During the course of the year the Committee noted the continuing increases in demands on the office, arising from new functions and jurisdictions, but also from increasing complaints activity in respect of pre-existing bodies in jurisdictions. This culminated in a 37% year –on –year growth in complaints received between 2018-19 and 2019-20. The Acting Ombudsman and staff are to be highly commended on continuing to achieve or exceed target performance across the majority of key Office indicators.

22. Despite the Office's activity growth (e.g. a 119% growth in new complaints since NIPSO establishment), the targets regarding the time taken to determine whether the Ombudsman **could** investigate a complaint (KPI1) and whether the Ombudsman **should** investigate (KPI2), both continued to be achieved. The target for the time taken to investigate and issue a draft report (KPI3) missed its target (60% vs target of 70%). However, in respect of the latter, the Committee was satisfied with the explanations that it received for this.

23. In this regard the Committee particularly welcomes the indication of support from the Northern Ireland Assembly Audit Committee for a 9.5% uplift in NIPSO's opening

budget for 2021-22; this budgetary proposal was also strongly supported by this Committee. This prospective increase is notable in the context of the wider public expenditure outlook and will enable the Ombudsman to pursue a number of her key priorities in 2021-22, including the commencement of the Complaints Standards Authority function, as well as the establishment of a dedicated outward-looking Learning and Improvement team

### **C. External Audit**

24. The NI Audit Office (NIAO) presented verbally their Audit Strategy for the 2019-20 year at the ARC meeting on 30 January 2020.
25. At its meeting on 28 May 2020 the ARC considered and agreed, subject to minor alterations, the following sections of the draft Annual Report and Accounts:
  - a. Governance Statement;
  - b. Assembly Accountability and Audit Report, and;
  - c. Financial Statements

Subsequent to this meeting these sections were forwarded to the NIAO to enable them to commence their audit.

26. In August 2020 the ARC received from NIPSO the draft NIAO Report to those Charged with Governance (RTTCWG). Following extensive discussion at the 13 August 2023 ARC meeting ARC comments were taken account of as appropriate in the management responses to be incorporated in the agreed final RTTCWG, which was presented by NIAO to the Committee meeting on 27 October 2020
27. At the 27 June 2020 meeting the ARC also received the final Annual Report and Accounts for 2019-20. These were accompanied by an assurance from NIPSO management that any prior comments received from the ARC chair on the draft full Financial Statements had been considered and incorporated as appropriate.

#### **D. Internal Audit**

28. During the 2019-20 year the Committee noted the continued effective functioning of ASM as NIPSO's out-sourced Internal Audit provider for 2019-20 and that the three year term of appointment was due to conclude early in 2021-22. At the October 2020 ARC meeting the ARC considered and agreed an amendment to the previously agreed 2019-20 programme of audits.
29. As a result the three reviews undertaken in respect of 2019-20 included:
1. Review of Communications
  2. Compliance with GDPR, and;
  3. Review of the Role, Functions and Terms of Reference of the NIPSO Senior Management Team.
30. The ARC was pleased to note that the Internal Audit 'Annual Assurance Report 2019-20' provided a satisfactory level of assurance in relation to risk management, internal control and governance, based upon the work undertaken on the 2019-20 internal audit programme. There were no category one recommendations (i.e. those requiring urgent management decision and action). In total there were 27 recommendations arising from the three reviews undertaken. All but three of these were rated as category 1 (i.e., improvements that will enhance the existing control framework and / or represent best practice).

#### **E. Assurance Provided**

31. During the course of the year, the Committee took assurance from the fact that no significant areas of concern arose in the course of the various audit engagements that remained unaddressed or unresolved. Moreover, neither internal nor external audit has indicated any area of particular concern that should be brought to the Committee's attention.
32. The Committee was also informed that the necessary co-operation had been received from the Office's management and staff. The Committee further acknowledges the

steps being taken by management and staff to implement recommendations resulting from the various audit engagements.

33. The Committee at its proceedings sought to provide a forum for focused debate, involving key internal and external stakeholders, with the ultimate aim of providing assurances to the Accounting Officer on the adequacy of internal control and risk management within the Office, including: the framework of internal control; risk management processes; and the quality and reliability of financial reporting and related matters.
34. The Committee believes it has effectively discharged its functions by reference to the following evidential sources: terms of reference informed by best practice guidance in the field of public sector corporate governance; regular meetings considering all of the matters noted above; and meeting, on an ongoing basis, with senior management to discuss matters of mutual interest, whilst taking assurance from the opinions expressed by the auditors, both internal and external.  
Consequently, taking account of all sources of evidence noted above from the reports issued by internal and external audit, the Audit and Risk Committee can provide a **satisfactory** level of assurance to the Ombudsman in relation to the adequacy and effectiveness of the system of internal control within NIPSO for the 2019 - 20 year.

## **F. Conclusion**

35. The ARC is pleased to note the continuing successful implementation during 2019-20 of NIPSO's 2016 legislation. Over the course of the year there was significant leadership change with the departure in July 2019 of the former Ombudsman Marie Anderson. The Deputy Ombudsman, Paul McFadden stepped up to Interim Accounting Officer with effect from 16 July 2019, and served from 3 March 2020 to 18 August 2020 as Acting Ombudsman. I wish to pay tribute to Marie for her enormous contribution to the establishment and effective operation of NIPSO since April 2016. I also would wish to commend Paul on his period of holding the reins and also to warmly congratulate him on his recent appointment as the Legal Ombudsman for England and Wales.
36. The Committee would like to thank the external and internal auditors and the management and staff of the Office who facilitated its work during the year, in

particular also the administrative support provided by Office staff. The ARC in 2019-20 continued to support the effective implementation of NIPSO's expanding roles and new jurisdictions. The Committee looks forward to continuing to provide its key governance and assurance functions.

37. Finally, although falling outside the period covered by this, my first annual report as ARC Chair, I wish also to offer my warmest congratulations and best wishes to the incoming Ombudsman, Margaret Kelly, who took up office from 19 August 2020. I look forward to working with Margaret and in supporting the work of the Office by all means appropriate to my role as Chair of ARC.

**Dónall Curtin**

**Chair of NIPSO Audit and Risk Committee**

**January 2021**