

NORTHERN IRELAND OMBUDSMAN

SUMMARY OF AUDIT COMMITTEE MEETING

held on Thursday, 11 October 2007 at 10.00 am

AGENDA REFERENCE	MINUTE		ACTION REQUIRED
	<u>Present:</u> Mr G Martin (Chair & Independent Member) Mr J MacQuarrie Mr G McBride	<u>In attendance:</u> Dr T Frawley Mr S McCormick (NIAO) Ms E Johnston (Internal Audit – BDO Stoy Hayward) Mrs A Scott Ms K Mills (Admin – Minute Taker)	
	<u>AUDIT COMMITTEE</u> The Chair opened the meeting by welcoming the members and attendees. The Chair began this meeting by referring to the ‘new paperless’ nature of the meeting and commended Mrs Scott and Mr Rainey for their efforts in developing this new format. The Chair also outlined the reconfigured agenda for the meeting which he explained was composed of substantive items for discussion and separately items for information items which would be examined, if any member wished to do so.		Noted

<p>1.</p>	<p>MINUTES OF MEETING HELD ON WEDNESDAY 4TH JULY 2007</p> <p>The Chair invited comment from the Committee on any matters arising from the minutes of the last meeting</p> <p>The meeting agreed with the content, however, Mr McCormick noted some minor amendments should be made to properly reflect his function on the DFP Audit Committee. These were that Mr McCormick attended the DFP Audit Committee meetings but was not a member of the Committee. Some further amendments were that on Page 6, “COMMENT ON EXTERNAL AUDIT FINDINGS AND DISCUSS IMPLICATIONS” that the 5th paragraph should end at “meetings”. Mr McCormick suggested that the word checklist be substituted for explanation in the exchange between Mr Houston and Mr Allen Item 5, “Mr Houston asked if the ‘checklist review’ he had undertaken represented sufficient assurance, but Mr Allen explained that an opportunity to examine his <u>explanation</u> had not presented itself, a review of his submission would be completed and the Committee advised accordingly.” Mr McCormick also brought the Committee’s attention to a spelling mistake of ‘discussion’ at Item 6. Mr McCormick also suggested that the Draft Minutes be circulated to Members and Attendees as soon after the Meeting as possible so that members could confirm accuracy ahead of Minutes being finalised.</p> <p><u>Presentation to the Northern Ireland Assembly</u></p> <p>Dr Frawley reported that the Standards Committee was creating a number of investigations and that he would like to bring this Committee’s attention to the potential merits and risks inherent in his role as Interim Commissioner for Standards. Dr Frawley stated that he would like this Committee to advise and inform him in his role as Interim Commissioner for Standards and how that sat with his role as Assembly Ombudsman and Commissioner for Complaints.</p> <p>The Chair raised the issue of reputational risk to the Ombudsman and suggested that delineation be sought in Dr Frawley’s role especially in view of the recent media coverage, which inaccurately and incorrectly referred to the Dr Frawley as the Ombudsman and not the role he was filling as the Interim Commissioner for Standards.</p>	<p>Noted</p>
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	<p>Mr MacQuarrie stated that the coverage referred to was an aberration, as it had been the result of a leaked report. He added that he had made a verbal report to the Clerk of the Committee regarding his concerns about the inaccurate references to the Ombudsman in his role as Interim Standards Commissioner.</p> <p>Mr McBride commented that this situation would require continued attention and expressed the hope that as the Assembly evolves that an opportunity to address this issue would present itself.</p> <p>Mrs Scott reported that from an operational standpoint a form of words had been used by the Admin Section in answering queries in relation to the leaked report and its subsequent media coverage directing such enquires to the Assembly’s Information Office.</p> <p>Mr McCormick expressed agreement with what had been said up to this juncture, but indicated that the reputational risk to Dr Frawley as Ombudsman and his position as Interim Commissioner for Standards is something which would require proactive management.</p> <p>Dr Frawley agreed that he recognized that there are issues surrounding this interim position which he holds and stated that he had recorded his dissatisfaction with the Chair of the Standards Committee about the way the media had covered his recent involvement in a Standards case.</p> <p>Ms Johnston added her agreement to the discussion, suggesting that a “watching brief” be adopted regarding the element of reputational risk.</p> <p>The Chair commented that he was satisfied that operationally the staff of the Office had dealt with enquires effectively and had referred them to the appropriate authority in the Assembly and that the reputational risk issue was a matter that would be monitored by the Audit Committee on an ongoing basis.</p>	<p>Noted</p> <p>Noted</p>
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<p>2.</p>	<p><u>UPDATE ON ACTION POINTS FROM MEETING HELD ON 4 JULY 2007</u></p> <p>The Chair reported on the issue of letter to DFP. The letter which had recorded the previous contact and correspondence had received no formal responses from DFP. The Chair explained that in his correspondence to DFP he had detailed the implications for the Office’s Resource Accounts. He said if a response is not forthcoming, then The Chair reported that as non-executive member, he would have no other option other than to advise Dr Frawley as Accounting Officer to take the matter up with the most senior authority in DFP.</p> <p>The Chair said his letter also had commented on the Deputy Ombudsman’s first contact with DFP, on behalf of the Accounting Officer again with no reciprocal engagement – thus he viewed the current situation as a poor reflection on DFP and its complete failure to adhere to good practice, particularly when one considers its role as an exemplar for others in the area of governance of public finance.</p> <p><u>Customer Satisfaction Survey</u></p> <p>Dr Frawley reported that bodies who had not initially responded had now been contacted and the Office had secured response from a further two thirds of the larger group. He added that the Office should have appreciated the problems that would arise from a telephone survey. He stated that he was content that the methodology was part of the problem and that the failure to respond did not necessarily represent a laissez-faire approach from the bodies concerned.</p> <p>Action Point 4</p> <p><u>Comment on External Audit</u></p> <p>Ongoing</p>	<p>Noted</p> <p>Noted</p> <p>Noted</p>
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	<p>Action Point 5</p> <p><u>Comment on Annual Report</u></p> <p>Positive engagement with media resulting from the publication of the Annual Report was noted.</p> <p>Action Point 6</p> <p><u>Governance</u></p> <p>Mrs Scott confirmed to the Committee that work on the Governance document was ongoing and significant progress was being made.</p> <p>Action Point 10</p> <p><u>Comment on Internal Audit Brief</u></p> <p>Reported that this item is to be presented to the Committee at a later time.</p> <p>Action Point 11</p> <p><u>IT Security Audit</u></p> <p>The Chair has had a lengthy meeting with Mr Rainey and is satisfied with the outcome.</p> <p>Action Point 12</p> <p><u>Fire Assessment</u></p> <p>Has been completed. The Landlord has agreed to link to the Office fire alarm system.</p>	<p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p>
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3.	<p>Action Point 19</p> <p><u>Purchase Policy</u></p> <p>Document has been adopted and circulated to staff.</p> <p>Action Point 20</p> <p><u>Audit Committee Handbook</u></p> <p>Mr McCormick suggested in view of The Chair’s letter to DFP, that he should defer raising this matter at the DFP Audit Committee.</p> <p>Dr Frawley commented that it was wise to adopt a “wait and see” approach, so as not to impinge or compromise Mr McCormick’s role at that Committee.</p> <p>The Chair was content to allow this matter to develop.</p>	<p>Noted</p> <p>Noted</p>
	<p><u>SENIOR MANAGEMENT TEAM MEETING MINUTES</u></p> <p>The Chair invited comment from the Members and Attendees.</p> <p>Dr Frawley referring to the SLA with OPHSO, stated that he was very happy with the standard of service that the Office was now receiving. He added that it has not been necessary to engage a local medical advisor since the service provided by OPHSO’s advisors has been comprehensive. However, Dr Frawley pointed out that there could be a cost pressure exerted on the Office for these services over time.</p> <p>Dr Frawley reported that training will be taking place for staff in dealing with people who may feel suicidal. He stated that he felt this to be a constructive initiative, but that it was entirely voluntary for staff as to whether they wished to participate.</p> <p>Dr Frawley through The Chair invited Mr McBride to report on progress made on Knowledge Management Project – which is a major issue for the Office particularly in view of Mr MacQuarrie’s impending retirement and also the ongoing need to build a</p>	

corporate memory.

Mr McBride stated that the project had begun some time ago, in an attempt to pool the knowledge held by the Office's staff in a collective and shared approach. He added that this would have an impact on Performance Management and training. It was felt that the existing Complaints Handling system (CHAS) would be appropriate host for this additional, interactive module.

The Knowledge Management module would be linked to external information which could be accessed by staff. Mr McBride explained that CAS had been engaged to develop the module to sit alongside CHAS. He reported that to date that 27 precedents had been identified from current practice which included exceptions and specific situations.

He explained that the intention was that the module will develop more fully over time, to provide statistics, which information has been accessed and to provide an evaluation tool around the information held.

On cost, Mr McBride stated that it was likely to be small in terms of the entire project. He reported that it was possible to carry forward maintenance days into the next year, which he felt was appropriate use of resources and could be offset against the upfront costs.

The Chair thanked Mr McBride for his report and asked if it would be possible to cross reference precedents.

Mr McBride confirmed to the Committee that this was possible and that this would be conducted by an Editorial Board chaired by the Ombudsman. He added that it would be necessary to employ great care in developing practice notes.

The Chair commended the Office's progress on this project against the stated objectives of the Business Plan. He also commended the Office on considering the outcomes from the PAC and NIAO reports which had been received, and suggestions made therein with regard to best practice in governance within public bodies.

Dr Frawley reported to The Chair that Mr Houston's secondment was now complete;

as a result the Office is now managing the new situation with 3 Directors instead of 4 for an interim. He stated that the Office would re-examine the requirement and role of a fourth Director. He added that the skill sets required for the post of Deputy Ombudsman are currently under review. He concluded by extending an invitation to the Audit Committee to submit any thoughts they had on the long term organisation of the business of the Office.

Dr Frawley reported that both he and the Deputy Ombudsman are looking at corporate functions and had asked each Director to take on a specific element of the corporate functions:

Mr McBride - Policy
Mrs McAleer - Performance Management
Mrs Lamont - Human Resources

He added that for the interim that this would require a willingness on the part of all Directors to assume the lead in these corporate areas.

Regarding the Review of the Office, being taken forward by OFMDFM, Dr Frawley reported that this would open up a range of changes with potential expansion into Further Education and possible subsequent reductions in other areas of jurisdiction. He explained that the Review has since been put on hold and is likely to be further delayed as it now has to be consulted upon. He stated that both he, as Ombudsman and the Deputy Ombudsman have been pressing for the consultation process to begin and consequently it was felt that there would be little merit in restructuring the Office until conclusions had been reached, especially so in view of Mr MacQuarrie's retirement in 2008.

The Chair commended Mrs Scott for her role in leading finance and admin at this time of change. The Chair also extended his commendation to Mr MacQuarrie for his support in his role as Chair and to his contribution to the Office in general. The Chair commended the Ombudsman in the proactive attitude taken to succession planning and acknowledged the frustration experienced in respect of the delayed Review since it was likely to have significant operational implications. The Chair voiced his ongoing support of the Ombudsman and extended to him any assistance that the Audit Committee could offer.

<p>4.</p>	<p>Mr MacQuarrie commented on the degree of underspend and referred back to the Review of the Office in 2003, which proposed the creation of a Director of Corporate Services. He added that the underspend was reflective of the fact that the Northern Ireland Ombudsman’s Office was operating with a full Grade 7 less and also an SO less than was its funded establishment.</p> <p>THE NIAO AUDIT REPORT</p> <p>The Chair invited comment from Mr McCormick on this item; the draft having been examined at the last Audit Committee meeting.</p> <p>Mr McCormick opened by commenting that the Northern Ireland Ombudsman’s Office practice was robust. He accepted that there may have been a degree of harshness in the repetition of points; but stated that there was a tendency to be more stringent on the Northern Ireland Ombudsman’s Office as it was a regulatory body and an exemplar of Good Practice.</p> <p>Mr McCormick confirmed that there were a few relatively low risk issues detailed in the Report. He commented on leadership of Mrs Scott in achieving faster closure and stated that the Office is already ahead of schedule for the current year. Mr McCormick stated on behalf of NIAO that they were very positive about the earlier suggested dates and he concluded that none of the points raised should be considered grave.</p> <p>The Chair confirmed that he appreciated Mr McCormick’s response.</p> <p>Dr Frawley stated that he, as Accounting Officer, was also grateful. He agreed that systems were important and accepted that repeated points of failure do warrant reporting. He felt that the exchange had been valuable and that it was very important for external rigor to be applied to the Office. He added that Audit is the business of everyone in the Office and not just those tasked with the finance function.</p> <p>The Chair thanked Mr McCormick for the points he had made which were well developed. He reiterated the point that Audit was the business of everyone in the</p>	<p>Noted</p> <p>Noted</p>
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	<p>Office and was reassured to see that the points made had been communicated to all members of staff.</p> <p>5. EXTERNAL AUDIT ACTION PLAN 2006/2007</p> <p>The Chair invited comment on this item from the Audit Committee Members and Attendees.</p> <p>Mr McCormick responded saying that the Action Plan was working; adding that it was an effective way to focus the attention of the Audit Committee.</p> <p>The Chair endorsed Mr McCormick's comment, stating that the Action Plan indicated clearly what needs to happen, when it needs to happen and the current position. The Chair commended Mrs Scott on her initiative.</p> <p>Dr Frawley stated that there was a need to re-attribute areas of responsibility appropriately in the absence of a Director of Corporate Services. He raised the issue of car parking for the Office and its staff, reporting that he and Mr MacQuarrie are to review the matter. He acknowledged that car parking may soon be considered as a 'benefit in kind'. He stated that he hoped to complete this review in early 2008.</p> <p>Mrs Scott commented that one area of difficulty was 'impairments' and that the Asset Register would be examined later during the Financial Report.</p>	
<p>6.</p>	<p>RISK REGISTER REVISED SEPT 2007</p> <p>The Chair requested comment from Members and Attendees.</p> <p>Mrs Scott highlighted the point that had already been made around the reputational risk involved in the Ombudsman undertaking the dual role of Interim Commissioner for Standards and Northern Ireland Ombudsman.</p> <p>Mr MacQuarrie agreeing suggested that there is a residual risk associated with the dual role and there is a potential for difficulty. The 'leak' coupled with the inaccurate reporting on the matter contributed greatly to the risk to reputation that occurred in</p>	

September 2007 in relation to the Standards and Privileges Committee Report.

Mr MacQuarrie also revisited the matter of a Corporate Credit Card which arose at SMT. This he felt was a risk because of the Direct Debit access required to the Office's bank account. Mr MacQuarrie through the Chair invited comment on this matter from the other Members and Attendees.

Mr McCormick stated that it was a fundamental requirement to set up a system of control. He added that he was less concerned about the Direct Debit access. He explained that the Office would need to ensure that any receipts supported the credit card's expenditure and authorisation procedure.

Dr Frawley stated that it would be of great advantage for the Office to hold a credit card as it would facilitate online bookings for airfares. He added that he would be comfortable in having a credit card under the control of Mrs Scott. However, he would still expect staff to pay for hotel bills with their own credit card and then to present that receipt for reimbursement.

Mr MacQuarrie again referred to his understanding that direct debit access was prohibited.

Mr McCormick concurred with his understanding, but felt that in his judgement direct debit access was not a significant risk. He added that there was a need to protect Mrs Scott and to set in place a system to ensure reasonableness and robustness.

Mrs Scott suggested that the Office could appoint a dedicated officer to hold the credit card and that she could draft the relevant procedures to support such a role.

Ms Johnston advised that the credit card could be covered in the Risk Register.

The Chair indicated he was satisfied with the progress on segregation of duties and the debate on reputational risk.

<p>7.</p>	<p>2007/2008 FRAUD CHECKLIST</p> <p>The Chair opened the discussion by asking for comment.</p> <p>Mr McCormick made a point in relation to secondment. He said however that it did not in itself obviate any issue of which the Ombudsman should be aware.</p> <p>Mr MacQuarrie agreed that there is a high degree of development in area of recruitment.</p> <p>The Chair suggested possible rewording of this particular issue.</p> <p>Mrs Scott referred to the allocation of responsibility of the Risk Register; It was agreed that Audit would be overseen by Mr MacQuarrie and Fraud by Mrs Scott.</p>	<p>Agreed</p>
<p>8.</p>	<p>FINANCIAL REPORT FOR SEPT 2007</p> <p>The Chair commented on the comprehensive nature of the report and commended Mrs Scott for its production.</p> <p>In relation to other financial information, Mrs Scott reported that to date there had been no response from DFP, however, she had confirmation that a draft response was ready. Mrs Scott indicated some concerns about the comprehensiveness of this response. Mrs Scott added that she has been in contact with NIAO and has agreed with them that if DFP do not provide the essential figure work by December 2007, she will not be able to accept these figures. Mrs Scott stated that both NIAO and DFP were aware of this timeline.</p> <p>The Chair queried the nature of the timeline. Mrs Scott responded by stating that she was unsure of the specifics, but that DFP was aware of the scrutiny their response would be subject to.</p> <p>The Chair requested that Mrs Scott keep him informed of any change in the timelines.</p> <p>Mr McCormick reported that this issue will be raised in DFP's Accounts, but added</p>	<p>Noted</p>

	<p>that he was unsure if that will be of assistance to the Office.</p> <p>Mrs Scott reported on DAO:</p> <ul style="list-style-type: none"> - timetable faster closing - requirements by NIAO - Quarterly Accounts - 9 month closure <p>this she explained would be subject to further discussion.</p> <p>Mr McCormick stated that hard closing is seen as important but added that it was mainly an issue for larger organizations and not necessarily of relevance to the Northern Ireland Ombudsman's Office.</p> <p>On Capital Allocation for 2007-2008, Mrs Scott indicated that year end flexibility would be increasingly difficult to achieve.</p> <p>In relation to the DAO on Machinery of Government, Mrs Scott reported that there may be an implication for Accounts. This will be reviewed by Mrs Scott and Dr Frawley as Accounting Officer. Mrs Scott stated that this will generate more work, but is not considered to be a transfer of function – however, this will need definitive clarification. Mrs Scott added that there will be a requirement for increased funding as a result.</p> <p>Mrs Scott reported that at this time TUPE conditions are not felt to apply, but undertook to liaise with NIAO to agree on interpretation.</p> <p>Mr MacQuarrie asked what the implications of transfer of function might have on the organization. Mrs Scott responded by indicating an implication on costs and that implementation of change be scheduled for 1 April 2008.</p> <p>Mr McCormick stated that transfer of function would also impact on estimates.</p> <p>Mr MacQuarrie reported that possible transfer of function may occur as a result of devolution of justice.</p> <p>Dr Frawley reported that it may be appropriate to seek a meeting with Mr Jeffrey</p>	<p>Noted</p> <p>Noted</p> <p>Noted</p>
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<p>9.</p>	<p>Donaldson MLA to discuss the wider implications of devolution of justice.</p> <p>The Chair reported that he found the layout of the document user friendly as well as the presentation of the information.</p> <p>AUDIT COMMITTEE HANDBOOK</p> <p>The Chair reported that this item arose from discussion at the last meeting of the Audit Committee and a DAO from DFP to Accounting Officers. He stated that it was useful for guidance and had implications on operational issues for the Committee.</p> <p>The Chair added that a review of the Audit Committee’s purpose and Terms of Reference were required in light of this recent guidance. He had prepared a paper to assist with this process. He reported that the recommendations in the DAO would be examined and compared to the current arrangements of the Northern Ireland Ombudsman’s Office – which in broad terms met all the recommendations.</p> <p>The Chair reported that specifically the spirit of the guidance had been met in the independent status of his role as Chair.</p> <p>In summary, the Chair welcomed the handbook and the guidance it offered; he concurred with the challenges it presented and added that it was important that the Chair continually test that the Audit Committee met and in some cases exceeded Best Practice. In addition, the Chair drew attention to the excellent administrative support he receives from Mrs Scott and Miss Mills.</p> <p>Mr McCormick commented on progress in other departments; firstly the role of the Ombudsman and reputational risk; and secondly on the potential extension of jurisdiction. He stated that he was satisfied with the current performance of the Office. He added that he was cognizant of the size of the organization, but explained that there may be an issue of perception to consider. Mr McCormick suggested that the Ombudsman consider the appointment of a second Non Executive Member to the Office.</p> <p>Dr Frawley commented on the scrutiny by the Audit Committee. He stated that it was important to examine and continually refine focus. He accepted Mr McCormick’s</p>	
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	<p>comment that it is as much about external perception as internal performance. He added that he considered it to be of great merit to have Mr Martin, Chair as the Independent Board Member.</p> <p>Mr McCormick reported that it was not solely a perception issue but considered it a positive step to engage independent minds in the examination of the Office.</p> <p>Mr MacQuarrie informed the Chair that HM Treasury had issued details on the Annual Audit Conference. He suggested that it would be useful for representatives of the Committee to attend.</p> <p>The Chair invited further comment on the discussion from the other members and attendees.</p> <p>Ms Johnston stated that she was happy to note that the Audit Committee was in line with best practice.</p>	
<p>10.</p>	<p>DAO 12/07 FRAUD FORUM BEST PRACTICE</p> <p>Mrs Scott reported that the requirements detailed in the letter were being achieved.</p>	
<p>11.</p>	<p>DAO 13/07 NICS FRAUD REPORT</p> <p>The Chair opened the floor to comment.</p> <p>Mrs Scott suggested regarding DAO 6/07 that the system should be tested for robustness against the areas that had been identified. She reported that it had not been actioned at this time, but she would draw up an action plan to be incorporated into Internal Audit Plan in the New Year.</p> <p>Mr McBride stated that consideration should be given to orientating new staff to the Office's Purchasing Policy.</p>	

<p>12.</p>	<p>The Chair thanked Members for their comments and added that it was of importance for everyone in the organization to ensure that policy was implemented.</p> <p>COMMENT ON INFORMATION ITEMS</p> <p>15. DRAFT INTERNAL AUDIT REPORT ON THE INVESTIGATION PROCESS</p> <p>Mr MacQuarrie stated that the Report had been helpful and that it had been well constructed. He added that he would bring together the working group to examine the Report in greater detail and give feedback to the Committee.</p> <p>Dr Frawley reported that he had noted the manner with which the audit had been carried out and how some staff had been initially anxious about it, but was pleased to see that it had nevertheless been a rigorous examination.</p> <p>Ms Johnston thanked all the staff in the Office for their assistance during the Investigation Audit. She stated that this co-operation had added significant value to the audit.</p> <p>The Chair stated that he took confidence from the content and findings of the Draft Report.</p> <p>Mr McBride added that he had found it informative and that it will be useful.</p> <p>Ms Johnston offered to come in and present findings to the staff of the Office.</p> <p>The Chair, Mr MacQuarrie and Mrs Scott agreed that this would be useful once the process had been completed.</p> <p>18. OFFICE POLICY REVIEW</p> <p>Mrs Scott reported to the Audit Committee about procedural changes and a realignment of responsibility.</p>	<p>AS</p> <p>JMacQ</p>
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<p>13.</p>	<p>The Chair thanked Mrs Scott for bringing this matter to the attention of the Committee.</p> <p>AOB</p> <p>i) Dr Frawley reported to the Committee on an area of reputational risk associated with an individual whose complaint and requests under FOI legislation had a vexatious effect on the organization, and after lengthy consideration, the individual had been referred to the Information Commissioner.</p> <p>ii) Mrs Scott reported that the schedule had been provided to NIAO in relation to Internal Audit.</p> <p>Ms Johnston replied stating that the planning stage would be to examine headings against actions carried out. She added that she would hope to bring this draft document to the next meeting of the Audit Committee.</p>	<p>EJ</p>
<p>14.</p>	<p>PROPOSED DATE OF NEXT MEETING</p> <p>6 December 2007 at 10.00am</p>	