

# Report from the Chair of ARAC - December 2022

INFO 22-12-01- Timothy Riley presents a paper giving a summary of discussions at the ARAC meeting that took place on 18 October and 22 November 2022.

## Summary Report of 18 October 2022 meeting

### The Committee considered the following:

#### **FSA Annual Report and Accounts Update**

FSA officials presented a report on the annual reports and accounts, remuneration reports and FSA consolidated accounts noting that the NAO were still waiting for the third party assurance report on the Local Government Pension Scheme which could potentially result in adjustments to the accounts. Other minor changes requested by ARAC at the June meeting had been incorporated in the ARAs.

#### **NAO completion Report**

NAO presented the Audit Completion Report, noting that the audit had gone well overall with no material adjustments resulting from the audit findings and confirmed that the third-party assurance report, which was expected later that day, was required for the NAO's sign-off of the ARAs. As such the delay in receiving the assurance report was not expected to affect the timetable for laying down the ARAs.

#### **ARAC approval of the ARAs on behalf of the Board**

It was agreed that any outstanding matters would be progressed outside the meeting and that subject to the content of the third party assurance report on the LGPS and materiality of any adjustment that may be required, ARAC would formally approve the ARAs for CE sign-off by correspondence. It was also agreed the ARAs for Wales, Northern Ireland, Westminster and the consolidated accounts would be all be submitted to the Comptroller and Audit General (C&AG) for sign-off at the same time for administrative convenience.

#### **Audit Report on Implementation of Environmental Management System**

ARAC discussed the report's findings, noting the unavoidable delays in implementing system and acknowledged the actions being taken by FSA officials to address these.

#### **How Regulatory Audits are related to Internal Audits and ARAC's role.**

A paper, previously requested by the committee for the purpose clarifying the relationship between audits of official controls (regulatory audits) and internal audits and ARAC's scrutiny role was presented and discussed. The paper had been requested following the recent EMT decision to separate the line management of the two audit functions to improve clarity of the roles and responsibilities of the two functions in line with best practice.

### **Audit Assurance Progress Report**

The report summarised the work of the audit teams in England, Wales and Northern Ireland for the year to date and noted the ongoing assessments of LA arrangements for implementing the Recovery Plan.

### **Annual ARAC effectiveness self-assessment**

Committee members discussed the results of the annual self-assessment of ARAC effectiveness based on the self-assessment tool published by the NAO for use by government departments.

The results indicated that ARAC were compliant with the requirements of the HM Treasury Audit Committee Handbook published but also identified some areas of improvement in relation to good practice implemented by leading ARACs which will be taken forward.

## **Summary Report of 22 November 2022 meeting**

### **The Committee considered the following:**

#### **Executive Update**

The Director of People and Resources updated ARAC on the expected impact of the Chancellor's statement at the Fiscal Event on the 17 of October, noting that whilst the funding available to departments has been maintained for the next two years in cash terms, the FSA still faces a real terms reduction in funding. The Committee then discussed some of the difficult decisions that the FSA will need to make as a result of reduced funding and noted the need to ensure these are properly evidenced.

#### **FSA Annual Report and Accounts Update**

FSA Officials and the NAO updated ARAC on progress in finalising the annual report and accounts for 2022/23 noting that no adjustments to the accounts would be required following receipt of the auditor's report on the Local Government Pension Scheme which had delayed the closing of the NAO's audit. The CE was now expected to sign the accounts late November/early December with the accounts to be laid before parliament early to mid-December. It was also reported that officials were now beginning to discuss ways of avoiding similar delays in finalising the annual report and accounts next year.

#### **Update on Risk management**

ARC members were updated on the key risks that FSA officials were now focusing on in terms of monitoring and mitigations following the recent reprioritisation exercise and continuing uncertainty over departmental funding. ARAC were also updated on shifting focus of risks in relation to Local Authorities as the lasting impact of Covid had started to diminish significantly. ARAC members highlighted the importance of ensuring that the FSA's risk considerations include the impact of climate change.

## **Information Security Report**

FSA officials highlighted the results of the latest departmental IT health check which had shown that the FSA had met nearly all the government's minimum standards on IT and cyber security, had improved on last year's performance and was performing above average compared to other government departments. ARAC members were also updated on the NCSC presentation at the recent Cyber Security Conference which highlighted emerging risks facing organisations including those specific to the FSA.

## **Head of Field Operation's Update on Outstanding Audit Actions**

ARAC was updated on the current status of agreed management actions from the audit reports on Food Chain Information/Collection and Communication of Inspection Results and Post-Mortem Inspections. Committee members noted and acknowledged the challenges faced by management in addressing the issues raised in the reports.

## **Audit and Assurance Planning Process for 2023/24**

A paper was presented to ARAC on the planning process for FSA audit and assurance activities for 2023/24. This highlighted the key stages of the process and the timetable leading to ARAC's formal approval of the plans in March 2023.

## **Connect Programme**

The Connect programme has been established to manage the FSA's migration from the current government shared services contract for financial services, and iTrent, the current HR & Payroll system to a new system for finance, HR and Payroll to be operated by the FSA. Officials presented a paper which explained the rationale for the programme, objectives, key milestones and timetable for delivery. The paper also highlighted the key risks for the programme and governance arrangements in place to manage these. Committee members noted the importance of having clear matrix on benefits to ensure these are fully realised.

## **Audit Assurance Progress Report**

The report updated ARAC on Internal Audit and Regulatory audit activities including the use of available resources for the year to date and noted the ongoing assessments of LA arrangements for implementing the FSA's Recovery Plan.

## **Date of next meetings:**

10 February 2023 -11:15 am -12:15 pm