



CHILDREN AND FAMILY COURT ADVISORY AND SUPPORT SERVICE

Paper for the Board Meeting on 9 June 2016

ANNUAL REPORT OF THE AUDIT AND RISK ASSURANCE COMMITTEE 2015/16

1. Introduction

The *Corporate governance in central government departments: Code of good practice 2011* requires that the Board receive annually a report on the work of the Audit and Risk Assurance Committee (ARAC). The Chair of the ARAC, Francis Plowden, reports orally back to the Board following every meeting of the ARAC and the minutes from every meeting of the ARAC are included in the Board papers. The purpose of this report is to present to the Board a summary of the ARAC's business for the year in a way which ensures that Cafcass complies with the code.

2. The role of the ARAC

The purpose of the ARAC is to review the comprehensiveness of the assurance processes, the integrity of the financial statements, and the identification and mitigation of risks. The ARAC supports the Board in its assessment of the strategic risks faced by the organisation, and the ARAC informs and agrees the internal audit programme of work and monitors its delivery. The ARAC draws its assurances from internal and external audit reports and assurance reports from Cafcass managers on a wide range of matters concerning governance, risk, and control.

3. The terms of reference of the ARAC

The terms of reference of the ARAC are set out at **Appendix A** and are reviewed and approved annually by the Board.

4. The structure of the ARAC and its meetings

The ARAC membership is made up of five Board members all of whom have relevant backgrounds and experience to provide oversight and guidance on matters of risk and assurance. The ARAC has an open invitation to attend to all Cafcass Board members. Attendees of the ARAC are the Chief Executive, the Director of Resources, internal and external auditors, and a representative from our sponsorship Department.

Meetings are held every quarter with an extended meeting in June each year to approve the annual accounts which includes the whole Board membership. The ARAC members and the internal and external auditors meet privately after every meeting of the ARAC.

The four Chairs of the Board and its sub-committees meet regularly to ensure there are no gaps in coverage of the assurance processes and overlaps are minimised across the three sub-committees of the Board.

5. External Audit (National Audit Office)

The National Audit Office (NAO) is the external auditor to Cafcass and for the last five years they have subcontracted their audit delivery arrangements to Deloitte. They deliver the annual

audit of the financial statements in May with an interim audit in February. An NAO Director and Audit Manager and a Deloitte Partner and Audit Manager attend meetings and provide expertise on a range of matters.

6. NAO Year-End Audit

The NAO through Deloitte completed their audit of the Annual Report and Accounts for 2014/15 earlier in the year under review and issued an unqualified audit report on these. They will likewise complete their 2015-16 Financial Year-End audit of Cafcass, inclusive of Cafcass' 2015-16 Annual Report, and issue their Audit Completion Report (inclusive of Management Letter) in June 2016.

7. Internal Audit

The internal audit service for 2015-16 was delivered by the Ministry of Justice (MOJ) Internal Audit and Assurance service. Internal audits on the government spending review, risk management, self-employed contractors, demand forecasting, partnerships, budget monitoring and learning and development were delivered. All internal audit reports are reviewed by the ARAC and progress on the actions agreed is monitored at each meeting. With the exception of the report for the audit of Partnerships, all of the audit reports for 2015-16 were rated Moderate or Substantial. The audit opinion rating for Partnerships was 'Limited'. In response to this, actions will be taken by the Executive including an internal peer review of the service in June 2016 and a follow up internal audit in September 2016.

The 2016-17 internal audit programme was formally signed off by ARAC at the May 2016 meeting. The Internal Audit Annual Report 2015-16 (which includes the Head of Internal Audit Annual Opinion) is attached to this report (Appendix B)

8. Highlights from the work of the ARAC during the year included:

- The ARAC received the annual report on data breaches. The report is the annual update of numbers of reported breaches of service users' personal/sensitive information and an analysis of the trends in the data. This led to a further action for an update on the work being done to ensure Self Employed Contractors complete the mandatory information assurance training.
- The ARAC received an assurance report on Cafcass' arrangements for responding to threats to staff members or incidents of abuse from service users, which led to a further action to regularise the reporting of such incidents to the Committee.
- The ARAC received a report on the progress of the Business Change Programme, which was established to provide a governance framework for the development of options for the replacement of the Cafcass IT Platform.
- The ARAC received a report outlining our Procurement process and approach, which led to a further action to circulate the list of our suppliers to the Board on an annual basis to avoid any conflicts of interest.
- The ARAC reviewed the annual Human Resources Sickness Absence report. Extensive work is being done to reduce sickness absence and includes a wide range of initiatives and programmes to support staff.
- The ARAC reviewed the Gifts and Hospitality policy and the Gifts and Hospitality register which are now annual items on the ARAC's agenda.

- The ARAC received a report summarising our current controls to prevent cyber-attacks. This led to a recommendation for a further item outlining the cost effectiveness of implementing any further controls and an indication of the sort of circumstances where additional controls may be necessary.
- The ARAC reviewed the detailed report on our IT system security which provided the Committee with an opinion on the assurance of current controls and recommendations on the future security policy. Following this report, action was taken to regularise the reporting of IT Systems Security and Penetration Testing to the Committee.
- The ARAC received a report on business continuity, following a recommendation from the Board that the ARAC have sight of our business continuity plans on an annual basis.
- The ARAC provided input into the strategic risk profile for 2015/16 and advised additions and amendments. The SRR has been realigned with the organisation's corporate work programme in order to draw out the specific improvement initiatives/activities that mitigate risk. Both the 'Reputation' and 'Delivering a programme of Innovations projects' risks have been removed from the register. A new risk had been added relating to 'Protecting the personal/sensitive data of service users and staff', which has been separated from the P2 Quality of Casework risk, following an action at the May 2015 Committee meeting.
- As a result of regular review of the Strategic Risk Register the ARAC recommended that the inherent risk for P1 Grant Funding was increased to Amber to acknowledge the release of funding to the Department and uncertainties relating to the 2016-20 Spending Review. The ARAC also recommended that the risk P3a Fluctuation in Public Law Demand also be increased to Amber to reflect the increase in demand.

9. 2016-17

The internal audit function will continue to be delivered by the Ministry of Justice (MOJ) Internal Audit and Assurance service. The 2016-17 internal audit programme is expected to be formally signed off by ARAC at the May 2016 meeting.

ARAC will continue to provide oversight of the effectiveness of mechanisms and models of governance, risk and control. In particular, the ARAC will address: our health and safety policies and practices; our Area Quality Reviews; our health and wellbeing benefits scheme; the call centre at the National Business Centre; our complaints and compliments procedure; a review of our procurement capability; and a follow up review of the 2015-16 audit of Partnerships.

**CAFCASS AUDIT AND RISK ASSURANCE COMMITTEE
TERMS OF REFERENCE**

1) Constitution

The Board hereby resolves to establish a Committee of the Board to support them in their responsibilities for issues of risk, control and governance and associated assurance to be known as the Audit and Risk Assurance Committee.

The Audit and Risk Assurance Committee will carry out the regulatory functions of an Audit Committee for Cafcass.

2) Membership

The Chair and members of the Audit and Risk Assurance Committee shall be Board members and shall be appointed by the Board. The Committee shall consist of six members and the Chair shall not be the Chair of the Board. The Committee may co-opt up to two external members with relevant expertise.

3) Meetings

The Audit and Risk Assurance Committee shall meet at least four times a year. The Chair of the Committee may convene additional meetings if they are deemed necessary. A minimum of three members of the Committee will be present for the meeting to be deemed quorate.

The Chief Executive, in his role as Accounting Officer, the Director of Resources, and a representative from the Cafcass Sponsorship Unit, the Head of Internal Audit, and the National Audit Office will normally attend meetings of the Committee.

The Committee may ask other staff to attend to assist with its discussions on a particular matter.

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

The Accounting Officer (or Board) may ask the Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

Board members who are not members of the Committee will have the right of attendance. The Board and Committee Administrator will circulate minutes of the meetings of the Committee to all members of the Board.

4) Access

The Head of Internal Audit and the representative(s) of the external audit office will have free and confidential access to the Chair of the Audit and Risk Assurance Committee as required.

5) Reporting

The Chair of the Audit and Risk Assurance Committee will formally report back to the Board after each meeting.

6) Responsibilities

The Audit and Risk Assurance Committee is an advisory body with no executive powers. It will advise the Board on:

- Arrangements and processes for the management of risk, organisational systems, internal controls and governance, that it considers appropriate in helping the Board discharge its duties.
- Accounting policies, the accounts, and the annual report for the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and the management's letter of representation to the external auditors
- Planned activity and results of both internal and external audit and the arrangements for their implementation
- Adequacy of management response to issues identified by audit activity, including external audit's management letter
- Assurances relating to the corporate governance requirements for the organisation, ensuring Cafcass complies with all relevant legislation, regulations and good practice
- Proposals for tendering for internal audit services or for purchase of non-audit services from contractors who provide audit services
- Establishment of an effective framework for accountability for the organisation and compliance with that framework
- Arrangements for securing value for money throughout Cafcass

The Committee is authorised to obtain professional advice if it considers this necessary.

7) Information requirements

The Audit and Risk Assurance Committee will be provided with, but not limited to, the following progress reports:

Chief Executive/Cafcass Director of Resources/Corporate Strategist:

- Draft annual report and accounts pre-external audit and summary explanation
- Progress on the annual Governance Statement and summary and stewardship reports from risk owners
- Management responses to internal and external audit recommendations
- Details of unresolved audit recommendations
- Quarterly update of the risk register to capture emerging risks or any changes to the key risks
- Updates on the status of Ofsted Inspections
- A report on any proposals to tender for audit functions
- Quality Assurance reports on the internal audit function
- A report on any changes to accounting policies
- A report on any changes in regulatory environment that may affect ALBs

National Audit Office:

- Annual Strategy
- Interim management report
- Progress report from external audit representatives summarising work done and the emerging findings
- Final management report
- Certificate and report from the Comptroller and Audit General

Internal Audit Provider:

- Proposals for the terms of reference for internal audit
- The internal audit strategy and periodic plan
- The Annual Report and opinion of the Head of Internal Audit
- Work performed (and a comparison with work planned)

- Key issues emerging from internal audit work
- Changes to the annual audit plan
- Any resource issues affecting the delivery of the internal audit objectives
- Progress report with copies of relevant internal audit reports

The terms of reference were previously reviewed by the Audit and Risk Assurance Committee on 13th October 2015.