



CHILDREN AND FAMILY COURT ADVISORY AND SUPPORT SERVICE

ANNUAL REPORT OF THE AUDIT AND RISK ASSURANCE COMMITTEE 2016/17

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 reports orally back to the Board following every meeting and the minutes 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 of good practice.

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

During 2016/17 membership consisted 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 for all Cafcass Board members to attend. 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 Report and Accounts. The ARAC members and the internal and external auditors meet privately after every meeting.

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 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 have completed their 2016/17 Financial Year-End audit of Cafcass, inclusive of Cafcass' 2016/17 Annual Report, and will issue their Audit Completion Report (inclusive of Management Letter) in June 2017.

7. Internal Audit

The internal audit service for 2016/17 was delivered by the Ministry of Justice (MOJ) Internal Audit and Assurance service until the end of September 2016, at which point the service transferred to the Government Internal Audit Agency (GIAA). GIAA continue to provide the internal audit service. The Internal Audit Annual Report 2016/17 concluded a Moderate assurance opinion. A copy of the report is included at Appendix B.

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

During the year 2016/17 the ARAC received reports relating to:

- Gifts and Hospitality policy and the Gifts and Hospitality register which are annual items on the ARAC's agenda.
- The annual report of numbers of reported breaches of service users' personal/sensitive information and an analysis of the trends in the data. The number of data breaches has increased substantially over the last reported year, however, the incidence rate of reported data breaches remains very low when set against the number of cases being handled at any one time.
- A report on Self Employed Contractor (SEC) uptake for information assurance training. Although this is an improving figure it stands at only 22%.
- A report summarising controls to prevent cyber-attacks and subsequent updates regarding the outcomes of security penetration testing.
- A report on Cafcass pension arrangements. Cafcass operates two pension schemes: the West Yorkshire Pension Fund which is a multi-employer defined benefit scheme operating under the Local Government Pension Scheme, and the Principal Civil Service Pension Scheme which is closed to any new Cafcass members. This led to a further action for work to be undertaken to obtain information about the basis of the pension scheme performance target for the prior year.
- An update on the work Cafcass is doing to support sustainability and meeting the Greening Government Commitments which included some short videos introduced by members of the Sustainability Group covering various areas of sustainability work, including data and performance in respect of Greening Government Commitments', travel emissions and healthy and sustainable food.
- An update concerning the review of Cafcass policy and guidance regarding violence, aggression and harassment. The ARAC suggested that a preamble be added to the Policy to acknowledge that these situations can be frightening for individuals and the policy and guidance are designed to support staff during such situations. This led to a further action for work to be undertaken to investigate existing government links with social media organisations to see if greater pressure for action could be achieved.

- An annual report on Cafcass' arrangements for responding to threats to staff members or incidents of abuse from service users including the number of reported incidents of abuse or violence against staff by service users and an analysis of trends in the data.
- An annual report regarding Business Continuity arrangements and incidents during the year. A subsequent update (via video recording) regarding the National Business Centre business continuity plan which had been invoked in late 2016 in response to a possible protest at the office was shared with the ARAC.
- Exception reporting was introduced in March 2017. The ARAC received reports regarding progress on amending the template Letter of Representation and the reported incident of fraudulent activity whereby the Director of Resources had received a fraudulent email purporting to be from the Chief Executive requesting an urgent CHAPS payment.

The Strategic Risk Register was reviewed at each meeting to review the risk framework and risk profile. A new appendix was introduced in quarter 2 which sets out the most recent assessment of risks posed by the environment including both across the sector and beyond.

9. 2017/18

The internal audit function will continue to be delivered by GIAA. The 2017/18 internal audit programme was formally signed off by ARAC at the April 2017 meeting.

ARAC will continue to provide oversight of the effectiveness of mechanisms and models of governance, risk and control. In particular, the internal audit will address:

- iTrent: Review of the arrangements for ensuring the integrity, accuracy and quality of the information held within iTrent;
- Whistle Blowing: Review of arrangements in place to ensure that employees and other stakeholders feel confident to raise concerns, through an internal process, about behaviour that may be contrary to the Civil Service established values;
- IT Replacement Project: A high level review of the governance arrangements over the IT replacement project to ensure that these remain appropriate;
- ECMS: Review arrangements for ensuring the accuracy and quality of management information within the system to support effective decision making;
- Recruitment: Review of arrangements in place to ensure that the recruitment process is designed to be efficient and acquire good calibre staff in a fair, consistent and timely manner;
- Financial Control Framework: Review of the operation and adequacy of controls operating within the Organisation's core financial systems.
- Operating Framework: Review arrangements to support the adequacy, maintenance and communication of the Operating Framework, including the use of the Framework to support the effective delivery of the Organisation's objectives.

**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 ARAC and the Board in June 2016