

MINUTES OF PROCEEDINGS OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 11 APRIL 2017 AT 10.00 AM IN ANTRIM BOARD CENTRE

- 1. PRESENT** Mr E Jardine (Chair)
Dr M Dynan Mr T Salmon
Mr R Forrest

Mr D Cargo and Mr O McMullan attended.

2. IN ATTENDANCE

Mr G Boyd, Miss J Bill, Mr J Collings, Mr P O'Neill, Mr K Orr, Mr R Russell and Ms L McCall.

Mr G Patrick attended from the Department of Education and Ms C Kane attended from the Northern Ireland Audit Office.

3. APOLOGY

An apology had been received from Miss R Rainey.

4. DECLARATIONS OF INTEREST

The Chair reminded Members of the requirement to declare interests during the course of the meeting where appropriate.

Mr Salmon declared an interest in the agenda item on Youthnet.

5. MINUTES OF MEETING HELD ON 18 JANUARY 2017

The Committee agreed to include the following sentence within minute 9.1: "A Member queried if the delivery of the audits in the first quarter of 2017 was ambitious given the amount of reports to be issued compared to the previous quarter. He suggested ..."

Ms Kane referred to minute 7.2 and said that the NIAO did not audit Voluntary Grammar and Grant Maintained Integrated Schools. The wording should read "Ms Kane said that the NIAO would have visited these schools" She also requested two minor amendments to minute 13: 'Management Statement' should read 'Management Response' and 'agreed' should read 'recommended'.

Subject to these amendments, the Committee agreed the minutes* (ARA/4/17/3) of the meeting held on 11 April 2017.

6. MATTERS ARISING FROM THE MINUTES

6.1 Investing in the Teaching Workforce Pilot Scheme (5.2)

The Committee noted the DE letter* (ARA/4/17/4.1) dated 8 March 2017 advising that DE had taken a decision to pause implementation of the Scheme until the Judicial Review Application had been determined by the Court in May. The Committee also noted the template letter issued to teachers who had received conditional approval as part of the terms of the Scheme to advise them of the pause in the implementation of the Scheme.

The DE letter had stated that the planned exits of serving teachers and the recruitment of recently qualified teachers, under the terms of the Scheme, would not take place in the 2016/17 academic year as had been previously envisaged. Mr Patrick confirmed that, following the outcome of the legal challenge in May, the funding arrangements for the Scheme would still be available which would enable applications to be revisited.

6.2 ARAC Self-Assessment (7.1)

The Chair reported that he was completing the appraisals of the two independent Members that day.

6.3 Voluntary Grammar / Grant Maintained Integrated Schools - Audit Responsibilities as at 1 April 2017 (7.2)

Members discussed the transfer of audit responsibilities from VG and GMI schools to the Authority on 1 April 2017. Miss Bill said that DE would be reviewing the internal and external audit reports for the 88 VG / GMI schools which had transferred to the Authority on 1 April. She said that, following engagement with the DE Finance Director, she understood that DE had received approximately 60 school audit reports and only one of these had identified limited opinion which related to asset management. DE had undertaken to support the EA in the management of this area in the initial three month handover period. Mr Patrick confirmed the arrangements for support in the transition period. Mr Boyd confirmed that the EA Chief Executive was the Accounting Officer for all monies passing through the Authority to VG / GMI schools.

Miss Bill said that she had met the bursars of the VG / GMI schools to discuss concerns. She highlighted the autonomous nature of these schools, they worked on a cash grant basis and had responsibility to manage their own internal and external audits. She said that the EA would now seek to standardise audit practices across all schools for which it was responsible.

Mr Boyd said that EA officers were working hard to ensure a seamless transfer of administrative responsibilities as at 1 April 2017. He confirmed that no staff had transferred from DE to the EA on 1 April. He said that protocols would be worked up by officers in the first instance which would be consistent and fair for all schools for which the EA was the funding authority. He also said that it would be necessary to review the financial viability of voluntary organisations and to understand any potential issues that might impact on the EA.

A Member considered that the written protocols that existed between DE and VG / GMI schools could provide assurance to the Committee in moving forward.

A Member queried if any resources had been made available to the EA for its additional responsibilities relating to VG / GMI schools. Mr Boyd said that some additional resources had been made available for the financial management of these schools. Miss Bill confirmed that VG / GMI schools received specific funding to manage their own audit responsibilities. The role of the EA would be to review the internal and external audits carried out in these schools. This would require expertise and an understanding of the background of these schools.

A Member sought the views of the NIAO on the challenges associated with this transfer of audit responsibilities to the EA. Ms Kane said that the NIAO would seek assurance on the controls put in place by the EA and review whether schools were being treated

consistently. The NIAO had concerns that some schools would have used the same contractor for internal and external audits. She also understood that the same contractor could carry out audits in many schools. She highlighted other areas of interest including banking arrangements and pension liability issues. Ms Kane said that she was pleased to note that the proposed Internal Audit Programme for 2017/18 included an audit of the VG / GMI transition and control of responsibilities.

Mr Boyd said that officers would take stock of the lessons learned in the first months of transfer and consider the controls necessary to provide assurance to the Committee that all schools would be treated fairly and consistently. A Member said that such protocols should also acknowledge the historical nature of schools.

It was agreed that a paper setting out proposed protocols on audit responsibilities between the EA and schools would be presented to the Committee for consideration in the Autumn.

Action: *Paper on proposed protocols with regard to audit responsibilities between the EA and schools to be presented to the Committee for consideration in the Autumn.*

6.4 Youthnet : Update (7.3)

Mr Salmon, having declared an interest in this item at the start of the meeting, withdrew from the meeting.

Miss Bill reported the receipt and the amount of an invoice from NILGOSC in respect of EA's share of pension liability. She advised that all employers in the Scheme had been furnished with a proportionate invoice which was intended to address the deficit across the wider pension fund.

Mr Salmon re-entered the meeting.

Mr O'Neill presented a paper* (ARA/4/17/4.3) setting out the operational aspects of succession to Youthnet. The Committee noted that the facilitation work carried out by Youthlink Scotland was now complete and that priorities had been identified. Mr O'Neill said that although there was significant support for creating a new umbrella organisation, the Regional Voluntary Youth Organisations (RVYO) considered they were not yet in a position to take this forward. A proposal had been prepared to seek support for appointing a facilitator to ensure that representation between the sector and the EA would be achieved effectively. He also advised that the EA was now aware of a new local youth body 'Youth Work Alliance Ltd' which had commissioned a business plan to establish a RVYO to support and engage youth units that currently did not have a governing body. He pointed out that this local youth body had made a submission to the EA for funding; however this bid had been unsuccessful as the organisation was not yet established.

Mr O'Neill confirmed that the needs of the RVYOs were currently being managed directly by the Youth Service.

The Chair said that this matter was now within the remit of the Children and Young People's Services Committee.

6.5 Priority 1 Recommendations (11)

This matter would return as a standing item on the agenda for subsequent meetings. A Member received confirmation that this report would include new and outstanding recommendations from the NIAO.

Action: *Report on Priority 1 Recommendations to include new and outstanding recommendations from the NIAO at all subsequent meetings.*

6.6 Outstanding Job Evaluations (12.1)

Mr O'Neill provided a report on outstanding job evaluations as at 7 April 2017.

A Member queried how many of the requests for re-evaluation related to current and historical employees and if an action plan had been drawn up to address these requests which was time bound. Mr Boyd advised that the majority of these requests could be traced back to when DE had imposed a moratorium on re-evaluations in 2007. He understood that the majority of the requests related to former employees.

The Chair queried if this risk was included in the HR Risk Register.

It was agreed that a progress report on this issue would be provided to the Committee at a future meeting. It was also agreed that this matter would be referred to the Finance and General Purposes Committee for consideration.

Actions: *Confirm that outstanding job evaluations are included in the HR Risk Register; progress report to be provided to the Committee at a future date; and refer matter to the Finance and General Purposes Committee.*

7. CHAIRPERSON'S BUSINESS

7.1 Head of Internal Audit – Selection and Recruitment Process

On the proposal of Mr Salmon, seconded by Mr Forrest, the Committee agreed to discuss this item in committee.

Mr K Orr and Mr R Russell withdrew from the meeting.

Mr O'Neill provided a report on the matter.

On the proposal of Mr Salmon, seconded by Mr Forrest, the Committee agreed to resume the meeting.

Mr K Orr and Mr R Russell re-entered the meeting.

The Committee had noted, while in committee, a progress report with regard to the recruitment exercise in respect of the post of Head of Internal Audit.

7.2 Training Programme for Committee Members

The Committee noted a paper* (ARA/4/17/5.2) setting out training and education needs and options for new and continuing Committee Members.

It was noted that the broad remit of the Authority meant that the Committee's responsibilities were challenging. It was agreed that Mr O'Neill would consult further with

the Chair to devise a specific training programme for Members over the ensuing two year period.

In response to a Member, Mr O'Neill undertook to provide an induction pack of information for new Members of the Committee.

The Chair said that the training programme, once developed, could be opened up to all Board Members.

Mr Patrick said that DE officials would support Members in any identified training need.

Action: *Draw up specific training programme for Committee Members, in conjunction with the Chair, to cover the ensuing two year period.*

8. GOVERNANCE STATEMENT 2016/17

Mr O'Neill presented the Governance Statement 2016/17*. Ms Kane advised that the Governance Statement would be subject to audit.

Members considered that the document was transparent and succinct. The commitment of Members to the work of the Committees, as set out in the document, was highlighted given the number of Committees and the terms of appointment of Board Members.

Members raised concerns in respect of two areas where limited assurance had been provided following audit work. The first area had identified that no asset management plan was in place and a common procedure for disposal of property had yet to be drawn up. Mr Boyd confirmed that an asset management plan was in place. He undertook to amend the wording of this finding to ensure there was no ambiguity in its understanding. It was noted that 17 recommendations had been made to address the weaknesses identified in this area. Mr O'Neill pointed out that consideration had been given to vacant properties including rates status and values by the Finance and General Purposes Committee at a previous meeting.

The second area related to the lack of improvement to address areas of concern regarding child protection matters where taxi drivers without a criminal record check or a certificate deemed to be unsuitable would not be used by taxi operators contracted to provide home to school transport. Mr Boyd explained contractual arrangements between taxi operators and the Authority. He also explained how in reality issues could arise. Members agreed that the document should be explicit in its risk relating to third party operators.

The Committee agreed that both issues of concern were within the remit of the Finance and General Purposes Committee and should be referred to the Committee for further consideration. It also agreed that the issue relating to child protection should be referred to the Child Protection and Safeguarding Committee for further consideration.

Actions: *Amend wording in document in respect of the asset management plan; refer the two issues of concern for further consideration to the Finance and General Purposes Committee and the Child Protection and Safeguarding Committee as appropriate.*

9. REPORT TO THOSE CHARGED WITH GOVERNANCE - MANAGEMENT RESPONSE

Miss Bill presented the Report to those Charged with Governance which incorporated the Management Response* (ARA/4/17/7). The Committee, at its meeting on 18 January 2017,

had reviewed the findings in the NIAO report and had received a verbal report from Miss Bill on each of the audit findings.

A Member raised queries in respect of the responses provided on each of the three priority 1 recommendations. Miss Bill outlined engagement with the Department of Finance and HMRC to resolve the potential tax liability issue. She highlighted that this matter was an unintended consequence of legislation. A Member queried whether the Management Response in respect of the appointment of the post Head of Internal Audit might be changed to accept the recommendation while noting the mitigating action. Mr Boyd said that the Management Response reflected that he did not accept the implication that the internal audit function was currently not compliant with public sector internal audit standards and that internal audit services were not being delivered in an effective and efficient basis. He reported that the Change Director was qualified to undertake these duties in the absence of a Head of Internal Audit. Members accepted the NIAO recommendation. Mr Boyd undertook to amend the Management Response and include mitigating factors.

A Member said that while he accepted that no signed service level agreement was in place between the EA and DE's Teachers' Pay and Pension Team with regard to processing teachers' pay, the implication of the statement was that services were being provided without appropriate authorisation or control. Ms Kane confirmed that a service level agreement should be signed to reflect the responsibilities of both parties and the expected levels of service to be achieved. However, she undertook to review the wording of this statement to ensure clarity.

Progress on these priority 1 recommendations would be reported to the Committee at subsequent meetings within the standing item.

Actions: Amend response in respect of the post of Head of Internal Audit; NIAO to review the statement in respect of the absence of a service level agreement between the EA and DE's Teachers' Pay and Pension Team.

(Dr Dynan left the meeting temporarily at 11.46 am.)

10. CORPORATE RISK REGISTER

Mr O'Neill presented the Corporate Risk Register* (ARA/4/17/8) and drew attention to changes to the risk movement of the 9 corporate risks.

(Dr Dynan re-entered the meeting at 11.50 am.)

The Chair noted that, with the exception of Risk 1, other Risks remained the same or had declined. Mr Boyd said that there had been no January monitoring and Spring supplementary estimates on account of the current political process. He referred to the pressure of approximately £5m on the Aggregated Schools' Budget which reflected the bid submitted as part of January monitoring. Mr Patrick referred to arrangements that enabled the Permanent Secretary of the Department of Finance to release resources. He explained that the Authority had received a cash allocation for the period 1 April 2017 to 31 July 2017 but this did not reflect a budget outcome for the Authority. Mr Boyd said that DE had indicated that the cash allocation allowed for continuity of services in the four month period. No new programmes, projects or policies were to be launched which would require Ministerial or Executive approval or which would require extra resources beyond the anticipated financial constraints.

Ms Kane advised NIAO would qualify Departmental Resource Accounts where overspends occurred even if these were as a consequence of unauthorised bids due to the collapse of the NI Assembly.

Mr Boyd outlined the extremely challenging financial situation for 2017/18. An overview of the total contractual and statutory commitments within the overall EA Block Allocation was provided. The funding situation within Catholic maintained schools was also referenced.

A Member referred to anomalies between the controlled and maintained sectors in awarding incremental salary progression to principals and vice principals. It was noted that Boards of Governors were obliged to comply with the guidance issued by DE, the former ELBs (and subsequently the EA) and CCMS.

Members raised concerns regarding appropriate provision being captured into the Corporate Risk Register on issues concerning reputational damage. One such area related to the absence of political cover for area planning purposes. Mr Collings advised that this risk was included within the risk register for the Education Directorate. Mr Russell confirmed that consequences of corporate risks referred to reputational damage in the strategic document.

11. INTERNAL AUDIT

11.1 Annual Report 2016/17

Mr O'Neill presented the Internal Audit Annual Report* (ARA/4/17/9.1). He advised that while there was some risk that objectives might not be fully achieved and some improvements had been recommended to enhance internal controls, a satisfactory level of assurance was being provided on the effectiveness of the Authority's control environment for 2016/17.

Members noted the summary of the audit activity for the year and the details of the audit reviews with limited opinion. It was pointed out that many of the audit reviews had concluded in the last quarter of the year which prevented Members from tracking progress on priority 1 recommendations during the course of the year.

A Member commented that the Annual Report aligned effectively with the Report to those Charged with Governance. He referred to one audit review and queried if the audit findings could be disseminated to schools, including Governors, to highlight areas of good practice. Mr Orr said Internal Audit intended to issue a self-assessment audit exercise to schools in the Autumn. This would include a summary document of issues identified through audit and provide schools with an understanding of best practice. This exercise would be discussed in the first instance with Trade Union officials. The Member commented that Governors also needed to be alerted to emerging issues. These issues could be conveyed through the Governor Training Programme or via other means. Mr Orr advised that Internal Audit staff provided training to Boards of Governors and new principals on the role of audit to ensure high standards of governance, control and accountability.

A Member referred to the audit review with limited opinion in respect of child protection issues concerning third party operators within the Transport Service. He outlined concerns in this area concerning signed declarations by drivers and reserve lists of drivers. The Chair said that the Committee had agreed earlier in the meeting to refer the matter to the Child Protection and Safeguarding Committee for further consideration.

Action: *Governors to be alerted to areas of areas of good practice, as identified in audit reviews. School Development Service to communicate this either through the Governor Training Programme or via other means.*

11.2 Audit Plan 2017/18

Mr Russell presented the Audit Plan for 2017/18* (ARA/4/17/9.2). He pointed out that it was not intended to audit the census figures in 2017/18 which enabled approximately 500 days to be used for other audit reviews.

A Member received confirmation that the Plan would facilitate appropriate review and appraisal of the management controls within the new finance system. It was noted that the Plan also allowed for time to be allocated to consultation on control issues concerning the development and installation of the i-procurement system.

A Member received assurance that the annual plan aligned with Internal Audit's three year strategic plan. He said that the Plan should include the child protection matter relating to home to school transport. He requested some minor amendments to the Plan as regards to terminology.

A Member queried if the delivery of the Audit Plan was ambitious given the available resources. Mr Russell said that the Heads of Audit had agreed the Plan. They had however not yet prioritised reviews for the first quarter. A Member said that the Plan should also allow appropriate provision for soft audits.

A Member queried the process to facilitate the review of the Education Psychology Service. He said that the review should factor in the number of Psychologists and concerns raised by schools relating to the identification and assessment of need. Mr Boyd said that the role of the Committee was to review the Education Psychology Service against its level of compliance with the Code of Practice. He explained the requirement of the Authority to receive advice from medical professionals to inform a statement of special educational needs. The receipt of this medical advice impacted on the statutory timeline. The Chair advised that the issues raised by the Member were a matter for the Children and Young People's Services.

Subject to the amendments raised by Members, the Committee agreed, on the proposal of Dr Dynan, seconded by Mr Salmon, to recommend the adoption of the Audit Plan 2017/18.

Actions: *Amend Audit Plan to reflect the child protection matter relating to home to school transport and a time allocation for soft audits. Some minor amendments agreed with regard to terminology.*

11.3 Fraud Report - Update

The Committee noted the Report* (ARA/4/17/9.3) setting out current and new investigations. It was pointed out that five cases of fraud would be carried forward into 2017/18.

Members commented on the range of costs associated with the frauds detailed in the paper.

A Member queried the circumstances of a case involving HMRC. It was pointed out that the action to be taken in this case would be taken forward by HMRC. The Member expressed concern that the Authority was not advised of the outcome of this case.

The Committee noted the report.

12. AUDIT AND RISK ASSURANCE COMMITTEE ANNUAL REPORT 2016/17

The Chair presented the report* (ARA/4/17/10) which aligned with the Governance Statement.

The report set out the conclusion that the assurances provided on corporate governance, risk management, financial management and internal control had been appropriately comprehensive, reliable and of sufficient integrity to assist the Authority and the Accounting Officer to meet accountability obligations in 2016/17. The report also set out the conclusion that the actions taken to deal with control weaknesses and other issues identified had been satisfactory.

On the proposal of Mr Salmon, seconded by Mr Forrest, the Committee agreed to recommend that the Board should adopt the Committee's annual report.

13. WHISTLEBLOWING CASES

Mr O'Neill presented the Report* (ARA/4/17/11) setting out current and recently completed reviews relating to Whistleblowing and giving a breakdown of those completed cases that had been substantiated, partially substantiated or not substantiated. The Committee noted that a central register was in operation to manage this process.

A Member queried the learning experience from this process. Mr O'Neill outlined the process to investigate cases by Directorate which could result in changes to action plans for areas of business.

A Member queried if the whistleblowing case concerning Student Benefits related to the case discussed within the Fraud Report concerning HMRC. Clarification on this information would be conveyed to the Member.

The Committee noted the Report.

***Action:** Clarify information on the whistleblowing case concerning Student Benefits and the case raised within the Fraud Report concerning HMRC.*

14. DIRECT AWARD CONTRACTS

The Committee noted the Direct Award Contracts* (ARA/4/17/12) authorised by the Chief Executive.

15. DE ANNUAL FRAUD REPORT 2015/16

The Committee noted DE's Annual Fraud Report for 2015/16.

16. EXTERNAL AUDIT

Ms Kane advised that the Comptroller and Auditor General had certified the Annual Accounts for 2015/16 on 9 March 2017. The audit of the 2016/17 Accounts would now proceed. She said that some preliminary meetings had already taken place and some interim work had commenced on these Accounts.

Ms Kane outlined current work in respect of Reports on Special Education and on the Financial Health of Schools. She also advised that, in 2018/19, the NIAO could potentially report on children with English as a foreign language and home to school transport.

A Member queried the process to clear reports. Ms Kane said that all reports were presented primarily to DE. The report would be presented to the Accounting Officer to check factual accuracies. Following that input, the NIAO would provide an opinion on the report and the report would subsequently be laid before the Assembly. She confirmed that a report could still be laid in the absence of the Assembly. Once published, the report was available for presentation to a committee.

17. ACCOUNTABILITY AND FINANCIAL MANAGEMENT – UPDATE

The Committee noted the following circulars:

- DAO (DoF) 01/17 Accounts Directions for 2016/17
- FD (DoF) 01/17 Government Financial Reporting Manual (FReM) 2016/17
- FD (DoF) 02/17 Fraud Alert - Spam Email
- FD (DoF) 03/17 Departmental Annual Report And Accounts 2016/17

18. DATE OF NEXT MEETING

The next meeting would be held on 19 May 2017.

The meeting ended at 1.30 pm.

Chair	Date

* Paper circulated