

**MINUTES OF THE AUDIT AND RISK ASSURANCE COMMITTEE
AT 10.00 A.M. TUESDAY, 12 JANUARY 2016
COMMITTEE ROOM, FORESTVIEW**

PRESENT Mr E Jardine (Chair)

Mr D Cargo
Dr M Dynan

Miss R Rainey
Mr T Salmon

IN ATTENDANCE

Mr G Boyd, Mr S McCurdy, Mr P O'Neill, Ms C Kane (NIAO), Mr M Gregg (DE) Mr K Orr (Southern and Western), Mr D Stanley (South-Eastern), Mr R Russell (North-Eastern) and Mr A Curragh (Belfast)

INTRODUCTION

The Chair welcomed Members to the meeting.

The Chair addressed the option to allow Members to meet in private for approximately 15 minutes prior to each meeting of the committee. The Chair requested that this time be made available at the end of this meeting instead if required.

1. APOLOGIES

Apologies were received from Mrs M Culbert and Mr R Forrest.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF MEETINGS

3.1 MINUTES OF THE MEETING HELD ON 13 OCTOBER 2015

The Chair introduced the minutes of the last Audit and Risk Assurance Committee meeting held on 13 October 2015 *(ARA/1/16/3.1).

A Member referred to a paragraph in section 8.1 which read "The acting Chair reported that the contents of the paper was noted". The member stated that this should be modified to read "the contents of the paper were noted".

On the proposal of Miss Rainey, seconded by Mr Salmon, it was agreed that the minutes of the meeting held on 13 October 2015 be approved.

3.2 MINUTES OF THE SPECIAL MEETING HELD ON 12 NOVEMBER 2015

The Chair introduced the minutes of the special meeting held on 12 November 2015 *(ARA/1/16/3.2).

On the proposal of Mr Dynan, seconded by Mr Cargo, it was agreed that the minutes of the meeting held on 12 November 2015 be approved.

4. MATTERS ARISING

Terminology In Reports

A Member voiced concern over the use of the terminology “regions” for the areas of the organisation.

The Interim Chief Executive replied that the Department of Education (DE) also wanted to move away from using this terminology. He stated that while these changes are required there will still be geographically based services which may require new terminology.

Annual Accounts

The Chair asked about the annual accounts for the former education and library boards. The Interim Head of Finance replied that the accounts of 3 areas have been finalised and signed. BELB accounts have been completed and presented to the Northern Ireland Audit Office (NIAO) to be reviewed. Accounts for the SELB are yet to be finalised.

The NIAO representative responded that Belfast accounts are to be certified this week while there are still meetings taking place to progress the Southern Accounts.

The Interim Chief Executive responded that while there had been some staff sickness issues in the Southern region which have held up the timing of the accounts they continue to be progressed.

The NIAO representative stated that they would review the accounts already submitted and bring any issues from them to the Audit and Risk Assurance Committee.

The Interim Head of Finance stated that lessons had been learned and continue to be learned by the Finance & General Purposes Committee in relation to the accounts.

Review of Financial Management and Savings Delivery Plan

The Chair requested more regular updates for Board members as the plan is implemented.

The Interim Chief Executive stated that Members would be given more detail at the next meeting.

The Chair asked those present if all accuracy issues had now been resolved to the satisfaction of all stakeholders. All present agreed that this had been completed.

5. CHAIRPERSON’S BUSINESS

The Chair asked for an update on the timetable regarding the appointment of the Head of Internal Audit.

The Interim Chief Executive responded that the process is ongoing with a job description completed. No further action could be taken until the current process of the appointment of directors was completed.

The Interim Chief Executive stated that Members would be needed for the interview process for the appointment. The Interim Chief Executive agreed to action this matter.

5.1 ARAC Self-Assessment Process

Members noted the ARAC self-assessment process as laid out in the National Audit Office (NAO) Good Practice Audit Committee Self-Assessment Checklist *(ARA/1/16/5.1)

Members discussed how this process would have been completed previously and the volume of questions within the document.

The NIAO representative advised that in other organisations major issues of concern arising from the questionnaire would be identified and actioned. She also stated that the NIAO would expect each member to complete the self-assessment next year.

The Chair asked if the document could be made available in an electronic format. Mr Russell responded that while the version supplied to Members for the meeting was in the PDF format and therefore could not be edited an alternative version could be made available.

Members discussed the role of the Internal Audit function within this area. The Interim Chief Executive stated that Members may find it both useful and helpful if Internal Audit produced a paper for the ARAC highlighting the issues.

A Member offered his assistance to liaise with the Heads of Internal Audit to agree the major issues from the questionnaire and highlight any identified gaps or deficiencies.

Mr Russell agreed to co-ordinate this.

5.2 Lessons to be Learned from NIAO – Review of NI Events Company

Mr Stanley reported to the Committee on the review of Lessons to be Learned from the NIAO Review of NIEC *(ARA/1/16/5.2). He highlighted two areas that needed attention – issues relating to risk management strategy and training (pages 11 and 12). He summarised that the key requirements in key areas were already being addressed well.

A Member suggested that it was good practice to use NIAO reports as a benchmark for the Authority. The NIAO representative highlighted that a general report had been issued just before Christmas. Members agreed that it would be beneficial for these reports to be made available to the ARAC.

The Interim Chief Executive agreed to disseminate to all members.

Members discussed the provision of relevant correspondence from sponsoring departments (e.g. Dear Accounting Officer letters, reports and commentaries) for the committee. The Interim Chief Executive stated these would be circulated to members and would also be available on the sponsoring department's website.

The Chair thanked Mr Stanley for the review paper presented to the ARAC.

6. **CORPORATE RISK REGISTER**

The Chair invited Mr O'Neill to brief the Members on the Corporate Risk Register *(ARA/1/16/6).

Mr O'Neill reported that the register had been updated to include risks identified up to December 2015. These reflect managers' concerns augmented by assistance from

Heads of Internal Audit. Mr O'Neill pointed out that the Risk Dashboard on pages 7 and 8 summarised the main corporate risks with actions to be taken highlighted in the Action Plans for Improvement within each Corporate Risk area (Pages 10 to 49).

The status of risks on the Risk Dashboard was discussed. Members also discussed the risk appetite of the organisation.

A Member recommended that the Corporate Risk Register should be used to further enhance training in risk management.

A Member noted that a major training exercise was required to ensure all staff understood how the corporate risks applied in their areas, especially with the merging of five organisations into one. Members acknowledged that while staff would be made aware of the risks in their areas this would then fit into the pyramid structure of risk management.

A Member noted that aligning all risk registers would be a major task to complete.

The Chair asked about the ownership of the Corporate Risk Register. The Interim Chief Executive stated that when the Senior Management Team (SMT) was in place directors would take ownership of each risk area. Once the Corporate risk Register is filtered down to directors the next stage would be to embed this in the day to day functions and operations.

Members discussed the need for schools to be aware of the risk structure to ensure that there is alignment across the whole organisation.

A Member stated that the Corporate Risk Register should be a substantive issue on the agenda for all ARAC meetings.

A Member stated that the Corporate Risk Register should also be a scheduled item on the Education Authority Board agenda.

It was agreed to recommend that the Corporate Risk Register be approved on the proposal of Miss Rainey seconded by Mr Salmon.

7. INTERNAL AUDIT PROGRESS REPORT

The Chair invited the Heads of Internal Audit to present their progress reports *(ARA/1/16/7) for the period from October 2015 to December 2015.

Mr Curragh updated Members on the report for Belfast. He informed members that the reports mentioned in 2.2.1 and 2.2.2 are both now finalised and of a satisfactory opinion.

The Chair queried the audit opinion given on 1.1.2 given the number of Priority 1 recommendations. Mr Curragh explained that the opinion was for the follow up to the original report.

Members discussed the consistency of opinions across the regions and the possible difficulties in comparing region with region. Members requested a consistent approach across all regions.

The Chair asked about the staffing issue within Belfast. The Interim Chief Executive responded that he had spoken with the Regional Managing Director (RMD) who was satisfied that the issue is currently being addressed.

Mr Russell updated Members on the report for the North East.

The Chair queried report 3.3 asking if this issue had been reviewed across all areas and if the opinion was consistent. Heads of Internal Audit confirmed this however the Head of Internal Audit for South East highlighted that there is an outstanding issue with Northgate as the system does not provide all information needed. Northgate have amended the system to rectify this.

A Member asked if the details of the Schools procurement report should be drawn to the attention of the Finance & General Purposes Committee. Members discussed the issue of schools using unofficial suppliers. Members were concerned that the Authority carries this risk yet has no sanctions to apply due to the lack of clarity in guidance and regulation. Members agreed that as a new organisation and with more case law and procurement regulations available this issue should be further addressed.

Members agreed that this issue should be passed to the Finance & General Purposes Committee to raise with the Board and DE.

Mr Stanley updated Members on the report for the South East. He informed Members that issues raised in the payroll report 1.1, are being addressed and that the Head of Human Resources in the South East has been made fully aware of the issues to address.

The Chair asked about similar issues across the other regions. The North East had raised similar issues however overall the processes were satisfactory. The Western and Southern regions concurred with this. Belfast stated that overall the area had been satisfactory in the past but no recent work had been performed in that area.

Mr Orr updated Members on the reports for the Western and Southern regions.

The reports were noted by Members and the Chair thanked the Heads of Internal Audit for their reports.

8. ANTI – FRAUD INVESTIGATION UPDATE

The Heads of Internal Audit updated Members on the ongoing investigations detailed in the Education Authority Anti-Fraud Investigation Report *(ARA/1/16/8).

Members noted the contents of the report.

A Member asked about the effectiveness of the National Fraud Initiative (NFI). The NIAO representative stated that the process is effective at finding issues across the public sector. The representative also stated that a report of the last NFI review is available from the NIAO website.

9. REVIEW OF PRIORITY 1 RECOMMENDATIONS: PROGRESS REPORT

Members discussed the Review of Priority 1 recommendations progress report *(ARA/1/16/9)

The Chair asked if there were any outstanding legacy recommendations that needed to be addressed in these reports.

The Heads of Internal Audit responded that all legacy recommendations would be dealt with in Follow Up Reports during the follow up process.

The Chair stated that information on the recommendations for the whole financial year would be beneficial. The Interim Chief Executive suggested that the audit function should go back and check on legacy recommendations as at 31 March 2015.

Members agreed that the report was a useful document for Members to have available.

Members discussed the facilities schools now have for generating income (in particular a Primary School in Belfast) and how that guidance and regulation from both the organisation and DE may not have developed as quickly. A Member responded that there was a need to ensure that proper controls and constraints were in place while not stifling school work in the community.

The Interim Head of Finance reminded Members that the Authority would have to ensure there is no liability to HMRC.

A Member responded that the ARAC needed to ensure that schools have appropriate guidance.

Members agreed that this issue should be passed to the Finance & General Purposes Committee for their attention.

10. EXTERNAL AUDIT: UPDATE

The NIAO representative provided an update on the external audit of the former ELB accounts. NIAO are currently agreeing the audit of the Education Authority. NIAO also hope to provide Members with an Audit Strategy at the next meeting of the ARAC.

The NIAO representative also drew the attention of Members to a new publication by NIAO "Managing Fraud Risk In A Changing Environment – A Good Practice Guide" issued on 17 November 2015.

11. SINGLE TENDER ACTIONS (STAs)

The Interim Chief Executive presented a list of transactions which he has authorised as Accounting Officer during the period October 2015 to date *(ARA/1/16/11).

The Interim Chief Executive drew attention to one STA for LLS Ltd approved on 27 October 2015 for before, during and after school activities at a Primary School in Belfast. He stated that there is an increase in schools using this type of provision but that schools need to fully demonstrate that they have followed the tendering process before using STAs.

Members discussed the issues surrounding STAs. The Interim Chief Executive responded that he was happy for it to be noted that the number of STAs produced by the Authority should and would diminish over time.

12. DATE OF NEXT MEETING

The next meeting of the Audit and Risk Assurance Committee was scheduled for Tuesday 1 March 2016.

The meeting ended at 12:00 midday.

CHAIRPERSON

DATE