

Audit and Risk Assurance Committee

Minutes of meeting held on 12 November 2015 at 11.45 am in Antrim Board Centre

Present

E Jardine (Chair)
D Cargo
M Culbert
R Rainey
M Dynan
T Salmon
R Forrest (via conference call)

In Attendance

G Boyd (Interim Chief Executive)
S McCurdy (Interim Head of Finance)
P O'Neill (Change Director)
G Fair (Department of Education)
K Orr (HIA Southern & Western Regions)
D Stanley (HIA South Eastern Region)
J Peak (Senior Auditor, South Eastern Region)

1 Introductions

The Chair welcomed Members and Attendees to the meeting.

Mrs M Culbert and Mr G Boyd joined the meeting at 12.00 noon.

2 Apologies

The Chair apologised to G Fair that, due to an administrative oversight, he had not been invited to the meeting held on 13 October 2015.

3 Declarations of Interest

There were no declarations of interest.

4 Internal Audit Review

4.1 The Chair advised that this meeting had a single issue agenda concerning the Internal Audit Review of the current Education Authority (EA) Savings Delivery Plan (SDP) and its related financial management.

4.2 The Chair said that this matter had been raised by Members at the September Board meeting. The main issues were the significant movements in the projected EA budget deficit and the lack of easily understood financial reporting formats, making it difficult for many Board Members to understand the issues underlying the budget figures. As a result, the Board had tasked the Regional Heads of Audit with reviewing the financial management around the SDP.

4.3 The Chair said he had briefed the Board on the main content of the report at the October meeting. However, Management had not had time to respond at that point and the purpose of the current meeting was to consider the report along with the management response. He thanked the Heads of Internal Audit for undertaking the work against the tight deadlines and invited Members' comments on the draft report.

4.4 A Member recognised that the report had entailed enormous effort on the part of Internal Audit to produce in such a short time. He noted that improved monitoring would be crucial to enhancing the management and delivery of the SDP. He was also concerned that the Voluntary Exit Scheme (VES) might be impacted by the UK Government enacting a cap on such payments.

- 4.5 A Member welcomed the fact that the EA had Auditors capable of undertaking such work within a short timescale. He commented that the report findings must be presented in a clear way to ensure that Board Members, without any financial experience, could understand the content, the issues impacting the SDP and financial management generally. He welcomed the fact the report had not held any surprises and that it recognised the inherent difficulties in merging five organisations. He commented that, while the Monthly Expenditure Monitoring Report (MEMR) was a good document, the recommendations in the report would help to improve its management, especially the recommendation concerning reconciliations.
- 4.6 A Member also stated that, as an independent with little public sector experience, he was content that the report showed that savings could be achieved. However, issues on the implementation of the SDP now needed to be progressed within a defined timeframe.
- 4.7 A Member stated that the report did not demonstrate whether targets were too tight under these conditions and if the SDP was unachievable. The Member was concerned that the EA might be required to consider compulsory redundancies to balance the budget. He also referred to the pressures associated within the Special Education budget.
- 4.8 The DE representative stated that DE was broadly supportive of the report and its findings; however, he had some concerns on the factual accuracy of some elements, specifically where it stated that DE required the EA Business Plan to meet all DE targets and the resultant negative impacts to meet SDP targets, especially in the area of voluntary severance. He stated that he had not yet received a copy of the Terms of Reference.
- 4.9 The Chair said it was his understanding that the EA was required to address all DE's targets in its Business Plan. The DE representative said that while DE had set targets for the EA Business Plan, it was for the EA to determine its own targets. He indicated that DE had only been closely involved in drafting the EA Business Plan due to the time constraints in agreeing it prior to the start of the year. In response to a question from the Chair, the DE representative confirmed that ultimately the Minister would sign off the Business Plan.
- 4.10 The DE representative disagreed with the report findings on the timing of the VES, stating that the EA was notified at the same time as DE. He also raised a concern over the timeliness of the MEMR submissions.
- 4.11 A Member acknowledged that the report might have some inaccuracies due to the haste of its preparation. However, its overall findings were accurate. The Committee needed to decide if further work was required which would focus on targets, financial management and planning. Any further findings would allow for moving forward into the next financial year with firm recommendations for improving financial management.
- 4.12 The DE representative welcomed the interim nature of the report. If further work was required, DE would wish to contribute to the Terms of Reference which should focus on the delivery of the SDP and clarify issues around VES.
- 4.13 A Member stated that the report had presented some doubt on the EA's ability to meet the saving targets in the SDP and it should therefore be presented to the Board as soon

as possible. The Board could then decide if further work was required. The DE representative agreed with this approach.

5 Management Response

- 5.1 The Interim Chief Executive said that the Interim Financial Management Team was currently working with inherited systems and structures of the five Education Boards. This came with inherent challenges in harmonising structures and reporting mechanisms within EA. In relation to the report, it had held no surprises. He took assurance in the processes and overall governance. However, at every stage management had highlighted the risks inherent in two major areas of the SDP - VES and Special Education.
- VES: So far 30% of offers had been rejected. This was much higher than anticipated. There was some potential for mitigation of this in suppressing some posts. However, the expected imposition of a cap on VES payments by the Government might encourage a rethink in some staff who had initially turned down offers.
 - Special Education: While some savings were possible and all the appropriate processes were now in place, this was a sensitive area. Management would not anticipate a level of savings until progress was clearer.
- 5.2 The Interim Chief Executive congratulated the Interim Head of Finance on managing to bring together the Finance Teams and in progressing consistency of approach across the sub-regions. He recognised that further work was required on the content and timing of financial reporting by EA. He welcomed that the report gave some assurance on the governance and processes in place but recognised that more work was required to ensure outcomes.
- 5.3 The Chair stated that he remained concerned that the current planning and monitoring arrangements did not give Members the necessary assurance that the savings indicated in the SDP could be achieved. However the recommendations, if implemented, would improve the likelihood of meeting the targets. He noted that the current financial reports presented to the Board were not easily understood by all Members.
- 5.4 Attention was drawn to the difficulties in extracting financial information from five regions with differing internal processes. It was pointed out that the report and its recommendations were built around monitoring, improving and harmonising current systems.
- 5.5 A Member said that there was a danger that SDP would be seen as the responsibility of the Finance Sections of the EA when it actually lay with budget holders. This could be compounded by the current exodus of many staff which might affect the management of budgets at holder level. He considered that the report should be raised at Board level as soon as possible to highlight the risk that SDP targets might not be deliverable.
- 5.6 A Member expressed concern that the Committee should not enter into areas of work which were more properly the concern of the Finance and General Purposes Committee. The ARAC's purpose on this issue was to report to the Board on the risks concerning the achievement of SDP targets.

5.7 The Interim Chief Executive agreed that the ARAC had fulfilled its responsibilities in recognition and investigation of the risk. However, mitigation was the responsibility of other committees and lines of responsibility would have to be considered in the ensuing period. He highlighted the work taken to date by the Interim Head of Finance to harmonise the range of amalgamated financial reporting systems.

6 Summary

The Chair summarised that the report had proved useful in identifying issues in current processes and in recommending a way forward. He noted DE's concerns on some of the factual detail of the report. Issues of factual accuracy should be dealt with by the Heads of Internal Audit and the report amended accordingly. The management response needed to be tighter on what actions were proposed in response to the recommendations and the timescale for implementation. He agreed with Members' comments that the report should be released to the Board as soon as possible.

The meeting adjourned at 1:00 pm.

Chair

Date

Actions
Review and update the Report to reflect the Members' and Department's views and present report to the Board at its November meeting. Revisit the Management Response and present it to the Board at its November meeting.