

MINUTES OF THE AUDIT AND RISK ASSURANCE COMMITTEE

AT 10.00 A.M. TUESDAY, 13 OCTOBER 2015

BOARD ROOM, SOUTHERN REGION

PRESENT Mr E Jardine (Chair)

Mr D Cargo

Mrs M Culbert (from 10.30 am)

Dr M Dynan

Mr R Forrest

Miss R Rainey

Mr T Salmon

IN ATTENDANCE

Mr G Boyd, Mr S McCurdy, Mr P O'Neill, Mr T Wilkinson (NIAO), Mr K Orr (Southern and Western Regions), Mr D Stanley (South-Eastern Region), Mr R Russell (North-Eastern Region) and Mr D Maginnis.

INTRODUCTION

The Chair welcomed Members to the meeting and felt that it would be appropriate if everyone present introduced themselves before proceeding to the order of business. Members duly responded.

1. APOLOGIES

There were no apologies.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE MEETING HELD ON 9 JUNE 2015

The Chair introduced the minutes of the last Audit and Risk Assurance Committee meeting held on 9 June 2015 *(ARA/10/15/3). Members were asked if they had any comments arising.

A Member referred to the top of page 3 in reference to COPE status and sought clarification as to whether Central Procurement Directorate (CPD) would become responsible for Goods and Services contracts.

Mr Boyd replied that there were reservations about the transfer of Goods and Services to CPD on the basis of achievement of value for money and that discussions were continuing with the Department of Education (DE).

On the proposal of Miss Rainey, seconded by Mr Salmon, it was agreed that the minutes of the meeting held on 9 June 2015 be approved as an accurate record and signed by the Chairperson.

The Chair reminded the Members present that there was an option available to allow them to meet in private for approximately 15 minutes prior to each meeting of the Committee. Members declined the option.

4. **MATTERS ARISING**

ARAC Training

The Chair reported that Members had recently attended induction training in respect of their roles and responsibilities as Members of the Audit and Risk Assurance Committee.

The Chair commented that value of the training had been enhanced by the active participation of Members.

Members felt that the training had been a useful start, but had reservations about the content of the training which they considered to be too theoretical and not sufficiently specific to the needs of the Members. Members also suggested that it would also be useful to get a better understanding of the risk management system within EA, in particular the relationships with external bodies. Other training needs might be identified as the work of the Committee progressed over the next few months.

Mr Boyd agreed that this training would need to be revisited in the future, possibly the Spring of 2016.

4.1 Review of Priority 1 Recommendations

The Heads of Internal Audit from the 4 Regions represented outlined the Priority 1 recommendations within their Regions *(ARA/10/15/4.1).

The Chair expressed concern that some managers within the EA had not yet responded to requests for information. This concern was also reflected by a number of the Members present.

Mr Russell replied that this may be more a reflection of managers individual priorities particularly with the ongoing structural changes within EA. This view was supported by Mr McCurdy.

Members emphasised the importance of addressing Priority 1 recommendations in particular and suggested that managers need to be reminded of their responsibility to implement these without delay.

Mr Russell said that there were plans to publish Priority 1 recommendations on the EA SharePoint server where managers could access and update them and Members could view progress.

Members also stated that they appreciated the distinct differences between the timing of responses from schools and those of headquarter managers with school responses often dictated by the scheduling of Board of Governor meetings. Members also raised the need for additional support for new schools, such as those in the Irish Medium sector, where perhaps the working knowledge of EA practices and procedures was limited.

In response, Mr Boyd replied that it was very clear there were differing responses to the implementation of Internal Audit recommendations across the regions. He considered that it was very much a management responsibility to respond promptly. He was very aware of the need to provide additional support to new schools and that work was continuing in that direction.

The Chair thanked the officers for their reports and welcomed Mrs Culbert to the meeting (10:30am).

4.2 Draft Risk Management Policy

Mr O'Neill outlined the draft Risk Management Policy *(ARA/10/15/4.2) to the Members.

Members thanked Mr O'Neill and asked if there were any fundamental changes in the approach compared to previous policies. Mr O'Neill replied that the draft Policy reflected established good practice and current Treasury guidelines.

Mr Boyd stated that the Authority's appetite for risk was a new concept for some people and would be subject to regular review to ensure it remained appropriate for the risk faced.

It was agreed to recommend that the Policy be adopted on the proposal of Mr Salmon seconded by Miss Rainey.

4.3 Audit Programme and Reporting Template

Mr O'Neill outlined the proposed common Audit programme *(ARA/A0/15/4.3) to be introduced across the regions which included the promotion of simultaneous audit reviews in each region and introduction of common working practices particularly in relation to audit fieldwork and testing.

Members welcomed the proposal and asked for further clarification of the reporting mechanism.

Mr O'Neill suggested that a common report template would be used to collate the findings in relation to major reviews and that this could be placed on the SharePoint server for ease of access.

Members welcomed the introduction of the common audit programme and reporting system but voiced some concerns about their ability to use SharePoint correctly.

All members present expressed their approval to the template.

4.4 Draft ARAC Work Programme

Members discussed the planned schedule of 6 meetings of the Audit and Risk Assurance Committee *(ARA/10/15/4.4). Members queried the need for 6 meetings of the ARAC.

Mr Wilkinson indicated that the norm across the public sector organisations was 4 meetings per year but suggested that perhaps 2 of the meetings scheduled for May/June 2016 could be merged.

Mr Boyd agreed with this view and was supportive of a reduction of 6 meetings to 5 if possible. The Chair said that the number of meetings would be kept under review to ensure that the Committee's business was adequately covered.

5. **CHAIRPERSONS BUSINESS**

5.1 Venue and timing of Committee Meetings

It was agreed that meetings of this Committee could be accommodated, for the short term, in Forestview. This would facilitate Members attendance at other scheduled Board and Committee meetings.

* The Chair adjourned the meeting at 11:10am for a short break before re-convening at 11:15am.

6. REVIEW OF SAVINGS PLANS

The Chair reported that Members had expressed concerns at the September Board about the risks to the delivery of savings in the current year's EA budget. Members were uneasy with the projected deficit which had moved considerably since the beginning of the summer and, as a result, the Board has asked the ARAC to commission Internal Audit to review the figures and to provide a report.

The Chief Executive explained that there were two major areas of risk in the savings targets, Voluntary Severance and Special Needs. The Voluntary Severance Scheme had generated significant interest, but in reality only 70% of those who expressed an initial interest actually took up the offer. To offset the impact of this, there was now a moratorium on recruitment.

In terms of Special Needs, Mr Boyd said that the full costs are difficult to project as there was a six month lead in time in the Statementing process. Controls had been put in place to monitor and track statements.

Mr McCurdy outlined a number of key financial pressures which had impacted on the delivery of the Savings Plan.

Members expressed appreciation of the difficulties faced by EA in the current financial climate and, consistent with the recommendation of the Board, agreed the following:

- Internal Audit would carry out a review of the projected budget deficit figures and the plans to achieve savings.
- The Chair was asked to liaise with the Change Director to agree the Terms of Reference for the exercise.
- An interim report would be presented to the Audit and Risk Assurance Committee which will meet for approximately 1 hour before the next scheduled Board Meeting.

Mr Boyd expressed his understanding of Members' concerns and was fully supportive of meeting their needs. He added that the work to be carried out by Internal Audit would have to be completed within the next 7 to 10 days in order to meet the proposed deadline.

** Mr Jardine left the meeting at 12pm. It was agreed that Miss Rainey would serve as acting Chair.*

7. CORPORATE RISK REGISTER

Pat O'Neill outlined the content of the first draft EA Corporate Risk Register *(ARA/10/15/6) for members consideration.

Members welcomed the production of the draft document. On the proposal of Mr Salmon seconded by Dr Dynan, the Committee agreed to recommend the adoption of the Corporate Risk Register.

8. INTERNAL AUDIT PROGRESS REPORT

The Heads of Internal Audit from the 4 Regions represented presented their progress reports *(ARA/10/15/7) for the period from April 2015 to September 2015.

Members were satisfied that the issues highlighted in the South Eastern Region in respect of Classroom Assistants costs were restricted to that region only.

The acting Chair thanked the Heads of Internal Audit for their reports.

8.1 Fraud Report

The Committee agreed to discuss the fraud report *(ARA/10/15/7.1) in committee.

A report on detected instances of fraud and theft in each of the regions for the period April 2015 to September 2015 was provided.

The Committee agreed to resume the meeting.

The acting Chair reported that the contents of the paper was noted.

While in committee, concerns had been raised in respect of criminal cases currently with the PPS, which are nearing a time when pursuing a civil case may no longer be possible. Mr Wilkinson agreed to investigate this issue further if provided with specific details of the cases involved.

9. DRAFT AUDIT STRATEGY

The draft NIAO Audit Strategy *(ARA/10/15/8) was presented by Mr Wilkinson. Mr Wilkinson highlighted that a substantial part of the strategy related to the previous board structures rather than EA, in particular the 2014-15 financial accounts. He outlined that good progress had been made to finalising the accounts for 2014-15 but that a small number of issues remained outstanding. It was expected these would be resolved in the near future.

Members sought clarification about their responsibility for items that might pre-date the establishment of EA. Mr Wilkinson explained that a Member could not be held responsible for something before they were appointed.

Mr Wilkinson highlighted that this year's accounts are expected to be produced on a regional basis before being centrally consolidated for the EA. Given the complexity of the consolidation process it might impact on the timing of the final accounts for 2015-16.

Mr McCurdy supported this view and agreed to update the Audit and Risk Assurance Committee on progress.

The Members noted the paper.

10. SINGLE TENDER ACTIONS

Mr Boyd presented a list of transactions which he has authorised as Accounting Officer during the period from April 2015 to date *(ARA/10/15/9).

11. DAO/FD LETTERS

The acting Chair drew Members attention to the recent NIAO reports and DAO/DFP correspondence which were included with their papers.

The meeting ended at 13:15

CHAIRPERSON

DATE

* *Paper issued with agenda*