

however that it remained to be seen if the repercussions of the liquidation on sub-contractors could ultimately impact on the EA.

7.2 WORKSHOP ON CORPORATE GOVERNANCE

The Chair said that a further workshop on corporate governance would be held on 25 January 2018 to consider a draft Annex to the Code of Conduct for Board Members.

The Chair of the Board thanked the Chair for taking forward this piece of work.

7.3 TRAINING PROGRAMME FOR COMMITTEE MEMBERS

Mr Anderson presented the draft programme* (ARA/1/18/5.2) which set out arrangements to address identified training needs for Committee Members as well as setting out induction programmes for new Committee Members.

Mr Fair said that DE officials could assist in providing training to Members where necessary. He also said that the newly appointed Chair of the DE Audit and Risk Assurance Committee, Ms J McEwan, was keen to convene audit workshops to which members of Audit and Risk Assurance Committees of Arms' Length Bodies would be invited.

A Member asked for an implementation plan to be drawn up to accompany the training programme. Mr Anderson undertook to provide this information which would identify dates for training. He referred to further induction training for Mrs Hale and Mr McMullan as well as for Mr Lundy who had just been appointed to serve on the Committee.

A Member referred to the EA's statutory responsibilities under the Rural Needs Act (Northern Ireland) 2016 (due to be implemented by public authorities on 1 June 2018). He queried if training was available to assist the EA in understanding its responsibilities under the Act. Mr Boyd said that, as the legislation could have wide ranging implications across the EA, training in this area could be facilitated through a workshop for all Board Members.

On the proposal of Mr Salmon, seconded by Miss Rainey, the Committee agreed the training programme.

Action: *Implementation plan to be drawn up to accompany the training programme; facilitate training for Board Members on the Rural Needs Act (Northern Ireland) 2016.*

7.4 RECONSTITUTION OF EA BOARD MEMBERS

A Member queried the reconstitution process for all Board Members, ie those nominated by political parties and those appointed by DE and whether it was intended that the process would remain co-terminus and result in a rolling four year programme for all Members. Mr Fair undertook to clarify the position for Members.

Action: *Clarity to be provided from DE on Board Members' reconstitution process.*

8. CORPORATE RISK REGISTER : REVIEW AS AT 31 DECEMBER 2017

Mr Anderson presented the Corporate Risk Register** (ARA/1/18/6) reflecting the risk environment up to 31 December 2017. The register included the new risk on the failure to establish and deliver on the Transformation Programme.

A Member queried the timeframe for implementation of the strategic review of nursery provision for children with special educational needs. Mr Boyd said that the Project Oversight Group was

meeting later in the day and the Members' Sub-Group was meeting the following Monday. Once the document was agreed by the Members' Sub-Group, it would be presented to subsequent meetings of the Children and Young People's Services Committee and the Board for approval and issued for public consultation.

Members commented on the significant work undertaken within the Corporate Risk Register. A Member received clarity on the process by which Directors identified risks within their directorates. Mr Boyd said that the major risks identified by the EA remained a challenge. These included increasing demands for statute based services, declining school finances and increasing pay and price inflation set against a reduction in real term budgets and structural constraints. He said that appropriate investment was necessary in order to ensure that the EA could deliver on a transformation programme.

A Member asked that the Corporate Risk Register should be incorporated into the Committee's training programme. It was agreed that training on the Corporate Risk Register would be provided to Members on an annual basis within the training programme.

A Member requested that some facility should be provided in the Corporate Risk Register to track progress against target dates. He considered that the Committee should be giving attention to those risks where actions against the target dates had not been achieved. The incorporation of a tracking mechanism into the Register was agreed.

The Chair said that scrutiny would be given to the Corporate Risk Register by the Committee at its meeting on 16 April 2018. A training session on the Register would also be provided to the Committee on that day.

Mr Fair said that the Chair of DE's Audit and Risk Assurance Committee had a particular focus on safeguarding.

Discussion ensued on the projected year end financial position. It was noted that there was provision that DoF could require departments to carry forward their overspends into the following financial year. Mr Boyd said that EA officers were working closely with DE officials on the year end financial position.

Mr Fair said that DE had received some money in year which had not yet been allocated. He referred to the outcome of the December monitoring round which was to be announced later in the day. He advised that DE continued to liaise with officials from EA and DoF on budgetary matters.

A Member suggested review of the Corporate Risk Register should be carried out by the Head of Internal Audit and Assurance. This would provide further assurance to the Accounting Officer and the Committee on management of risk. This was agreed.

The Committee noted the Corporate Risk Register.

Actions: *Tracking mechanism against target dates to be incorporated into the Corporate Risk Register; Register to be incorporated into the Committee's annual training programme; and scrutiny and training to be given to the Corporate Risk Register at the meeting on 16 April. The Head of Internal Audit to review the Corporate Risk Register on a quarterly basis to provide further assurance to the Accounting Officer that key risks have been identified, assessed, and appropriately managed.*

9. PRIORITY 1 RECOMMENDATIONS : PROGRESS REPORT

Mr Anderson summarised the actions taken to date and the proposed actions on the implementation of Priority 1 recommendations, including those recommendations contained within the 2015/16 Report to those Charged with Governance.

Miss Bill said that the EA had received confirmation that it was not liable for corporation tax. She thanked DE officials for supporting the EA in this area. Members welcomed the outcome and noted that this priority 1 would be removed from the report.

In response to Members' queries, Mr Anderson referred to the fraud awareness training to be provided to all staff following an investigation and the approach being taken to move to cashless school meals systems in larger schools in order to reduce risk of fraud.

A Member suggested that future reports should incorporate summary information on Priority 2 and Priority 3 recommendations. This was agreed.

The Committee noted the progress report* (ARA/1/18/7).

Action: *Future reports to incorporate summary information on Priority 2 and Priority 3 recommendations.*

10. GOVERNANCE OF PROCESSES AROUND FINANCIAL MONITORING

Mr Anderson presented the Internal Audit review report* (ARA/1/18/8) which set out that overall there was an adequate and effective system in place of governance, risk management and control around financial monitoring.

Miss Bill said that workshops had been held during the year for all Board Members on the financial challenges and complexities facing the EA.

In response to a query from the Chair, Mr Boyd advised that changes in the MEMR had arisen in recent months as a number of identified risks had crystallised. Miss Bill said the EA was a relatively new business; it was undergoing a period of transition, including service reviews, to deliver regional programmes for all its services. It was prudent therefore for the EA to plan its financial plan on the basis of a range of scenarios.

Mr Fair confirmed that DE and EA colleagues were working closely together through the MEMR process. He considered that the assurance provided through this process in recent months was more robust. He paid tribute to EA Finance officers for their work in light of the challenging financial environment, including those officers engaging with schools in recent months on school budgetary plans.

A Member referred to the good practice operating with the Children and Young People's Services Committee whereby a financial statement was provided on the implications of decisions taken by the Committee. He suggested that this practice should be rolled out to other Committees so that Members could understand the consequences of spend by that Committee.

Mr Cargo declared an interest as he was a member of a Board of Governors of a school.

A Member also referred to significant challenges facing Boards of Governors to make robust planning decisions for the year ahead when notification of their budgetary allocations had not yet been received. He referred to the process whereby schools needed to take decisions on staffing early in the calendar year. He considered that the current model of delegating funds to schools was not fit for purpose.

The Chair of the Board concurred that the annual budget setting process did not align with schools' arrangements within the calendar year. She also highlighted the limitations on the EA with regard to the effective control and management of school surpluses and deficits.

Mr Fair said that DE had issued a letter to schools on their 2017/18 financial planning assumptions on 15 March 2017. It intended to issue a similar letter to schools prior to the end of the current financial year.

The Committee noted the audit assurance report around financial monitoring.

Action: *Consideration to be given by each Committee to receiving a financial statement on the implications of operational spend with the remit of each Committee.*

11. VOLUNTARY GRAMMAR / GRANT MAINTAINED INTEGRATED SCHOOLS (VG / GMI) – AUDIT RESPONSIBILITIES AS AT 1 APRIL 2017

Mr Anderson said that the Internal Audit programme for 2017/18 included work on the audit responsibilities for VG / GMI schools. The terms of reference for this review had been agreed and were set out in the paper* (ARA/1/18/9). He said that the audit fieldwork for the review was now due to commence. This review would scrutinise the robustness of current processes in order to provide a level of assurance on VG / GMI schools. A report on its findings would be subsequently presented to the Committee for consideration.

Mr Anderson advised that assurance had been sought from DE that it would be reviewing the internal and external audit reports for the 88 VG / GMI schools whose audit responsibilities had transferred to the EA on 1 April 2017. He said that DE had received approximately 60 audit reports and only one of these had identified a limited opinion.

A Member queried how priority 1 recommendations had been acted upon previously within this cohort of schools. He considered that the same reporting process should be consistently applied across all schools. He wished to be made aware of any outstanding priority 1 recommendations concerning VG / GMI schools. Mr Anderson undertook to review prior audit reports for VG / GMI schools and report back to the Committee.

A Member said that his preferred option was that the EA Internal Audit function would operate in the same way within VG / GMI schools as with all other schools.

Members discussed strands of funding to VG / GMI schools. They noted that discussions continued in respect of contingency funding. They also noted various issues raised by the NIAO in respect of the use of the same contractor by VG / GMI schools for internal and external audits, tendering for banking arrangements, and pension liability. Ms Kane said the NIAO's expectations were that the EA would now scrutinise and exercise control over these areas.

Mr Forrest left the meeting temporarily at 11.45 am.

Mr Boyd said that the Internal Audit review of the transition of the VG / GMI schools would not only review audit responsibilities but would also examine the EA's wider responsibilities with these schools.

Mr Forrest re-entered the meeting at 11.47 am.

A Member commented that advice should be given to these schools on audit responsibilities in the short term

The Committee noted the report.

Action: Review prior audit reports for VG / GMI schools, particularly outstanding priority 1 recommendations, and report back to the Committee.

12. INTERNAL AUDIT

12.1 PROGRESS REPORT 2017/18

Mr Anderson presented the report* (ARA/1/18/10.1) detailing progress against audits undertaken in the current year. The Committee noted the number of final reports issued within the current year and the number of recommendations made and accepted within each report. Mr Anderson pointed out that the number of reports completed had been impacted in recent months by a growth in the volume of investigations.

Members discussed compliance with payment policy relating to one aspect of the report as well as prompt payment targets.

Mr Fair referred to priority 1 recommendations arising from school audits. He queried if there was a process within the EA to monitor actions taken by schools following such recommendations. Mr Anderson said that responsibility to follow up on these recommendations resided with a school Board of Governors. He undertook to review the monitoring of this area in the interests of good governance and report back to the Committee.

A Member suggested that, in light of the growing number of unplanned investigations which was impacting on the Internal Audit Plan, it might be prudent to restructure the Internal Audit function so as to direct appropriate resources to the various areas of work.

The Committee noted the report.

Action: Review the monitoring of priority 1 recommendations arising from school audits and report back to Committee.

12.1.1 HOME TO SCHOOL TRANSPORT - CHILD PROTECTION

Mr Hanna advised that the Transport Section had worked with the EA's regional Child Protection Training Sub-Group to identify the appropriate level of training for privately contracted drivers and escorts. He said that this training would be delivered by officers of the Child Protection Service to all privately contracted drivers and escorts, commencing in February 2018. Once completed, further training would be developed to implement a digital training platform, with bespoke child protection training modules, which would be accessed by privately contracted drivers in the future to facilitate ongoing requirements. Designated training would also be made available for nominated Transport Service managers.

Members queried the processes used to ensure that substitute drivers and escorts used by private operators were in compliance with child protection arrangements. Mr Hanna advised that private operators were obliged to inform the EA of all individuals who would be engaged in the delivery of home to school transport on their behalf. This area remained an area of risk. He said that plans were in place to establish a dedicated operator compliance team by April 2018 to oversee all home to school transport requirements for private operators. This would include pre-employment checks, adherence to contractual conditions and compliance with general passenger vehicle and taxi legislation.

A Member said that parents were an excellent source of information to confirm private operator compliance. He queried whether the EA could engage with parents in this regard. Mr Hanna advised that staff applied rigour to this process through regular communications with schools.

Mrs Hale left the meeting temporarily at 12.13 pm.

In response to a Member's query, Mr Hanna confirmed that penalties would be incurred by a contractor should that contractor not adhere to contractual requirements.

Mrs Hale re-entered the meeting at 12.15 pm.

In response to a Member's query, Mr Hanna confirmed that private operators were required to meet costs associated with pre-employment checks.

The Chair welcomed the progress as set out in the report* (ARA/1/18/10.1.1).

Mr McMullan left the meeting temporarily at 12.20 pm.

12.2 FRAUD REPORT 2017/18 - UPDATE

Mrs Hale declared an interest in an item as she served on a Board of Governors.

Mr Anderson drew attention to cases which were currently under investigation and to cases which had been resolved during the year.

A Member sought clarity on the management of particular cases. Mr Anderson provided a report on each of these areas.

Mr McMullan re-entered the meeting at 12.29 pm.

Members discussed the presentation of the report. It was agreed that the content would be amended to reflect Members' comments.

The Committee noted the report* (ARA/1/18/10.2).

Action: *Amend content for future reporting.*

12.3 INTERNAL AUDIT STAFFING STRUCTURE

Consideration was given to initial proposals for the staffing structure as set out in the papers* (ARA/1/18/10.3). It was noted that staff with a professional qualification at CIA level or equivalent had been classified as an Internal Auditor. All other staff who did not hold the minimum professional qualification at CIA level or equivalent would be given the opportunity to gain this qualification.

Members were broadly supportive of the proposed streamlined structure. Discussion ensued in respect of legacy matters, voluntary severance, job evaluation and trade union engagement. Members acknowledged the importance of the professionalism of this service. They agreed that further consideration should be given to the quantum of staff in Internal Audit, irrespective of financial considerations, to ensure the delivery of the Audit Plan and in support of risk management.

Mr Anderson said that a report would come back to the Committee in due course once further consideration had been given to the staffing structure.

13. WHISTLEBLOWING CASES

Mr Anderson presented the Report* (ARA/1/18/11) 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.

A Member sought and received detail on a number of new cases incorporated into the report. Mr Anderson said that any patterns and / or systemic issues would be identified through these cases and would inform future audit planning.

Members discussed the presentation of the report. It was agreed that the content would be amended to reflect Members' comments.

The Committee noted the Report.

Action: Amend content for future reporting.

14. ANNUAL REPORT AND ACCOUNTS 2016/17

Mr Boyd reported that the Annual Report and Accounts were not available to be presented to the Committee for final consideration.

Ms Kane said that the audit continued on the Accounts. The NIAO had been awaiting some information which had now been received. At the outset of the audit, two significant risks had been identified relating to the new financial accounting system and procurement. Issues were being considered for both these matters. It was anticipated that the Financial Statements would be certified in February 2018. She advised that the NIAO intended to attach a public interest report to the Accounts on the EA's overspend position. This public interest report would be presented to DE and EA for consideration and clearance in due course. She said that the NIAO was considering its position around qualification of the Accounts.

Mrs Hale left the meeting at 12.58 pm.

A Member queried the rationale for the delay in completing the audit. Ms Kane referred to difficulties in receiving information. The NIAO had been required to perform additional specialised IT testing on the new accounting system. In addition, some information had not been provided promptly. Miss Bill said that the audit process had required to be updated for the new financial accounting system.

Action: Convene a meeting of the Committee in February to consider the 2016/17 Annual Report and Accounts in line with the revised timeframe for certification.

15. DEPARTMENT OF EDUCATION ISSUES

Mr Fair said that responses to the DoF Briefing document on the Northern Ireland Budgetary Outlook 2018-20 were due by 26 January 2018. He advised that the DE Permanent Secretary would be writing to Mr Boyd on this matter in the coming days.

Mr Boyd said that the Briefing document, while not a consultation document, had been considered by the Finance and General Purposes Committee at its meeting on 9 January. The Briefing document had identified that whilst resource would increase in cash terms, it would decline in real terms over the two year period of the budget. The Briefing had also acknowledged that, in the longer term, public services needed to transform to improve outcomes and, in particular, it had specifically noted the need for transformation within Education.

Mr Fair commented that the outcome for Education would be extremely challenging. He said that DE would seek to protect funding to schools as far as possible.

Mr Fair said that DE Internal Audit was undertaking work on school spend and sustainability. DE had received comments on this report from the EA and these were currently being considered. He said that the report could be shared with the EA Audit and Risk Assurance Committee.

Mr McMullan left the meeting at 1.10 pm.

16. NORTHERN IRELAND AUDIT OFFICE (NIAO)

Ms Kane said that the first draft of the Report on the Financial Health of Schools would be issued to the EA in the following weeks. It was intended that this Report would be published early in 2018/19.

Ms Kane advised that the NIAO was currently reviewing topics for future reports.

17. DIRECT AWARD CONTRACTS

The Committee noted the Direct Award Contracts* (ARA/1/18/15).

18. ACCOUNTABILITY AND FINANCIAL MANAGEMENT

The Committee noted the following circulars:

- NIAO Report - Managing Bribery and Corruption
- NIAO Report - Managing Central Government Office Estate
- DAO DoF 0417 - Managing Risk of Bribery and Corruption – Guide and Self Assessment checklist
- DAO DoF 0517- Appointment and Designation of Accounting Officers
- FD DoF 0817 - Guidance on Use of Professional Services including Consultants

19. DATE OF NEXT MEETING

The next scheduled meeting was due to be held on 16 April 2018.

The meeting ended at 1.15 pm.

Chair

Date

* Paper circulated

** Paper tabled