

- noted that the Business Case for the remuneration of the Assistant Director posts had been approved by DE and DoF;
- noted that priority would be given to the recruitment process for the post of Head of Internal Audit;
- expressed significant concerns in respect of the high level of risk associated with the pilot scheme on Investing in the Teaching Workforce;
- noted that the risks would be reviewed by various Committees of the Authority and would be captured within the Corporate Risk Register; and
- recommended that assurances should be sought from other Education sectors that participating Boards of Governors had carried out DE's workforce planning exercise in order to demonstrate that the teaching workforce needed to be refreshed.

Actions: *Priority in the Assistant Director recruitment process to be given to the post of the Head of Internal Audit; Amend Corporate Risk Register as a result of the risks associated with the Investing in the Teaching Workforce Scheme; seek assurances from other Education sectors that participating Boards of Governors had carried out DE's workforce planning exercise.*

6. MINUTES OF MEETING HELD ON 5 OCTOBER 2016

Miss Bill said that the report provided within 'Single Tender Actions' related to the implementation of the HR / Payroll system. Subject to this amendment, the minutes* (ARA/1/17/3) of the meeting held on 5 October 2016 were approved as an accurate record on the proposal of Dr Dynan, seconded by Miss Rainey.

7. MATTERS ARISING FROM THE MINUTES

7.1 ARAC Self-Assessment (5.2)

The Chair said that he had liaised with the Chair of the Board on the matter of Members' appraisals. They had agreed that there was no need for a separate assessment of Committee Members in addition to the appraisal process carried out by the Chair of the Board. He advised that the Members' appraisal form required adjustment for the Independent Members and he undertook to carry this out.

Mr O'Neill outlined the following areas which had been identified by Members where a training update was considered to be of benefit:

- A deeper understanding of the services provided by the Authority, including challenges and risks.
- Risk management training including the process of using risk level diagrams.
- A general refresh on audit responsibilities which applied to Board Members.
- Internal and external audit procedures.
- The Authority's relationship with relevant government departments and other bodies.

Mr O'Neill said that Risk Management training was being facilitated by DE officials later in the day. In addition the EA Directors were presenting their risk registers to the Committee on 3 February which would set out service delivery by directorate, key challenges and associated risks.

Information on audit responsibilities was provided to Members. This included the ARAC Handbook (NI), the Public Sector Internal Audit Standards, the NIAO Audit Strategy, the

Internal Audit Strategy, and the Scheme for the Audit and Risk Assurance Committee. Mr O'Neill said that meetings could be arranged with individual Members on any of the training matters identified.

A Member requested that the training needs identified by Members should be documented in a report. The report would also set out the proposed actions to address those training needs. It was agreed that a training programme would be drawn up for Members' consideration.

Ms Kane said that the NIAO could provide a presentation on any aspect of NIAO's experiences in order to assist with addressing Members' training needs.

Action: *Chair to amend Members' appraisal form for Independent Members; and training programme to be drawn up for Members' consideration.*

7.2 Voluntary Grammar / Grant Maintained Integrated Schools Audit Responsibilities as at 1 April 2017 (7.5)

Miss Bill said that officers had engaged with DE officials to discuss the audit practices employed by the Voluntary Grammar and Grant Maintained Integrated schools. These schools received specific funding to manage their own audit responsibilities and carried out this function out by engaging suitably qualified audit professionals. Mr Russell said that DE had advised that the DE role in the audit process in these schools consisted of a self-assessment questionnaire which was used to inform the internal audit programme.

Members discussed the transfer of audit responsibilities from VG and GMI schools to the Authority on 1 April 2017. Miss Bill said that it was expected that the Authority should be able to rely on the audit work carried out in these schools by independent qualified professionals operating to public sector standards and that this was not unusual to place reliance on the work of other qualified professionals. Members discussed value for money, potential for future efficiencies and current Internal Audit staffing resources. It was pointed out that the newly appointed Head of Internal Audit would examine future capacity within the Authority in due course.

A Member received confirmation that funding would transfer to the Authority for its audit responsibilities to these schools. He queried the NIAO role in these schools. Ms Kane said that the NIAO would have visited these schools sporadically and would have had concerns that some schools would have used the same contractor for their internal and external audits. She said that the NIAO would seek assurance on the controls that would be put in place by the EA in the first instance. A Member requested if the NIAO could provide a paper for the Committee's consideration on lessons learned as a result of its audit experiences with the VG and GMI sectors.

Members discussed future possible efficiencies. It was noted that the EA would land the new service and then consider options for efficiencies and reorganisation. Mr Boyd said that officers would review operational practices and take account of best practice, efficiencies and economies of scale.

The Chair received confirmation that the transfer involved 88 schools.

A Member queried the Authority's liability in terms of the tax associated with VG and GMI schools. He requested that a report be provided to the Committee on the current role of

internal and external audit in VG / GMI schools and any issues / risks that DE and the NIAO would be aware of that were associated with the transfer of the audit responsibilities for these schools to the Authority.

It was pointed out that the funding role for these schools had already transferred to the Authority on 1 April 2016. Mr Boyd said that the Minister had taken the decision that the DE staff working in this area would not automatically transfer to the Authority. He outlined the Authority's engagement with that body of staff and the Authority's current recruitment process to provide support to VG and GMI schools. Miss Bill advised that, while the current process increased the current level of operational risk, officers continued to engage with DE officials on contingency handover arrangements.

Action: Report to be provided to the Committee on the current role of internal and external audit in VG / GMI schools and any issues / risks that DE and the NIAO would be aware of that were associated with the transfer of the audit responsibilities for these schools to the Authority.

7.3 Youthnet : Update (7.6)

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

Miss Bill presented a paper* (ARA/1/17/4.3) setting out actions associated with the management of Regional Voluntary Youth Organisations and issues with Youthnet. She said that negotiations had taken place with Youthlink Scotland and that this body had been in communication with EA-funded RVYOs and the EA to discuss relevant issues, to take on board views and to ensure representation on a Regional Advisory Group. Youthlink Scotland was also assessing the need for an enduring organisation. Miss Bill also reported that Deloitte had been commissioned by orphan bodies to carry out an independent assessment of their needs for an RVYO. She advised that the lessons learned report first draft was expected at the end of January. Members noted that a paper would be presented to the Committee at its meeting on 11 April 2017 on the views of the existing RVYOs with regard to a future advocacy body. A Member queried whether the recommendations coming forward would require Ministerial approval. Mr Boyd said that the Authority, in taking a decision on those recommendations, would give regard to the Minister's views.

Members noted the actions being taken. This included monitoring visits, the adoption of the Youth Service funding control framework for all RVYOs from 1 April 2017, the compilation of the Practice Development System Action Plan and the input of the EA Solicitors in developing service level agreements and letters of offer.

Miss Bill provided an update on the pension liability. A Member welcomed the developments regarding supports for the RVYOs and the involvement and actions being taken forward by Youthnet Scotland. However, she expressed grave concern that the Authority might be required to incur significant liability which was not of its own making and NILGOSC had still not provided the information requested. Miss Bill undertook to seek further clarity on this matter from NILGOSC.

Action: Seek further clarity on liabilities from NILGOSC.

Mr Salmon re-entered the meeting.

7.4 Training for Boards of Governors (7.9)

The training programme for Boards of Governors for 2016/17 had been circulated to all Board Members. The Chair reported on the courses being attended by Members of the Committee.

8. CORPORATE RISK REGISTER

The Chair advised that the Directors would be presenting their departmental risk registers to the Committee on 3 February 2017.

Mr O'Neill presented the Corporate Risk Register* (ARA/1/17/6) and outlined the changes to the document since its last review by the Committee in October 2016.

Members discussed the residual risk score of the 9 corporate risks. Mr Van Houten considered that the table on 'status of corporate risks' should be assisted by a key. A Member commented that 6 of the 9 corporate risks were outside the Authority's risk appetite and he noted that the target date for the vast majority of risks was 31 March 2017. He queried whether these risks would come back into risk appetite and whether the Authority was too conservative in its risk appetite. Mr Van Houten said that a corporate risk register was not a timebound document in the same manner as a Business Plan. Risks continued to be reviewed and assessed. Mr Boyd outlined the process of identifying risks and putting in place mitigating measures to address those risks. He said that he would have concerns regarding the level of risk within which the Authority would seek to operate given the complexities of developing and transforming the new organisation and this would be reflected in the current status of the risk appetite. He outlined the work still to be progressed following the appointment of the Assistant Directors. He said that the directorate risk registers would assist Members in understanding the nature and risk appetite of the organisation.

A Member said that he wished to be assured that the risk management process within the organisation was regularly managed and monitored. He considered that it was a comprehensive process and should add value to the organisation to support business objectives. He wished to receive assurance from all the Directors at various points in time that they were confident in the process to manage the risks identified in the Corporate Risk Register.

A Member outlined a parallel process within the Authority by which the Accounting Officer would seek written assurances from the Directors and the Heads of Internal Audit on delegated areas of responsibility.

Mr O'Neill outlined the process of engagement with the Directors in reviewing and amending the corporate risk register prior to it being presented to the Committee.

A Member queried the inclusion of the associated DENI corporate risks within the register. It was pointed out that the Authority's corporate risks aligned to DE operational policy targets as appropriate.

A Member considered that the mitigating measures in corporate risk 6 did not adequately reflect the breadth of work in this area. It was agreed that the action plan in corporate risk 6 would be developed to provide further assurance and would reflect the work of the Committee established to oversee Child Protection and Safeguarding.

Actions: Table on 'status of corporate risks' to be assisted by a key; Directors to provide assurances to the Committee at various points in time on managing and monitoring their directorate risk registers; the action plan in corporate risk 6 to be developed to provide further assurance.

9. INTERNAL AUDIT

9.1 PROGRESS REPORT – OCTOBER TO DECEMBER 2016

Mr Russell presented the Internal Audit Progress Report* (ARA/1/17/7.1) detailing the audit reviews completed in the last quarter. He advised that, due to changes in the working environment, it was necessary to amend the audit plan so that audit reviews of Special Education and Education Psychology would be deferred to the following year. Consideration was also requested to deferring the review of the Savings Delivery Plan.

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 that the audit plan should be a rolling three year programme instead of an annual programme and should be prioritised to provide timely assurance on key areas. Members discussed the appointment of the new Head of Internal Audit which would provide the opportunity for a fundamental review of practices.

A Member queried whether there was an optimum level of auditing. Mr Boyd said that he was content with the level of assurance provided to him as Accounting Officer on the audit work carried out. While this was not as all-encompassing as he would like, due to the level of resource, the Authority sought to balance risk with resource and frequency of audit and to ensure that careful monitoring was given particularly to high level risks.

The Committee noted the progress report and agreed that the 2016/17 audit plan should be amended to reflect a deferral in the audit reviews of Special Education, Education Psychology and the Savings Delivery Plan.

Action: Audit plan for 2016/17 amended.

9.2 FRAUD REPORT – UPDATE

The Heads of Internal Audit presented the Report* (ARA/1/17/7.2) setting out current and new investigations.

The Committee noted the report.

10. WHISTLEBLOWING CASES

Mr O'Neill presented the Report* (ARA/1/17/8) setting out current and recently completed reviews relating to Whistleblowing. He advised that a central register was now in operation to manage this process.

A Member queried the number of whistleblowing cases that were substantiated. Mr Boyd advised that he understood that a minority number was substantiated and some were partially substantiated. He considered the policy to be a very useful mechanism for management to be alerted to any serious issues within the organisation.

The Committee noted the report.

11. PRIORITY 1 RECOMMENDATIONS

Mr O'Neill advised that only one unimplemented priority 1 recommendation remained relating to Special Education and this had been reported to the Committee at its last meeting.

It was agreed that a report on any new or outstanding priority 1 recommendations would be provided to the Committee at each meeting.

Action: *Committee to receive a report on any new or outstanding priority 1 recommendations at each meeting.*

12. CORRESPONDENCE

12.1 CORRESPONDENCE FROM AN ELECTED REPRESENTATIVE

(Mr Cargo declared an interest in this matter as he had been an employee of the North Eastern Education and Library Board at a period in time referred to in the correspondence.)

Mr Boyd advised that it was inappropriate for the Authority to enter into discussions with an elected representative on staffing matters. In this regard, he would so inform the elected representative. The matter would be resolved as part of the arrangements to restructure the Internal Audit Service.

A Member said that the correspondence had made reference to an equal pay issue prior to the establishment of the Authority. As the Authority had inherited the responsibilities of the legacy organisations, he queried whether any potential liabilities had been identified in this area. Mr Boyd outlined the previous practices within the Education and Library Boards in respect of job evaluation. He undertook to investigate this matter and provide a follow up report to the Committee.

Action: *Provide a report to the Committee on potential liabilities for outstanding job evaluations operated within the legacy organisations.*

12.2 EXTENDED SCHOOLS - CONTRACTUAL ISSUES

Mr Boyd gave a report on a matter involving school based employees undertaking Extended Schools' activities and the risks associated with potential liabilities in respect of unlawful deduction of wages. He advised that the Finance and General Purposes Committee had also received a report on this matter at its meeting on 10 January 2017.

13. EXTERNAL AUDIT

Ms Kane presented the draft Report to those charged with Governance* (ARA/1/17/10.1) which set out the findings of the NIAO's audit of the 2015/16 Annual Accounts. Members noted that the Report had not been considered in detail by management, due to the time of receipt, and was subject to change following consideration of the Management Response. Ms Kane said that the Report could be considered by the Committee with the Management Response at its next meeting.

Ms Kane said that Members were invited to review the findings in the report, including the draft letter of representation and the audit certificate, and to take account of the unadjusted misstatements as set out in Section 3. She drew attention to outstanding documentation which

was required in support of a number of queries. This information was to be provided along with follow up information on prior year priority 1 recommendations prior to certification. Upon receipt of all outstanding information, the recommendation to the Comptroller and Auditor General was to certify the 2015/16 financial statements with an unqualified audit opinion without modification.

Ms Kane outlined the findings of the audit as defined by Priority 1, Priority 2 and Priority 3 Recommendations.

The Chair thanked Ms Kane for her presentation and stated that an unqualified set of accounts was a significant achievement for the Authority in its first year of operation. He acknowledged that, due to the time of receipt of the Report, management had been unable to provide a response. Miss Bill gave a verbal report on each of the audit findings. Members noted that DE and DoF were actively engaging with HMRC on the unintended corporation tax position of the Authority. It was envisaged that legislation would be changed retrospectively. Miss Bill also advised that changes to legislation had been taken forward for other bodies to address similar issues in other bodies. Members also noted the Business Case for the remuneration of Assistant Directors had now been approved by DE and DoF which would enable immediate attention to be given to the recruitment process for the new Head of Internal Audit. They also noted that work was commencing on a service level agreement between the EA and the Teachers' Pay and Pension team in DE.

A Member expressed appreciation to the NIAO for their work involved in the audit and he paid tribute to EA staff for enabling an unqualified set of accounts. However, in terms of the completeness of the discussion, he wished that the Committee could interrogate the Management Response.

Ms Kane said that, in the absence of a documented Management Response and in taking account of the unadjusted misstatements, the Committee was in a position to recommend that the Accounting Officer was able to approve the financial statements and sign the letter of representation. The Management Response could be considered by the Committee at its next meeting.

The Committee noted the draft Report to those Charged with Governance and agreed to recommend that the Chief Executive should approve the financial statements and letter of representation.

14. DIRECT AWARD CONTRACTS

The Committee noted the papers* (ARA/1/17/11) setting out details of Direct Award Contracts and a further paper** on a Direct Award Contract.

The Committee received notice of potential Direct Award Contracts relating to:

- the HR / Payroll system;
- the current banking provider in respect of cash handling; and
- a shared services network for government departments (direction on this was being sought from the Department of Finance).

