



protection training to private operators from the EA Child Protection Support Service.

The Chair of the Child Protection and Safeguarding Committee said that this matter would be followed up by the Child Protection and Safeguarding Committee.

**Action:** *Matter to be referred to the Child Protection and Safeguarding Committee for follow up review.*

## **6.2 MEETING HELD ON 22 FEBRUARY 2018**

### **REPORT TO THOSE CHARGED WITH GOVERNANCE (7)**

The Chair reported that the Finance and General Purposes Committee had considered the Comptroller & Auditor General's public interest report which had accompanied his audit opinion on the 2016/17 Financial Statements.

Miss Bill drew attention to discussion on the Report to those Charged with Governance and in particular to the query raised on the number of complaints received from suppliers regarding late payment of invoices. She reported that during 2017/18, based on the information available, the Accounts Payable function had made 392,456 payments to EA creditors at a value of approximately £622m. This equated to an average of 32,700 payments per month with a value of £51.8m. She advised that there was no formal system of recording and monitoring the level and nature of individual complaints. However, a manual review of records had highlighted that during 2017/18 there were 31 instances where EA had been levied with interest and late payment charges, amounting to £3,358. In relation to accounts put on hold, this action had been taken by 13 suppliers and had affected 20 EA accounts. The main reason for accounts being put on hold was a delay in approval of invoices for payment by schools or EA budget holders.

Miss Bill advised that the measures taken to improve the timeliness of payment to suppliers included the introduction of additional payment runs, regular monitoring of school and EA budget holders, continual monitoring of processing capacity within Accounts Payable offices and reallocation of work where necessary. She also advised that the introduction of a formal customer / supplier relationship management system was being explored. This would involve a dedicated call centre and would facilitate better management information. The Committee noted the report.

## **7. CHAIRPERSON'S BUSINESS**

### **7.1 TRAINING PROGRAMME FOR COMMITTEE MEMBERS**

On the proposal of Mr Lundy, seconded by Mr Salmon, the Committee approved the training programme\* (ARA/4/18/5.1) which incorporated a timeframe for delivery.

It was noted that the Chair and Mr Anderson would review the performance of the Committee over the summer months with the intention that a report on this matter would be presented to the Committee at its Autumn 2018 meeting.

**Action:** *A report on the Committee's performance against the self-assessment checklist to be presented to the Committee at its Autumn meeting.*

## **7.2 DE AUDIT AND RISK ASSURANCE WORKSHOP - 14 JUNE 2018**

The Chair of DE's Audit and Risk Assurance Committee had invited all members of ALBs / NDPBs Audit and Risk Assurance Committees to attend a workshop on 14 June at Parliament Buildings.

It was noted that a number of Committee members, as well as the Chair of the Board, would be attending DE's workshop.

## **8. CORPORATE RISK REGISTER : REVIEW AS AT 31 MARCH 2018**

Training on Risk Management had been provided to the Committee at a workshop earlier in the day. At the workshop, Members had identified two actions: to build on relationships between the executive and non-executive team; and to task Mr Anderson to engage with DE officials on the format and content of the Corporate Risk Register in order to make it more user friendly.

Mr Anderson presented the Corporate Risk Register\*\* (ARA/4/18/6.1) reflecting the risk environment up to 31 March 2018. He also presented a report\* (ARA/4/18/6.2) setting out his independent evaluation of the content of the Corporate Risk Register. Mr Anderson said that he considered that the residual risk level for eight of the ten corporate risks was accurate. With regard to the remaining two corporate risks, he suggested that management might wish to consider if the residual risk level should equal the risk appetite level or whether they might need to be raised to show that the residual risk was higher than the risk appetite level. He was also satisfied that considerable efforts and controls were being applied to bring the residual risk levels into line with risk appetite. He highlighted that DE's risk 8 around the implementation of the General Data Protection Regulations was not adequately reflected in the Corporate Risk Register.

Mr Boyd said that a report would be provided to the Committee in due course on the implementation and out-workings of GDPR.

A Member drew attention to an unevenness of information provided in the Corporate Risk Register across the range of risks. He also commented that the document did not capture an evaluation of the effectiveness of those actions that had been taken to inform actions for improvement.

Members expressed concern that the Corporate Risk Register was proving unwieldy for management and was therefore not being utilised as an efficient management tool. Miss Bill said that she would welcome a review of the document's structure. Mr Anderson said that, in his engagement with DE on amending the format of the document, he would seek to align the Corporate Risk Register with the Strategic Plan and the Transformation Levers for Change.

Mr Fair queried whether the procurement activities for the new HR / Payroll system and IT connectivity in schools had been reflected appropriately in the Corporate Risk Register. Miss Bill provided a progress report on the movement towards implementation of the HR / Payroll system. She advised that this risk was contained within her own directorate risk register. She also drew attention to the work involved in procuring appropriate IT connectivity for schools. This involved the procurement of a system which would meet the future needs of education and the end of the C2K contract which would reflect both connectivity and a range of education areas. A new system would also be required to take account of work being undertaken across the various organisations within the Public Sector Shared Services Programme.

Members were of the view that the Head of Internal Audit and Assurance's evaluation report was a useful document to assist the Committee in scrutinising the Corporate Risk Register.

On the proposal of Dr Dynan, seconded by Mr Salmon, the Committee agreed the Corporate Risk Register subject to the inclusion of the risks associated with GDPR, the procurement work for meeting the future needs of education and the expiry of the C2K contract and IT connectivity in schools, and the new HR / Payroll system.

**Action:** Amend Corporate Risk Register to reflect more fully the risks associated with GDPR, the procurement of IT connectivity for schools after the expiry of the C2K contract, and the new HR / Payroll system; and report to be provided to the Committee on the implementation and out-workings of GDPR in due course.

## **9. GOVERNANCE STATEMENT 2017/18**

Mr Anderson presented the Governance Statement\* (ARA/4/18/7). It was pointed out that the Governance Statement would form part of the Annual Report and Accounts for 2017/18.

Members noted that, in addition to a few minor amendments, the Governance Statement would be updated to show the final outturn position.

A Member commented on the overall high rate of attendance of Members at Board and Committee meetings. Mr Allen advised that information on individual Board Member attendance was only required for meetings of the Board and the Audit and Risk Assurance Committee.

The Chair received confirmation that the matter concerning public sector payment policy and measures of compliance was also set out in the Report to those Charged with Governance.

Mr Fair suggested that the Governance Statement should include a progress report on area planning with particular emphasis given to constraints in progressing development proposals. Mr Allen said that the detail provided on Internal Audit reports with limited assurance and the Centre of Procurement Expertise (CoPE) Reaccreditation would be examined by the NIAO during the 2017/18 audit.

A Member said that he understood the rationale for the elongated process associated with CoPE reaccreditation. However, he urged the Chief Executive and senior management to resolve issues as quickly as possible to ensure that EA was fully compliant. Mr Boyd outlined the preparations undertaken by officers for CoPE reaccreditation and the outcome. He said that a report on the reaccreditation process would be presented to the Committee. He assured Members that he was satisfied that adequate controls were in place around procurement and contract management.

The Committee noted the Governance Report.

**Action:** An assessment report on the CoPE reaccreditation process to be presented to the Committee.

## **10. REPORT TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT RESPONSE 2016/17**

Mr Allen presented the final Report to those Charged with Governance\* (ARA/4/18/8) setting out the results and issues arising from NIAO's audit of the 2016/17 Accounts, management responses and agreed target dates for implementation. Mr Allen said that management had accepted 16 responses and partially accepted one response. He confirmed that NIAO was content with the management responses.

Mr Allen said that an evaluation would be carried out on EA's implementation of Priority 1 recommendations contained in the Report and this evaluation would feature in the NIAO RTTCWG for 2017/18.

Miss Bill welcomed the audit findings.

A Member urged management to expedite the Service Level Agreement with the Teachers' Pay and Pension Team in line with the agreed timeframe. She also urged management to secure a suitably qualified and experienced IT security officer as quickly as possible and to address risks in relation to cyber security. Miss Bill outlined the strategy behind devising an enduring ICT support structure and that work on the Service Level Agreement was moving ahead.

The Chair said that progress against Priority 1 recommendations contained in the 2016/17 RTTCWG would be included in the standing report on Priority 1 Recommendations which was presented to the Committee.

The Committee noted the RTTCWG including the management responses.

## **11. PRIORITY 1 RECOMMENDATIONS : PROGRESS REPORT**

Mr Anderson presented a paper\* (ARA/4/18/9) summarising actions taken to date and the proposed actions on the implementation of Priority 1 recommendations, including those from school audits.

The Committee noted areas where satisfactory progress had been made. These areas would be removed from the report.

A Member referred to a number of maintained schools which had not provided management responses to Priority 1 recommendations. He expressed concern that these schools were not addressing governance responsibilities and he queried the process to engage with CCMS to ensure accountability and deliverability of actions.

Mr Boyd said that, as EA was the funding authority for maintained schools, he would pursue an approach that would require Boards of Governors to be accountable for implementation of Priority 1 recommendations. A report on this matter would come back to the Committee.

The Chair of the Board referred to training provided to newly appointed principals. She emphasised that this training should give focus to equipping principals to manage their responsibilities in this area along with an understanding of Boards of Governors' responsibilities in this area.

Attention was given to cash losses. It was noted that Mr Anderson was currently providing fraud awareness training to all relevant staff.

The Chair drew attention to an inconsistency in the implementation date to progress the Service Level Agreement with the Teachers' Pay and Pension Team in the Priority 1 report compared to the date set out in the RTTCWG. This would be amended.

The Committee considered a paper\* (ARA/4/18/9.1) setting out Priority 2 and Priority 3 recommendations, including those from school audits. Mr Anderson advised that a summary analysis of all recommendations made and accepted was provided within each Internal Audit progress report which was presented to the Committee on a quarterly basis. In addition, the Internal Audit annual report set out the overall position for all recommendations. It was agreed that the information provided in this way to the Committee on Priority 2 and Priority 3 recommendations was sufficient.

A Member suggested that a self-evaluation questionnaire would be a useful and effective tool for schools to assess their compliance with audit and risk management. Mr Anderson confirmed that this exercise was currently being developed and would be rolled out to schools.

**Action:** *Officers to pursue the matter concerning Boards of Governors' accountability to respond to Priority 1 and Priority 2 recommendations.*

## **12. INTERNAL AUDIT**

### **12.1 ANNUAL REPORT 2017-18**

Mr Anderson presented the Internal Audit annual report\* (ARA/4/18/10.1) and advised that overall there was an adequate and effective system in place of governance, risk management and control arrangements. He referred to the number of system audits completed during the year which had provided limited or unacceptable assurance, as set out in the report. The implementation of audit recommendations in these audits was subject to Internal Audit monitoring for all Priority 1 recommendations.

Mr Anderson said that, under the requirements for CoPE accreditation, he was required to provide separate assurance for both procurement and contract management arrangements. He was only able to provide limited assurance at this time as Internal Audit had been unable to undertake a comprehensive programme of audit linked to CoPE accreditation in 2017/18. However, this was being addressed and an audit would be undertaken in 2018/19, as set out in the draft Internal Audit Plan.

Mr Anderson drew attention to the good working relationship between NIAO and Internal Audit which involved the sharing of respective areas of work. He referred to the table detailing progress against audits undertaken in the year. The table identified the number of final and draft audit reports issued within the year, as well as the fieldwork undertaken, and the number of recommendations made and accepted within each report. He also drew attention to the professional qualifications and experience of Internal Audit staff. He considered that Internal Audit could benefit from a member of staff who had specialist forensic computer expertise but this would be difficult to obtain and retain. He therefore intended to buy in this expertise as and when required.

*Ms O'Connor left the meeting at 2.00 pm.*

Mr Anderson said that an external audit quality assurance exercise had been commissioned. This exercise would be undertaken in May with a report to come back to EA in June. This report would be presented to the Committee in due course.

Mr Anderson said that Internal Audit would seek to support management in a range of areas through the provision of advice and guidance in advance of the audit process. A Member agreed with providing support but urged caution with regard to the need for Internal Audit to evaluate systems and processes independently.

The Committee noted the annual report.

### **12.2 AUDIT PLAN 2018-21 INCLUDING AUDIT PLAN FOR 2018-19**

Mr Anderson presented the Internal Audit Strategic Plan 2018-21\* (ARA/4/18/10.2) and advised that the plan was in draft format.

A Member referred to the significant volume of work proposed to be undertaken and queried confidence in the plan's deliverability. He also queried the consultation that had taken place with managers and external audit in compiling the draft plan. Mr Anderson said that he had a reasonable level of confidence in delivering on the areas identified. He

had consulted Directors and Assistant Directors on priority areas across the three year period. Those discussions were continuing. He had also discussed the plan with NIAO. Broadly, all stakeholders welcomed the direction of travel outlined in the plan.

It was agreed that as the plan was currently in draft format, it would be presented to the Committee at a future meeting for further consideration.

**Action:** *Audit Plan 2018-21 to be presented to the Committee at a future meeting for further consideration; plan to be structured to schedule audits by quarters.*

*Mr Cargo left the meeting at 2.17 pm.*

### **12.3 FRAUD REPORT 2017/18**

Mr Anderson presented the end of year report summarising current and completed fraud investigations.

The Committee noted the report\* (ARA/4/18/10.3).

### **13. WHISTLEBLOWING CASES 2017/18**

Mr Anderson presented the end of year report\* (ARA/4/18/11) setting out current and recently completed reviews relating to Whistleblowing. Discussion ensued on the number of completed cases that had been substantiated.

The Committee noted the report.

### **14. AUDIT AND RISK ASSURANCE COMMITTEE - ANNUAL REPORT 2017/18**

The Chair presented the Committee's annual report\* (ARA/4/18/12). This set out the Committee's opinion that assurances provided to the Committee during the year on corporate governance, risk management and internal control had been comprehensive, reliable and sufficient to assist the Chief Executive to meet his accountability obligations. The annual report also recorded that actions taken to address control weaknesses and other identified issues had been satisfactory.

On the proposal of Mr Salmon, seconded by Miss Rainey, the Committee approved the annual report for 2017/18. The Chair said that the annual report would be presented to the Board for noting.

### **15. NORTHERN IRELAND AUDIT OFFICE**

Mr Allen said that NIAO and EA officers had met to discuss lessons learned from the 2016/17 audit and to discuss a timetable for the audit strategy for 2017/18. It was intended that the audit of the 2017/18 Financial Statements would commence in September. Meetings would be held with Assistant Directors on a fortnightly basis to discuss progress and team meetings would be held on a weekly basis where issues could be addressed. He advised that NIAO had advised EA officers of the notional fee for the audit of the 2017/18 Financial Statements.

Mr Allen said that it was intended that the Report on the Financial Health of Schools would be issued to DE for comment in the coming days. DE would seek comment from EA on this report.

Mr Allen said that NIAO would be undertaking work in respect of a strategic review of EA. The Chair requested the terms of reference for this review. Mr Boyd undertook to circulate NIAO's letter on the strategic review to the Committee.

*Action: Circulate NIAO's letter on the strategic review of EA to the Committee.*

## 16. DIRECT AWARD CONTRACTS

Mr Boyd summarised the nature of the Direct Award Contracts being presented.

The Committee noted the Direct Award Contracts\* (ARA/4/18/14).

## 17. ACCOUNTABILITY AND FINANCIAL MANAGEMENT

The Committee noted the following circulars:

- DAO DoF 01/18 - Annual Theft and Fraud Report 2016/17
- DAO DoF 02/18 - Accounts Direction 2016/17
- DAO DoF 03/18 - Audit and Risk Assurance Committee Handbook (NI) 2018
- FD DoF 01/18 - Annual Pay Remit Approval Process and Guidance 2017/18
- FD DoF 02/18 - Government Financial Reporting Manual (FReM) 2017/18
- FD DoF 03 18 - Departmental Annual Report and Accounts 2017/18

## 18. ANY OTHER BUSINESS

### 18.1 TRAINING PROGRAMME FOR COMMITTEE MEMBERS (Continued – minute 7.1)

The Chair asked Mr Salmon to assist him and Mr Anderson in reviewing the Committee's performance. Mr Salmon confirmed his willingness to support in this area.

*Action: The Committee's annual self-assessment exercise to be undertaken by Mr Jardine, Mr Salmon and Mr Anderson.*

### 18.2 SEPARATE ENGAGEMENT WITH DE AND NIAO REPRESENTATIVES

The Chair said that the Committee would meet DE and NIAO representatives separately in advance of the May Committee meeting.

## 19. DATE OF NEXT MEETING

The next meeting was scheduled for 17 May 2018.

The meeting ended at 2.32 pm.

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**Chair**

\_\_\_\_\_  
**Date**

\* Paper circulated

\*\* Paper tabled