

MINUTES OF PROCEEDINGS OF A SPECIAL MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 22 FEBRUARY 2018 AT 10.00 AM IN ANTRIM

1. PRESENT

Mr D Cargo Miss R Rainey
Dr M Dynan Mr T Salmon
Mr G Lundy

Ms S O'Connor was in attendance

2. IN ATTENDANCE

Mr G Boyd, Miss J Bill, Mr D Anderson, Mrs G Flavell and Ms L McCall.

Ms C Kane, Mr A Allen and Mr J Latimer attended from the Northern Ireland Audit Office and Mr G Patrick attended from the Department of Education.

3. APOLOGIES

Apologies had been received from Mr E Jardine, Mrs B Hale, Mr R Forrest and Mr O McMullan.

4. OFFICE OF CHAIR

On the proposal of Mr Salmon, seconded by Miss Rainey, Mr D Cargo was elected chair for the meeting.

The Chair expressed the Committee's sincerest best wishes to Mr E Jardine following surgery.

5. DECLARATIONS OF INTEREST

The Chair reminded Members of the requirement to declare interests during the course of the meeting.

6. ANNUAL REPORT AND ACCOUNTS 2016/17

Miss Bill presented the Annual Report and Accounts 2016/17* (ARAC/2/18/4). It was noted that the Committee, at its meeting on 26 May 2017, had approved the submission of the Annual Report and Accounts to the Northern Ireland Audit Office. Miss Bill confirmed that no changes had been made to the Financial Statements following audit. She advised that some changes had however been made to reflect accounting policy and disclosures.

A Member said that the Committee had given appropriate consideration to the Annual Report and Accounts in May 2017. As no changes had been made to the Financial Statements following audit, he was content with the document.

On the proposal of Mr Salmon, seconded by Dr Dynan, the Committee agreed that the Chair and Chief Executive should be authorised to sign the Financial Statements.

The Chair paid tribute to all officers involved in the preparation of the Annual Report and Accounts.

7. REPORT TO THOSE CHARGED WITH GOVERNANCE

Ms Kane presented the new format of the draft Report to those Charged with Governance* (ARA/2/18/5) which set out the findings of the NIAO's audit of the 2016/17 Financial Statements as well as the draft Letter of Representation and Audit Certificate. The Committee noted that the Report had not been considered in detail by management due to the time of receipt.

Ms Kane said that it was anticipated that the Comptroller and Auditor General (C&AG) would certify the 2016/17 Financial Statements with an unqualified audit opinion without modification by 28 February 2018. She confirmed that there had been no significant adjustments to the Financial Statements. She said that the C&AG had produced a public interest report, to accompany his audit opinion, on the EA's overspend of £19.1m compared with the 2016/17 budget allocation.

Ms Kane referred to the two specific risks which had been identified in the Audit Strategy on the implementation of the new IFS financial system and compliance with procurement and contract management procedures. She detailed the audit response to the two risks and the outcomes following testing.

Ms Kane outlined in detail the audit findings as defined by priority 1, priority 2 and priority 3 recommendations within the categories of Financial Audit and IT Audit. She pointed out that, since releasing the document, further information had been received in respect of the IFS finance system user accounts. This meant that this priority 1 recommendation would be removed from the Report.

A Member paid tribute to Finance staff for enabling an unqualified set of accounts and to NIAO officers for their work involved in the audit.

Mr Boyd said that the draft Report was helpful for officers. He outlined the risks associated with the movement mid-year to the new single finance system which replaced the five former education and library board systems. He said that the Finance and General Purposes Committee, at its meeting on 6 February 2018, had approved the EA Procurement Strategy. He also said that an accreditation team would be visiting the EA in early March to conduct a re-assessment of EA's CoPE status.

Miss Bill drew attention to a number of competing priorities in 2016/17, specifically budget pressures, the implementation of the new single finance system, and systemic challenges.

A Member referred to significant disparity on the audit findings relating to payroll reconciliations (non-teaching staff). Miss Bill outlined the processes for payrolls which were completed across the five legacy systems. She advised that the amount was below 0.5% and that officers would be completing reconciliations moving forward.

Discussion ensued on the audit findings relating to prompt payment of suppliers. Ms Kane said that the implementation of the new finance system would have impacted on EA's ability to meet its performance target for prompt payment. She said that EA's performance figure was not dissimilar to the figures reported within local government. The Chair queried whether there was a mechanism which could address the challenges experienced by the EA in this area which would take account of the scale of the EA's supply chain.

Mr Patrick said that the requirement on public sector organisations to meet prompt payment targets was significant. He advised that DE and EA officials were working together to put in place other procedures to meet this target.

Miss Bill said that delays in payments for suppliers resulted mainly from staff at locations including Headquarters' offices, schools and youth facilities not receipting goods and services on EA systems as quickly as possible. The roll out of the new finance system would assist the EA in improving its performance figure for prompt payment. She advised that Mr S Wade, Assistant Director for Financial Services, had prepared a programme of actions to support prompt payment and DE had been advised of those actions.

A Member queried the level of complaints received from suppliers regarding late payment of invoices. The Chair said that the Committee should receive a report setting out this information.

Miss Bill advised that she would report on this matter to the Committee.

Members noted the recommendation concerning the appointment of a suitably qualified and experienced IT security officer to co-ordinate and manage all EA IT security matters. Mr Boyd said that the appointment of the Assistant Director for ICT would support the EA in increasing its capabilities in this area.

A Member said that while he accepted the rationale for competing priorities on resources, he considered that IT security was an absolute priority for the EA. The Chair of the Board said that this area was a corporate challenge.

Miss Bill said that processes and structures continued to evolve since EA's establishment and this impacted on systems. She advised that EA was now operating one of the most advanced finance systems in NI. She welcomed the audit findings on systems and processes and advised that these would be addressed by management through the development and implementation of action plans.

A Member indicated that he was pleased with the success of the implementation of the IFS finance system and he welcomed the audit findings in this area.

The Chair expressed concern that the EA IFS Programme Management Board had not met between December 2016 and November 2017 which meant that the project risk register had not been reviewed during this time. Miss Bill said that following the Gateway Review a decision had been taken to carry out a fundamental review given the complexity of the HR system. Whilst this review was ongoing, she confirmed that discussions continued with the supplier on a weekly basis to ensure that the EA was continuing to move in the right direction. The Chair considered that the absence of a proper governance structure within this period had increased the level of risk.

Mr Anderson confirmed that the findings contained within the Report to those Charged with Governance would inform the 2018/19 Audit Plan. The Audit Plan would be presented to the Committee at its April meeting.

The Chair welcomed the collaboration between officers of the NIAO and EA. He said that management had accepted all recommendations and the Report would be considered by the Committee, along with the management response, at its April meeting.

Ms Kane outlined the content of the Letter of Representation, the proposed Audit Certificate, and the public interest report produced by the C&AG which would be appended to the Financial Statements on EA's 2016/17 overspend position. She pointed out that the public interest report included comments made by DE and EA on the rationale for the overspend position.

Ms Kane also referred to the update provided on management's implementation of prior year priority 1 recommendations.

In response to a query from the Chair, Ms Kane said that it would be a matter for the Public Accounts Committee to decide whether to take forward the public interest report.

Mr Boyd said that the position taken by the C&AG was entirely reasonable. The issues facing the EA did not relate to financial management but rather to wider systemic and budgetary issues.

The Chair affirmed that these risks needed to be continually monitored and reviewed. He said that the public interest report would be referred to the Finance and General Purposes Committee.

On the proposal of Miss Rainey, seconded by Mr Salmon, the Committee agreed to recommend that Mr Boyd should sign the Letter of Representation.

Ms Kane highlighted that the NIAO would discuss lessons learned from the audit process with Finance staff prior to commencement of the 2017/18 audit to ensure completion of the audit within an agreed timeframe.

Actions: Report to those Charged with Governance, as amended, along with the management response to be considered by the Committee at its April meeting; public interest report to be referred to the Finance and General Purposes Committee; report to be provided to the Committee on complaints received from suppliers regarding late payment of invoices.

8. ANY OTHER BUSINESS

Ms Kane said that the first draft of the report on the financial health of schools would be forwarded to DE and EA for consideration in March.

9. DATE OF NEXT MEETING

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

A Member queried if this date could be changed. It was agreed that if an alternative date was found to be suitable for all, this request would be accommodated.

The meeting ended at 11.45 pm.

Chair

Date

* Paper circulated

** Paper tabled