

MINUTES OF PROCEEDINGS OF THE AUDIT AND RISK ASSURANCE COMMITTEE OF THE EDUCATION AUTHORITY HELD ON 27 MAY 2016 AT 11.00 AM IN ACADEMY STREET, BELFAST

PRESENT Mr E Jardine (Chair)

Dr M Dynan Ms R Rainey
Mr R Forrest Mr T Salmon

IN ATTENDANCE

Mr P O'Neill, Ms J Bill, the Heads of Internal Audit, Mrs G Flavell, Ms C Kane (NIAO) and Mr S Van Outen (DE).

1. APOLOGY

An apology had been received from Mr Boyd.

2. DECLARATIONS OF INTEREST

Mr Salmon declared an interest as Chair of NILGOSC and stated that he had a question to ask during the meeting with regards to benefits to members.

3. MINUTES OF MEETING HELD ON 18 APRIL 2016

It was agreed that draft Audit and Risk Assurance Committee minutes would be circulated to Members for comments before issuing for the EA Board meeting. Minor amendments were noted and agreed for the minutes of 18 April 2016, paper *ARA/5/16/3 to be signed by the Chair.

Action: Amendments to be made to Minutes of meeting held on 18 April 2016 and signed by the Chair.

4. MATTERS ARISING FROM THE MINUTES

4.1 UNIMPLEMENTED PRIORITY 1 RECOMMENDATIONS

The Heads of Internal Audit provided an overview on the areas where management have yet to fully implement internal audit recommendations.

Members highlighted a concern that 'Action Dates' were listed as 'ASAP'. They asked to be informed as to how long the recommendations had been open and if management should have provided an update on them. The Heads of Internal Audit confirmed that within SharePoint, Members would be able to see actions which have been completed on Priority 1 Recommendations. The Change Director stated that the online system was currently being designed so that management would be issued with reminders to update their Priority 1 recommendations as required. It was agreed that the Heads of Internal Audit would provide an update on the timeline for the creation of the online SharePoint tracker to address the points discussed.

It was suggested by a Member that the two Independent Members could meet with Directors as they did not attend the EA Board meetings and therefore have never met them.

It was agreed that Priority 1 Recommendations would be a standing item on the Audit and Risk Assurance Committee agenda for future meetings.

Action: *A meeting to be arranged for Mr Forrest and Mr Salmon to meet with the Directors. Priority 1 Recommendations to be included as a standing item on the Audit and Risk Assurance Committee agenda for future meetings.*

4.2 WHISTLEBLOWING CASES

The Heads of Internal Audit provided the Committee with a summary which outlined the number of whistleblowing cases that were fully, partially or not substantiated during the 2015/16 financial year.

Members' highlighted the need for clarity with the column in paper *ARA/5/16/4.2 'Substantiated (Yes/No/Partially)' which indicated that the outcomes in many cases were classified 'partially' and 'no'. The Heads of Internal Audit explained that with one whistleblowing investigation there could be, for example, eleven allegations, three of which were substantiated and four not substantiated which meant the case was labelled partially substantiated.

Following discussion it was agreed that it would be useful to include another column within the Whistleblowing Cases table titled 'Action/ Consequence/ Outcome' which would provide significant relevant information. The Chair requested further information regarding how many of the whistleblowing cases were anonymous as this would be also be useful information for Members.

Action: *Column to be included on table title 'Action/ Consequence/ Outcome'. Number of anonymous whistleblowing cases to be provided to Committee.*

5. CHAIRPERSON'S BUSINESS

5.1 MEDIA ISSUE - BACS PAYMENT

The Heads of Internal Audit provided an overview of the report *ARA/5/16/5 which detailed the circumstances that led to the failure to pay some EA employees on the due date. They reported that implementation of the recommendations set out in the audit report should reduce the risk of another failure to process the BACs payment on the correct date.

Members voiced concern that some employees had not been paid on time and, in addition, the Authority had received negative publicity. They commended the Authority for dealing with it but sought assurance that robust action had been taken to prevent a recurrence of the situation.

Ms Bill acknowledged that the situation was not acceptable and measures had been taken to ensure a repeat situation did not occur. The Heads of Internal Audit confirmed that a new system had been implemented and a payroll officer and computer development officer have to check the processing date.

6. ANNUAL REPORT AND ACCOUNTS 2015/16

The Committee considered the paper *ARA/5/16/6, Draft Annual Report and Accounts 2015/16 which were submitted for approval prior to submission to the Northern Ireland Audit Office on 3 June 2016.

Mr O'Neill stated that the report was the first Annual Report and Accounts for the Education Authority and that it had been structured in three parts: the Performance Report; the Accountability Report and the Financial Statements. Mr O'Neill reported that the Performance Report largely reflected the Authority's performance over the past twelve months and identified two main challenges: the budget; and ensuring that education services continued to be delivered uninterrupted while undertaking the largest programme of reform on the education sector for the last forty years.

Ms Flavell provided an overview of the Annual Accounts 2015/16 and stated that the period of accounting used for the accounts was 12 December 2014 to 31 March 2016. She highlighted that absorption accounting had been used as EA was a new organisation and absorbed former activities from five Education and Library Boards and the Staff Commission for Education and Library Boards. Mrs Flavell explained that finance staff had the challenge of relying on information from five different finance systems and that would continue until the five finance systems migrated to one new finance system for the Authority.

The Chair thanked Mr O'Neill and Mrs Flavell for their information. Members congratulated finance staff on their first successful set of accounts and stated that it was evident the amount of work which had gone into producing them.

Members sought the following assurances with regards to the accounts:

- Accounting standards followed in the production of the accounts
Mrs Flavell provided assurance that all accounting standards had been followed, for example: International accounting; FREM; DE Accounts Direction and DAO letters.
- Was the Authority aware of any issues in the accounts which could lead to a qualification of the accounts?
Mrs Flavell provided assurance that finance staff were not aware of any issues in the accounts which could lead to a qualification of the accounts.
- What evidence was sought to determine the pension judgements that were made within the accounts?
Mrs Flavell confirmed that finance staff had to rely on the work of experts in this field and they had liaised with NILGOSC and the actuary. Assumptions were provided by them and reviewed by Chief Finance Officers with what knowledge they had on them.
- What evidence was sought to determine the valuation of estates?
Mrs Flavell reported that each property had been valued separately in 2013 and that advice had been taken by the experts who were the Land and Property Services who provide the most consistent information for public sector organisations.

Ms Bill reported that the Authority had an underspend of 0.75% which highlighted that the budget was managed extremely well in very difficult circumstances. She reported that these included a final Monitoring round in November and that the organisation was not yet operating with the most efficient finance system.

Members requested that two amendments were made to the Annual Report and Accounts - to either include or exclude the honours information in the list of the Authority's Members' names and to include Sir Gerry Loughran's name to the list.

Members again commended finance staff for their work.

Action: *Members' names to be amended to include or exclude all honours information and include Sir Gerry Loughran's name to the list.*

7. INTERNAL AUDIT WORK PROGRAMME

The Committee considered the paper *ARA/5/16/7 which provided an understanding of how the Internal Audit Work Programme was developed and set out details of the audits to be carried out during the 2016/2017 financial year.

The Heads of Internal Audit provided an overview of the paper and explained that the programme of work was based on the Heads of Internal Audits' assessment of the management of risks facing the Authority, as outlined in the Corporate Risk Register and input was received from senior managers. The Heads of Internal Audit reported that in drawing up the plan they were aware of the work being undertaken by Directors to regionalise services but they had to balance that with the assurances required by the interim Chief Executive and the Audit and Risk Assurance Committee on the quality of work ongoing to deliver key services.

The Committee agreed to recommend the approval of the Internal Audit Work Programme for 2016/17 and requested that reports were provided throughout the year.

Action: Updates on the Internal Audit Work Programme to be provided to the Committee throughout the year.

8. EXTERNAL AUDIT : UPDATE

Ms Kane reported that a timetable of work had been agreed for the audit of the EA financial statements and it was hoped that the audit would be completed by the end of October 2016. Ms Kane also reported that NIAO had commenced work on a review of the provision for Special Educational Needs which would involve the co-operation of both EA and DE. NIAO had met with the interim Chief Executive and the Director for Children and Young People's Services. Ms Kane reported that the aim was to produce a report on this by March 2017.

9. SINGLE TENDER ACTIONS

The Committee noted the following Single Tender Action approved by the Interim Chief Executive:

- Childcare Voucher Scheme for Education Authority and other bodies.

10. DATE OF NEXT MEETING

The date of the next meeting for the ARAC is scheduled for 5th October at 10.00 am in Forestview.

The meeting ended at 12.30 pm.

Chair

Date

* Paper circulated ** Paper tabled