

**MINUTES OF PROCEEDINGS OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON
4 OCTOBER 2017 AT 10.00 AM IN ANTRIM BOARD CENTRE**

1. PRESENT

Mr R Forrest	Mr O McMullan
Mrs B Hale	Mr T Salmon
Mr E Jardine	Miss R Rainey

2. IN ATTENDANCE

Mr G Boyd, Mr J Collings, Mr D Anderson, Mr P O'Neill, Mrs S McCartan, Mrs G Flavell and Ms L McCall.

Mr G Patrick attended from the Department of Education and Ms C Kane attended from the Northern Ireland Audit Office.

3. OFFICE OF CHAIR

Officers from EA, DE and NIAO withdrew from the meeting during discussion of this item.

Mr Boyd said that the Board at its meeting on 28 September had agreed a way forward on the appointment of committee chairs. The Board had agreed:

- that the current Committee structure would remain;
- that it would endorse the existing Committee chairs for the remainder of the term of the EA Board; and
- in endorsing those Committee chairs, it would review Standing Order 10.3 before the end of the term of the current Board to ensure that the methodology for appointing Committee chairs was consistent with best practice.

Mr Jardine confirmed that he was willing to be re-elected as Chair subject to Members' agreement.

Mr McMullan wished to record that he would not take part in this process until the review of Standing Order 10.3 had been carried out. He pointed out that this was no reflection on the abilities of the Chair.

In the absence of any further proposals, Mr E Jardine was confirmed in office of chair.

Officers re-entered the meeting.

4. APOLOGIES

Apologies had been received from Mr D Cargo and Dr M Dynan.

5. DECLARATIONS OF INTEREST

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

6. MINUTES OF MEETING HELD ON 26 MAY 2017

On the proposal of Mr Salmon, seconded by Mrs Hale, the Committee agreed the minutes* (ARA/10/17/4) of the meeting held on 26 May 2017.

7. CHAIRPERSON'S BUSINESS

7.1 WELCOME

The Chair welcomed the newly appointed Head of Internal Audit and Assurance to the meeting. Mr Anderson outlined his previous employment within Internal Audit in various Government Departments. The Chair also welcomed to the meeting Mrs McCartan and Mrs Flavell.

8.2 WORKSHOP ON CORPORATE GOVERNANCE

A Board Member workshop on corporate governance had been held on 28 September 2017. Members had received guidance on best practice in governance in advance of the workshop.

The Chair said that, at the workshop, Members had discussed stakeholder interests, Board policy and scenarios relating to conflicts of interest. It had been agreed that the comments raised by Members on the issues discussed would be reviewed against guidance and a report would be drawn up which would set out any emerging issues which required further clarity. This report would be presented to the Board for consideration.

8.3 TRAINING FOR COMMITTEE MEMBERS

The Chair said that the two Members, appointed to the Committee in April and May 2017, had received audit training from Mr Anderson. A further training session would be facilitated for the two Members.

The Chair said that he was engaging with Mr Anderson on the audit training programme. This programme would be presented to the Committee at its next meeting.

8.4 TRANSFORMATION PROGRAMME BOARD MEMBER SUB-GROUP

Mr Boyd outlined the Board's consideration in recent months to the EA's extremely challenging budgetary position and its underlying strategic issues. He said that, in endorsing the proposals for a Transformation Programme, the Board had also agreed the governance arrangements for the Programme. This would include the establishment of a Board Member Sub-Group which would comprise one representative from each of the EA Committees plus any other interested Members.

On the proposal of Miss Rainey, seconded by Mrs Hale, the Committee appointed Mr E Jardine to serve on the Transformation Programme Board Member Sub-Group.

A Member emphasised the crucial importance of this Programme given the underlying strategic issues and the EA's financial position. He said that a new risk entitled 'failure to establish and deliver on the Transformation Programme' should be incorporated into the Corporate Risk Register. This was agreed.

Actions: *Mr E Jardine to serve on the Transformation Programme Board Member Sub-Group; and new risk entitled 'failure to establish and deliver on the Transformation Programme' to be incorporated into the Corporate Risk Register.*

8. CORPORATE RISK REGISTER : QUARTERLY REVIEW

Mr Anderson presented the Corporate Risk Register* (ARA/10/17/6) detailing the risk environment up to June 2017.

In response to a Member's query, Mr Anderson confirmed that the Committee, at its January meeting, would receive progress reports on the Corporate Risk Register as at 31 September 2017 and 31 December 2017. The latter report would include the new risk on 'failure to establish and deliver on the Transformation Programme'. Mr Anderson referred to DE comments on the Corporate Risk Register. These would be discussed with the Chief Executive prior to their consideration by the Committee. He also advised that he would align the Internal Audit Plan to the Corporate Risk Register.

It was noted that the updated Corporate Risk Register would be considered at the GAR meeting on 7 November 2017.

A Member queried ownership responsibilities of the Corporate Risk Register. Mr Anderson said that Internal Audit was charged with collating the information in the Register and presenting it to the Committee. However, its ownership resided with the Corporate Leadership Team.

A Member referred specifically to the risk appetite for three risks. Mr Boyd referred to the overall pressures within the Education sector and the EA's extremely challenging financial position. He outlined systemic issues since 2010/11, risks associated with regionalisation of services and the voluntary exit scheme. He said that while it was anticipated that the Corporate Risk Register would reflect steady improvements, risks associated with the budget would remain at a high level.

A Member referred to Risk 3 'failure to comply with statutory legislation and relevant policies'. He was particularly mindful that the Rural Needs Act was planned to be introduced in 2018 and he was concerned that the EA would fail to deliver on legislation because of budgetary considerations. He referred to changes in universal credit and its impact on low income families and queried whether this risk had been incorporated into a risk register. Mr Boyd said that these were political decisions. It was the role of EA to implement political decisions and to point out the implications of these decisions. A case would be made, where changes in the regulations impacted on education, for access to appropriate funding to deliver on those social issues. If insufficient funding was received to meet pressures in these areas, the EA could fail in its ability to deliver on these programmes.

On the proposal of Mr Forrest, seconded by Mr Salmon, the Committee approved the Corporate Risk Register.

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.

A Member welcomed the change in the format of the report to incorporate the date of establishment of each Priority 1 recommendation and their conclusion. He also welcomed the progress made on most of the recommendations and the approach to be taken to investigate further, where this was relevant. He referred to the recommendation concerning the EA's

potential tax liability. It was pointed out that the Director of Finance and ICT had lead responsibility in this area. Officers were actively engaging with officials from the Department of Education, the Department of Finance and HMRC in order to resolve this matter.

A Member referred to an issue discussed by the Committee previously which had involved HMRC. He highlighted challenges associated with receiving information from this body on that particular issue. It was pointed out that the custodian of that information had been HMRC.

The Committee noted the progress report* (ARA/10/17/7).

10. INTERNAL AUDIT

10.1 PROGRESS REPORT 2017/18

Mr Anderson presented the report* (ARA/10/17/8.1) 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. It was noted that Internal Audit was on track to complete the Internal Audit Plan by the end of the year.

Mr Anderson said that a number of priority 1 recommendations had been made concerning school audits. While these were not captured within the Committee's report on priority 1 recommendations, some would be incorporated into future monitoring reports. It was noted that schools were audited in line with an agreed risk base approach to audit work.

Mr Anderson drew attention to particular audit reports. The report on 'Managing Teachers' Attendance' had provided limited overall assurance and had acknowledged challenges in this area. The findings during the audit review on 'Child Protection - Transport' had indicated that there had not been a significant improvement in management systems and controls. An overall limited assurance had been provided. Mr Anderson said that this area was a priority and was being carefully monitored. Terms of reference had been drawn up as part of an overall review of transport which would include a number of focused audits. A Member said that he was concerned that the report did not provide detail on the matters to be resolved and an update on progress. As this was a high priority area, he requested that a detailed progress report be provided to the Committee at its next meeting. This was agreed.

Mr Boyd said that each Directorate Risk Register would be presented to the relevant Committee for consideration. In this case, the Finance and General Purposes Committee would receive the detail on the risks associated with Transport.

The Chair referred to the staffing structure of Internal Audit. Mr Anderson said that he would be reviewing the service and the structure over the ensuing months and would present a paper on this issue to the Committee at a future meeting.

A Member referred to engagement on the 2018/19 Internal Audit Plan. Mr Anderson said that he would present the draft Plan to the Committee prior to the start of the incoming year. His immediate priority, on appointment to the EA, had been to ensure delivery against the 2017/18 agreed Audit Plan.

Mr Anderson advised that he intended to introduce customer satisfaction surveys as part of the audit process.

Action: Detailed progress report on Child Protection - Transport to be provided to the Committee at its next meeting.

10.2 FRAUD REPORT 2017/18 - UPDATE

(Mrs Hale declared an interest in this item.)

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

A Member referred to a case which was still under investigation. She queried the systems and controls in place to prevent fraudulent activity and to manage this situation. Mr Anderson gave a report on this particular case. He emphasised that Internal Audit would continue to monitor and review systemic issues.

Members sought and received further relevant information in respect of the other current cases. Mrs Flavell confirmed that checks and balances were carried out by EA Finance staff with regard to school lodgements. It was agreed that information on the timeframe relating to one case relating to school meals would be provided to the Committee at its next meeting.

Mr Boyd referred to risks associated with school private funds. He advised that the EA had audit responsibilities in this area. A Member sought information in respect of a case which had been resolved during the year concerning private funds at a school. Information on this case would be provided to the Committee at its next meeting.

The Committee noted a news-sheet developed by Internal Audit for principals and Boards of Governors which would be posted on the EA website. The news-sheet highlighted best practice on a variety of issues, including responsibilities with regard to security of cash. Mr Anderson advised that schools were also being supported through dedicated training programmes; Internal Audit was providing training on best practice to newly appointed principals and to Boards of Governors as part of the annual Governor Training Programme.

The Committee noted the report* (ARA/10/17/8.2).

Action: Further information on particular cases to be provided to the Committee. Members to receive a copy of the Internal Audit news-sheet on best practice in schools.

11. WHISTLEBLOWING CASES

Mr Anderson presented the Report* (ARA/10/17/9) 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.

Members raised queries with regard to the timeframe for some cases and the supports in place for individuals against whom an unfounded allegation had been made. The complexity of some cases was highlighted. All issues were investigated fully, observing strict confidentiality and in full acknowledgement of the sensitivity of the process. It was noted that the Health and Welfare team was available to support staff in such circumstances, with the onus being on an individual to instigate that support.

The Committee noted the Report.

12. NORTHERN IRELAND AUDIT OFFICE (NIAO)

12.1 FINAL AUDIT STRATEGY FOR 2016/17

Ms Kane presented the NIAO letter dated 14 June 2017 and the final Audit Strategy* (ARA/10/17/10.1) which set out the audit approach to the 2016/17 Annual Report and Accounts and the actions to be taken by those charged with governance. She advised that a number of amendments had been made to section 3 of the Audit Strategy following its consideration by the Committee at its meeting on 26 May.

Ms Kane reported that the draft 2016/17 Accounts had been received by the NIAO on 3 July 2017. She said that certification of the Financial Statements had previously been scheduled for 31 October 2017; however this would not now complete on time and it was anticipated that the Financial Statements would receive certification by Christmas 2017.

It was noted that the Committee might be required to convene an additional meeting to consider the 2016/17 Annual Report and Accounts in line with the revised timeframe for certification.

Ms Kane referred to other current activities within the NIAO. The Report on Special Educational Needs had been published at the end of June and could be accessed on the NIAO's website. In addition, the Report on the Financial Health of Schools was at an advanced stage. This dealt with school surpluses and deficits and supports to schools.

The Committee noted the final Audit Strategy and the revised timeline for certification of the Financial Statements.

***Action:** Possible additional meeting of the Committee to consider the 2016/17 Annual Report and Accounts in line with the revised timeframe for certification.*

With the Committee's agreement, agenda items were taken in the following order.

12.2 NIAO REPORT TO THOSE CHARGED WITH GOVERNANCE 2015/16 – MANAGEMENT RESPONSE

This matter had been considered by the Committee at its meeting on 11 April 2017.

Ms Kane said that the NIAO would examine the detail of the Management Response* (ARA/10/17/13.1), which had just been received, with the intention that it would issue the final agreed Report to those charged with Governance for 2015/16 as soon as possible.

13. DIRECT AWARD CONTRACTS

A Member queried various elements of the Direct Award Contracts authorised by the Chief Executive. Mr Boyd outlined the rationale for these Direct Award Contracts.

The Committee noted the Direct Award Contracts* (ARA/10/17/11).

14. ACCOUNTABILITY AND FINANCIAL MANAGEMENT

The Committee noted the following circulars:

- DAO (DoF) 02/17 - Public Sector Internal Audit Standards
- FD (DoF) 04/17 - Intermediaries Legislation – IR35 Off-Payroll Working in the Public Sector
- FD (DoF) 05/17 - Annual Theft and Fraud Return to DoF 2016/17
- FD (DoF) 06/17 - Guidance on the format of the Remuneration Report 2016/17

