

MINUTES OF PROCEEDINGS OF THE AUDIT AND RISK ASSURANCE COMMITTEE OF THE EDUCATION AUTHORITY HELD ON 5 OCTOBER 2016 AT 10.00 AM IN FORESTVIEW

PRESENT Mr E Jardine (Chair)

Dr M Dynan	Mrs M Culbert
Miss R Rainey	Miss N Gowan
Mr D Cargo	
Mr T Salmon	Mr R Forrest

IN ATTENDANCE

Mr G Boyd, Ms J Bill, Ms S Long, Mr J Collings, Mr P O'Neill, Mr R Russell, Mr D Stanley, Mr K Orr, Mr A Curragh, Mr G Fair (DE), Ms T McCavigan (DE), Ms C Kane (NIAO) and Ms S Rea.

1. APOLOGIES

Apologies had been received from Ms Duffield and Dr Mangan.

2. DECLARATIONS OF INTEREST

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

3. MINUTES OF MEETING HELD ON 27 MAY 2016

The minutes of the meeting held on 27 May 2016 were approved as an accurate record on the proposal of Ms Rainey and seconded by Mr Salmon.

4. MATTERS ARISING FROM THE MINUTES

4.1 UNIMPLEMENTED PRIORITY 1 RECOMMENDATIONS

Mr Jardine reported that the action point relating to Directors meeting with Independent Members had been addressed and that an initial meeting had taken place with Directors to discuss their respective areas of business. Further meetings could be arranged as required.

4.2 ANNUAL REPORT AND ACCOUNTS

Ms Bill said that the audit work was continuing on the Annual Report and Accounts and at this time no major issues had been raised.

5. CHAIRPERSON'S BUSINESS

5.1 POST OF HEAD OF INTERNAL AUDIT

(Heads of Internal Audit left the meeting for this item.)

On the proposal of Mrs Culbert, seconded by Ms Rainey, the Committee agreed to consider this item in committee.

Correspondence between DE and the Chief Executive regarding the post of the Head of Internal Audit had been shared with Members of the Committee. A report was given by

Mr Boyd on this matter. Discussion took place with regard to the panel to recruit the Head of Internal Audit.

On the proposal of Mr D Cargo, seconded by Ms R Rainey, the Committee agreed to resume the meeting.

The Committee noted the report. It also agreed arrangements with regard to the panel for the recruitment of the Head of Internal Audit.

Action: *Mr Boyd to discuss the Committee's agreed arrangements with regard to the panel for the recruitment of the Head of Internal Audit with the Chair of the EA Board.*

5.2 ARAC SELF-ASSESSMENT

Mr O'Neill outlined the process for the completion of the ARAC Self-Assessment and provided Members with a summary of comments. He concluded with the feedback condensed into a number of proposed actions for the Committee's consideration.

Members noted and agreed the following actions arising from the Self-Assessment:

- Appoint the Head of Internal Audit and Assurance
- Members to consider their training needs
- Review the Internal Audit Resources and Skills
- Review the effectiveness of the Committee.

A Member sought clarification on appraisal for Members of the Committee and it was agreed that the EA Board Chair and the Chair of the Individual Committees should liaise in advance of EA Board Chair appraisal of members. There would be benefits to having a process of appraisals for both Independent Members by the ARAC Chair.

Actions: *It was agreed that a programme was required to implement the actions arising from the self-assessment. It was agreed that the Chair of EA would liaise with the Chair of the ARAC in advance of ARAC member appraisals. It was agreed that appraisals were to be considered for Independent Members. It was agreed that the HIAA appointed would review IA resources and skills.*

5.3 DE AUDIT SEMINAR HELD ON 27 SEPTEMBER 2016: REPORT

The Chair provided a summary of the detail covered at the seminar and said that the main areas of business covered were Conflicts of Interest and Whistleblowing within the public sector. The Group Head of Internal Audit and Fraud Investigation Service (DoF) briefing those attending on proposed changes in audit practice. The Chair thanked the Department for organising a very useful and informative seminar.

6. CORPORATE RISK REGISTER

Mr O'Neill presented the Corporate Risk Register* (ARA/10/16/6) and said that it reflected the Chief Executive's and each Director's consideration of changes in the risk environment which had impacted on the business of the Authority between 1 April and 30 September 2016. He added that the Corporate Risk Register would be updated in January for the period ending 31 December 2016 and would be presented to the Committee at the January meeting.

A Member noted that the Corporate Risk Register was comprehensive and that risks were clearly presented. Members suggested that it would be of benefit for Members to receive

training on risk management as there was a requirement that Members understood the processes involved.

Mr Boyd highlighted that the Corporate Risk Register was aligned with DE priorities and the Programme for Government which was focused on delivery of policy and budget, however, each Directorate had its own detailed Risk Register. Members noted that major risks detailed within Directorates' Risk Registers should be included within the Corporate Risk Register.

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

Action: *Risk Management training to be arranged for Committee Members.*

7. INTERNAL AUDIT

7.1 PROGRESS REPORT

Members noted the report*(ARA/10/16/7.1) presented by Mr Stanley. Mr Stanley confirmed that the Audit Programme was on target but that there may be a need to make revisions to it towards the end of the financial year. He explained that there were some complexities in conducting audits with an Authority wide approach and additional resources had been required for whistleblowing and fraud investigations.

Following a resource issue query from Members, Mr Boyd highlighted that the appointed Head of Internal Audit and Assurance would be addressing the issue of resources for Internal Audit when they took up post.

7.2 FRAUD REPORT : UPDATE

(Miss Rainey declared an interest in this item)

The Committee noted the Fraud Report: Update* (ARA/10/16/7.2) containing updates on the incidents of fraud within the Authority.

7.3 WHISTLEBLOWING CASES

The Committee noted the Whistleblowing Cases paper* (ARA/10/16/7.3) detailing the list of current whistleblowing investigations from the last Committee meeting.

Action: *The Chair requested that an additional column should be included in the information which detailed the financial year in which the investigation was initiated. Internal Audit to include in the report all outstanding whistleblowing cases initiated outside the reporting period.*

7.4 INTERNAL AUDIT STRATEGY 2016-19

Mr Russell presented the paper*(ARA/10/16/7.4) and said that the Strategy was for the next three years. Ms Bill asked that Procurement is amended to fall under Operations and Estates. A Member sought clarification to the absence of days assigned for 'Budget Achievement'. Mr Russell agreed to address the two amendments required. Mr Russell confirmed that the Strategy was aligned with existing staffing resources. It was noted that the Strategy would be required to be revisited by the appointed Head of Audit and Assurance.

On the proposal of Mr Salmon, seconded by Dr Dynan, the Committee approved the Internal Audit Strategy 2016-19.

Action: Amendments to be made to the Strategy.

7.5 VOLUNTARY GRAMMAR / GRANT MAINTAINED INTEGRATED SCHOOLS AUDIT RESPONSIBILITIES AS AT 1 APRIL 2017

Mr O'Neill reported that the Voluntary Grammar / Grant Maintained schools funding role had transferred to the Education Authority on 1 April 2016. During the 2016/17 financial year the administration function would be delivered by the Department with a handover to the Authority on 1 April 2017. Mr O'Neill reported that discussions were required with Schools' Finance Branch within the Department to identify how they met audit obligations for Voluntary Grammar /Grant Maintained schools. Members noted the update and requested that a further update was provided to the next Committee meeting.

Action: A further update of the Authority's Internal Audit obligations for Voluntary Grammar / Grant Maintained schools to be provided to the next Committee meeting.

7.6 YOUTHNET : MATTER REFERRED FROM EA BOARD

(Mr Salmon declared an interest in this item and left the meeting)

Ms Bill presented the paper*(ARA/10/16/7.6) detailing an assessment of the key risks identified within it. She highlighted that generally risk was considered to be low although there were risks in relation to:

- the cost of apportioned pension shortfall arising from YouthNet;
- the ability to demonstrate value for money from funding Regional Voluntary Youth Organisations (RVYOs); and
- ensuring continuity of service in the aftermath of YouthNet.

Ms Bill reported that the Youth Service was working closely with Youthlink and a review of the lessons to be learned from the YouthNet experience would be available to relevant staff. There was an issue that insufficient information was received by the Authority from RVYOs. She highlighted that information had not yet been received from NILGOSC and that there was a high risk to the Authority being required to make a significant contribution.

The Chair queried if new arrangements had been put in place and Mr Stanley confirmed that an exploratory meeting had taken place with Ms Kee of the Youth Service. Members noted the paper* *(ARA/10/16/7.6).

(Mr Salmon returned to the meeting).

7.7 INDEPENDENT INVESTIGATION INTO THE CIRCUMSTANCES IN DE LA SALLE COLLEGE, BELFAST

(Mrs M Culbert declared an interest in this item and left the meeting).

Mr Curragh reported that the Independent Panel appointed to investigate the circumstances in De La Salle College could not identify a single cause that led to the deterioration in working relations and had made forty recommendations to address issues

which were highlighted in the full Report. Fourteen of the recommendations related to the Authority and were detailed in the paper* (ARA/10/16/7.7). Two related to Internal Audit.

Mr Collings reported that Ms Duffield, Dr Mangan and he had established a group which was led by Ms Duffield. He provided an update and confirmed that for recommendation 19 they had met with CCMS and were moving to provide an experienced Human Resources specialist to the school on a full-time basis for the next school year 2016/17. He also confirmed that for recommendation 39 they were urgently taking the work forward of scoping under current schemes such as VES, Investing in the Workforce, and/or other sources, to fund measures to support necessary staff structure changes and opportunities for early retirement for teachers.

A Member highlighted that the Membership and Teaching Appointments Committee had been considering the need for greater communication to Governors for nine months and said that it was a matter of urgency that information was issued to Boards of Governors.

Members noted the paper* (ARA/10/16/7.7).

(Mrs M Culbert returned to the meeting).

7.8 MECHANICAL SERVICES AND MAINTENANCE SECTION (BELFAST) REPORT ON INVESTIGATION

Ms Long presented the paper* (ARA/10/16/7.8) and reported that the investigation had been subject to considerable scrutiny. She confirmed that the implementation of the recommendations in the report would enhance management's control over Departmental minor works projects.

Ms McCavigan said that the report had been received by the Department's Audit team and they would continue to review the report until all actions outlined within it were complete.

Members noted the report* (ARA/10/16/7.8).

7.9 TRAINING FOR BOARDS OF GOVERNORS

Members noted the report on the programme of Training for Boards of Governors. Mr Stanley confirmed that ten governance training courses had been arranged between January and March 2017 and training aimed to raise awareness of how Internal Audit assisted Boards of Governors by demonstrating key areas of best practice, key areas of weaknesses from the past experiences and an awareness of the nature and potential for fraud in schools which would encourage Boards of Governors to establish a healthy degree of checking. He stated that the key audit message for Governors was 'How can Internal Audit help Governors meet their responsibilities?' Mr Stanley confirmed that Members were welcome to attend.

Action: EA to provide information on dates and locations of training and how to register an interest in attending.

7.10 DELEGATED AUTHORITY – APPROVAL OF TENDERS MATTER REFERRED FROM FGP COMMITTEE

The Committee noted the paper* (ARA/10/16/7.10) which set out proposals in respect of delegated authority to the Chief Executive or nominee, to approve tenders for Goods &

Services, Construction works and Managed Service Design Teams. F&GC requested ARAC to review the procedures.

Action: Delegated Authority Review added to the IA work programme.

8. PRIORITY 1 RECOMMENDATIONS : PROGRESS REPORT

Mr Boyd reported that Dr Mangan had provided information for the Priority 1 Recommendation. He said that structures were being implemented in Children and Young People's Services and that a small regionally co-ordinated team had been established to monitor the approvals of classroom assistants across the five offices in the Authority in line with a regionally agreed framework.

Members noted an alternative might be that the budget for Classroom Assistants would be delegated directly to schools for them to manage. In the interim Dr Mangan had provided assurances that controls had been put in place. A Member said that officials should review whether the potential for disruption to services as a result of ICT incidents was properly reflected in the Corporate Risk Register.

Action: Review whether the potential for disruption to services as a result of ICT incidents is properly reflected in the Corporate Risk Register.

9. FRAUD

9.1 ANTI-FRAUD POLICY

9.2 FRAUD RESPONSE PLAN

Mr O'Neill presented the policies* (ARA/10/16/9.1 and ARA/10/16/9.2) and confirmed that they incorporated the best practice guidance issued by the Department of Finance in September 2015. A Member requested that an amendment be made to the contact information detailed at page 7 of the Anti-Fraud Policy.

On the proposal of Mr Salmon, seconded by Dr Dynan, the Committee agreed to approve the Fraud Policies.

Action: Amendment to be made to contact details at page 7 within the Anti-Fraud Policy.

10. RAISING CONCERNS AT WORK

10.1 WHISTLEBLOWING POLICY

10.2 WHISTLEBLOWING POLICY RESPONSE

Mr O'Neill presented the policies* (ARA/10/16/10.1 and ARA/10/16/10.2) and confirmed that they incorporated the best practice guidance issued by the Department of Finance in January 2015 under DAO (DFP) 02/15 and the Good Practice Guide for workers and employers issued by the UK National audit Offices in November 2014.

A Member asked if a paragraph could be included in the policy to include the Chair of the Audit Committee as a point of contact which would provide a further layer of protection. It was also requested that amendments be made to the contact information detailed at page 4 and page 9 of the Whistleblowing Policy.

On the proposal of Ms Rainey, seconded by Mr Cargo, the Committee agreed to approve the Whistleblowing Policies, subject to updating to reflect the very recent developments shared with the Chair and CE by NIAO/DIE.

Action: Paragraph to be included in the policy to include the Chair of the Audit Committee as a point of contact. Amendments be made to the contact information detailed at page 4 and page 9 of the Whistleblowing Policy. Update to reflect the very recent NIAO/DIE developments.

11. ICT INCIDENT REPORTS

Members noted the ICT incident reports* (ARA/10/16/11) presented by Mr O'Neill. Mr O'Neill confirmed that as these ICT incidents were deemed significant they should be brought to the Committee.

Members sought clarification on the actions carried out following the attacks and sought assurances that systems were in place. Mr O'Neill informed Members that communication protocols were being updated to be made more timely and that the Incident Report was the initial step in this process. Each report identified the incident, cause and actions to prevail/mitigate for future re-occurrences.

12. SINGLE TENDER ACTIONS

The Committee noted the paper * (ARA/10/16/12) containing information in respect of Single Tender Actions signed.

Ms Bill reported to the Committee that the Authority was in the process of implementing a major finance system which was to be in place by February 2018. She confirmed that due to the nature of the five legacy payroll systems, the project was no longer on track and the date of implementation would only be achievable if all systems were rolled out at once. This presented major risks and would require more staff which would cost the Authority between £5.5m and £9m. It was reported that following discussions it was agreed that the value for money option was to extend the current contract and safely implement the new system. This would require a Direct Award Contract. Ms McCavigan affirmed that the Department wanted to see DACs used only in exceptional circumstances. The Chair requested that the Committee should have early warning of potential DACs.

Action: Committee to receive early warning of potential DACs with regard to a finance system.

13. EXTERNAL AUDIT - NIAO NATIONAL FRAUD INITIATIVE NORTHERN IRELAND (7 JULY 2016)

Ms C Kane presented the paper* (ARA/10/16/13.1) and thanked the Authority for contributions towards it. Ms Kane also reported that the Study on Special Educational Needs was at an advanced stage with the first draft due to issue in November.

14. DATE OF NEXT MEETING

The next meeting would be held on 18 January 2017.

15. DOCUMENTS FOR INFORMATION

The following documents were appended to the papers for information and were lodged on the Members' area of Sharepoint.

- FD (DoF) 09/16 preparation and Audit of 2015/16 Comparatives for 2016/17 Departmental Annual Report and Accounts
- FD (DoF) 10/16 Urgent Processing of EU Structural and Investment Fund Projects

- DAO (DoF) 07/16 Internal Audit Opinions and Prioritisation of Recommendations

The meeting ended at 1.25 pm.

Chair

Date

* Paper circulated ** Paper tabled