

**MINUTES OF THE AUDIT AND RISK ASSURANCE COMMITTEE
AT 10.00 A.M. TUESDAY, 9 JUNE 2015
BOARD ROOM, SOUTH EASTERN REGION**

PRESENT Ms O'Connor, Chairperson

Committee Members

Mr D Cargo
Mrs M Culbert
Mr E Jardine
Miss R Rainey
Mr T Salmon

IN ATTENDANCE

Mr G Boyd, Mr S McCurdy, Mr P O'Neill, Mr A Kennedy, Ms A Kane, NIAO and Mr M Gregg, DE.

Heads of Internal Audit

Mr J Adams, Belfast Region; Mr K Orr, Southern and Western Regions; Mr R Russell, Northern Region; and Mr D Stanley, South Eastern Region

CHAIRPERSON'S BUSINESS

The Chair welcomed Members to the first meeting of the Audit and Risk Assurance Committee (ARAC) of the Education Authority (EA). She confirmed that the one to one meetings with individual Members were now almost complete and reported that Members will be notified of her proposals for Committee Chairs at the Board Meeting on the 25 June 2015. The Chair also confirmed that she would act as Chair of today's meeting of the Audit and Risk Assurance Committee.

The Chair also advised Members that the Agenda for this meeting and all related papers were prepared by Officials, but wanted to draw members' attention to some sensitivities around Item 10 on the Agenda 'The Internal Audit Plan for 2015/16'. She confirmed that the Draft Audit Plan before Members had been drafted by Officials and reported that the discussion around this would be led by Mr Stanley, on behalf of the Heads of Internal Audit.

The Chair confirmed that two external Members had been selected, one of whom was in attendance today. It was confirmed that the approach to that selection would be addressed at Agenda Item 13.

The Chair introduced the external member, Mr Trevor Salmon, a Chartered Accountant and former Director of Finance and Deputy Chief Executive at Belfast City Council. It was confirmed that Mr Salmon had previously been an Independent Member of the former Belfast Education and Library Board Audit and Risk Committee and brings a wealth of expertise to this particular Committee.

1. APOLOGIES

Mr G Fair, DE.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. AUDIT AND RISK ASSURANCE COMMITTEE SCHEME

Mr Russell introduced the draft Scheme for the Committee specifying the duties and responsibilities to be discharged and the procedures to be followed by the Audit and Risk Assurance Committee. In response to a question from Mr Cargo, it was confirmed that Members of the Audit and Risk Assurance Committee would not hold membership of the Finance and General Purposes Committee.

The Chief Executive also provided assurance to Members that all Audit Reports relating to the Authority would be available to Members of the Committee and that each individual report would be posted on Sharepoint once cleared for publication.

The Scheme was adopted on the proposal of Miss Rainey, seconded by Mrs Culbert.

4. DAO (DFP) 11/12 & PUBLIC SECTOR INTERNAL AUDIT STANDARDS

Mr Orr reported that the Public Sector Internal Audit Standards referred to in the DAO (DFP) 11/12 correspondence are intended to promote further improvement in the professionalism, quality and effectiveness of internal audit across the public sector.

Mr Orr confirmed that a key focus of the standards was to ensure robust follow up on all recommendations arising from Audit Reports. Mr Salmon emphasised the importance of keeping track of all recommendations and their disposal.

***Action:** Heads of Internal audit to establish a reporting mechanism for the management and tracking of Audit Report recommendations and their disposal.*

5. DAO (DFP) 05/14 – AUDIT & RISK ASSURANCE COMMITTEE HANDBOOK (NI)

Members' attention was drawn to the DAO (DFP) 05/14 correspondence and in particular the direction that this DAO letter and the associated Committee Handbook be brought to the attention of all Audit and Risk Assurance Committee Members and relevant staff in the organisation. Mr Orr highlighted the key recommendations from the Committee Handbook for Members and addressed a range of questions from Members.

6. ELB AUDIT COMMITTEES – ANNUAL REPORTS

The Heads of Internal Audit presented the key issues arising from the 2014/15 Audit and Risk Assurance Committee Annual Reports, to provide Members with an insight into the range of key risks facing the Authority going forward.

Mr Jardine sought clarity on the current Centre of Procurement Excellence (COPE) status of the Authority. The Chief Executive reported that a dispensation through the auspices of the DE Permanent Secretary applied through the period of transition, but emphasised that the ambition was to rapidly move to COPE status within a period of twelve months for both Goods & Services and Capital procurement. The Chief Executive also provided clarity on the arrangements that govern the approval and reporting of Direct Award Contracts.

7 & 8 REGIONAL RISK REGISTERS AND THE KEY INHERITED CORPORATE RISKS

With the agreement of Members, Items 7 - Regional Risk Registers and 8 - Key Inherited Corporate Risks were taken together.

Mr O'Neill introduced both Items and explained that the papers before Members detailed the 2014/15 Corporate Risk Registers from each of the former ELBs. He advised that it was not the intention to take Members through the detail of each of the Corporate Risk Registers, but instead, to focus on a compiled list of the key inherited corporate risks for the Authority as at 1 April 2015, based on the risks inherited from the former ELBs.

Mr Adams explained the detail of the 'Key Inherited Risks' paper and how the EA proposes to mitigate against such risks going forward. Mr Salmon thanked the Officers for their efforts and emphasised the importance of giving consideration to any new risks emerging for the Authority. Mr Cargo advised that the Committee and Officers would be bound by the DE Risk Management Framework. There was unanimous agreement that there was an opportunity to appraise afresh the risk management framework, the existing and emerging risks specific to the Authority.

It was agreed that for the next meeting of the Audit and Risk Assurance Committee, Officers will review the current Regional Risk Registers, taking account of the risks that emerge from the out workings of the budgetary implications, voluntary severance and the business plan, with a view to finalising a single EA Corporate Risk Register.

Action: *Officers to prepare a paper for circulation to Members of the Committee, setting out the proposed risk management framework and the associated risks for the Authority that takes account of the DE Risk Management Framework and those priorities identified for the Authority by the NIAO, DE and the Department for Employment and Learning (DEL).*

9. INTERNAL AUDIT CHARTER

Mr Stanley introduced the draft Internal Audit Charter and reported that the Public Sector Internal Audit Standards document from HM Treasury places a mandatory requirement on the Authority to clearly define the purpose, authority and responsibility of internal audit activity in an Internal Audit Charter. Mr Stanley confirmed that the draft Charter had been reviewed by the Head of Internal Audit in DE, who provided assurance that it complies with the relevant HM Treasury Guidance.

Mr Cargo sought assurances that the level of staffing available across the Internal Audit function was fully compliant with the commitment set out in the draft Charter.

Mr Salmon advised that it was an opportunity to review the totality of the Internal Audit resource. The Chief Executive confirmed that this far, it had not been identified as an issue and advised that once the Corporate Risk Register for the Authority was completed and approved by the Committee, then this would more accurately inform the resource requirement for the Internal Audit function.

The Internal Audit Charter was adopted on the proposal of Mr Salmon, seconded by Mr Jardine.

10. INTERNAL AUDIT PLAN (2015/16)

Mr Stanley introduced the draft Internal Audit Work Plan setting out the range of internal audit activity proposed for the 2015/16 year and confirmed that the activities set out in the draft plan were determined by the Heads of Internal Audit based on:-

- discussions with Senior Regional Managers on the key risks impacting the respective regions;
- issues raised by the NIAO and sponsoring Government departments (DE and DEL);
- historical high risk areas of activity; and
- current 'live' issues.

Mr Jardine sought clarity on whether there was scope to undertake audits of particular areas of activity on a regional basis, rather than each regional Internal Audit function looking at the same areas of activity in isolation. Mr Cargo suggested an approach where for each audit to be undertaken, the Heads of Internal Audit would firstly consider what aspects could be considered regionally and then mindful of the local situation in the respective regions, focus on the risk issues that pertain locally. It was agreed that this approach should be adopted where applicable and that the Heads of Internal Audit would develop an Audit Programme and Reporting template in this regard for the consideration of the Committee.

The draft 2015/16 Internal Audit Plan was adopted on the proposal of Mrs Culbert, seconded by Miss Rainey.

Action: *Heads of Internal Audit to develop an Audit Programme and Reporting template to facilitate the identification of regional and local aspects for each audit to be undertaken, for the consideration of the Committee.*

11. ARAC – WORK PROGRAMME 2015/16

Mr Russell introduced the Draft Work Programme for the Committee highlighting the key issues that inform the work programme for the year ahead. He advised Members that the Committee may need to convene additional meetings in the course of the year to consider matters such as the Stewardship Statements and the closing of the Annual Accounts. Mr Salmon suggested that in the first year of the Authority, there should be not less than the proposed four meetings and felt that Members and Officers should prepare for extra meetings to manage the additional workload associated with establishing such a large and complex organisation.

The draft Work Programme was adopted on the proposal of Mrs Culbert, seconded by Miss Rainey.

It was agreed that the Officers would review the cycle of meetings for the Committee and the formal content of each.

Action: *Officers to review the cycle of meetings for the Committee and the work programme for each meeting for the consideration of the Committee.*

12. ARAC INDUCTION TRAINING

Mr Adams highlighted the requirement that exists to ensure that Members are appropriately inducted and are fully equipped to undertake their role as Audit and Risk Assurance Committee Members. He reported that contact had been made with the University of Ulster to provide the necessary induction training for Members. There was unanimous agreement that a date in early September 2015 would be most suitable for Members.

J Adams undertook to make the necessary arrangements for the induction training for Members with the University of Ulster for a day in early September 2015.

Action: *J Adams to liaise with the University of Ulster to schedule a one day training programme for Audit Committee Members in early September 2015 and communicate the confirmed date to Members before the end of June 2015.*

13. EXTERNAL INDEPENDENT MEMBERS

Mr O'Neill outlined the approach taken to appoint the external members to the Audit and Risk Assurance Committee and the rationale for their appointment to ensure that there are Members on the Committee who are independent of the decision making of the EA Board and its Executive.

Reflecting on the range of skills identified in the Audit and Risk Assurance Committee Handbook (NI), Mr O'Neill confirmed that a number of individuals were identified with the necessary skills, knowledge and experience to fulfil this role. He reported that the shortlist was supplied to the Chair for her consideration and from that list, the Chair selected two Members.

Action: *Officers to formalise the appointment of the additional external Member*

14. ANY OTHER NOTIFIED BUSINESS

Ms Kane reported that the Final Accounts for the legacy organisations are in 'draft' with the NIAO. It was also confirmed that a NIAO Audit on the 'Sustainability of Schools' was close to being issued and that a 'Value for Money Review of Special Educational Needs' was about to get underway.

The Chief Executive confirmed that there were no fraud issues to report at this time but drew attention to a small number of whistleblowing cases that were currently being investigated.

The Chair thanked the Members and Officers for their attendance and conveyed her appreciation to all for their very positive contribution to the business of the first meeting of the Committee.

The meeting closed at 11.57am.

CHAIRPERSON	CHIEF EXECUTIVE	DATE
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SUMMARY OF ACTIONS

Action No.	Agenda Ref.	Action Description
1	Item 4	Action: Officers to establish a reporting mechanism for the management and tracking of Audit Report recommendations and their disposal.
2	Items 7 & 8	Action: Officers to prepare a paper for circulation to Members of the Committee, setting out the risk management framework and associated risks for the Authority that takes account of Ministerial priorities, the DE Risk Management Framework and those priorities identified for the Authority by the NIAO, DE and the Department for Employment and Learning (DEL).
3	Item 10	Action: Heads of Internal Audit to develop an Audit Programme and Reporting template to facilitate the identification of regional and local aspects for each audit to be undertaken, for the consideration of the Committee.
4	Item 11	Action: Officers to review the cycle of meetings for the Audit and Risk Committee and also review the formal content of each meeting for the consideration of the Committee.
5	Item 12	Action: J Adams to liaise with the University of Ulster to schedule a one day training programme for Audit Committee Members in early September 2015 – date to be communicated to Members as soon as possible.
6	Item 13	Action: Formalise the appointment of Mr Forrest once confirmation is received from the Member that the internal organisational processes have concluded and he has clearance from his employer to join the Committee.