

MINUTES OF PROCEEDINGS OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 8 OCTOBER 2018 AT 11.30 AM IN THE BOARD ROOM, ANTRIM CENTRE

1. PRESENT Mr E Jardine (Chair)

Mr D Cargo	Mr G Lundy
Dr M Dynan	Mr O McMullan
Mr R Forrest	Miss R Rainey

2. IN ATTENDANCE

Mr D Anderson and Ms L McCall and for part of the meeting Mr J Collings (Interim Chief Executive), Miss J Bill and Ms S Long.

Mr G Fair and Ms T McCavigan attended from the Department of Education (DE) and Ms C Kane attended (for part of the meeting) from the Northern Ireland Audit Office (NIAO). The Chair welcomed Ms McCavigan, Head of DE Internal Audit, to the Committee.

3. APOLOGY

An apology had been received from Mr T Salmon.

4. DECLARATIONS OF INTEREST

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

5. MINUTES OF MEETING HELD ON 17 MAY 2018

On the proposal of Miss Rainey, seconded by Dr Dynan, the Committee agreed the minutes* (ARA/10/18/3) of the meeting held on 17 May 2018.

6. MATTERS ARISING FROM THE MINUTES

6.1 ANNUAL REPORT AND ACCOUNTS 2017/18 AND GOVERNANCE STATEMENT (8)

Miss Bill presented a revised draft of the Annual Report for 2017/18** and a revised Governance Statement**. Both had been amended to reflect feedback provided by Members at previous meetings. She advised that some further work was required to areas within the Annual Report. However, she wished to ensure that the approach taken in its presentation was now acceptable to the Committee before its finalisation. Miss Bill said that narrative within the Governance Statement around financial considerations had been strengthened. It also took account of DE's own Governance Statement. She invited Members to submit further comments to her on both documents before 22 October 2018.

In response to a Member's query, Miss Bill confirmed that the content and presentation of the Report were in keeping with the protocols for a report which would have been laid before the NI Assembly. Mr Fair confirmed that DE was content with the proposed direction of travel for the layout of the revised Annual Report and Accounts.

The Committee noted the revised versions of the Annual Report and Accounts 2017/18 and the Governance Statement and that further comments from individual Members on both documents could be provided to Miss Bill before 22 October 2018.

Action: *Electronic copies of the Annual Report and Accounts 2017/18 and the Governance Statement to be forwarded to DE.*

6.2 DIRECT AWARD CONTRACTS (10)

The Chair said that a report on support and advice to schools in specialist curriculum areas would be provided to the Committee at a future meeting.

Action: *Report on support and advice to schools in specialist curriculum areas to be provided to the Committee at a future meeting.*

The Committee agreed to conduct business in the following order.

7. NORTHERN IRELAND AUDIT OFFICE

Ms Kane said that the audit of the 2017/18 Financial Statements was continuing. It was intended that the Financial Statements would be signed and submitted to NIAO prior to Christmas. This meant that the Committee would be required to convene a special meeting to consider the Annual Report and Accounts for 2017/18. She advised that NIAO officers were receiving good co-operation from EA staff in carrying out the audit.

Ms Kane advised that NIAO's Report on the Financial Health of Schools would be published on 16 October 2018. She said that EA had been involved in the clearance of that report and she thanked EA staff for their assistance.

Ms Kane said that NIAO was currently exploring a number of topics for future reports with stakeholders. These included Early Years, Targeting Social Need, and a study on the Education Inspectorate.

A Member queried the process to publish reports in the absence of the NI Assembly. Ms Kane said that, as part of an agreed interim solution, the reports were sent to the Secretary of State and the relevant department was required to provide a response to the NIAO on its recommendations.

Action: *Special meeting of ARAC to be convened to enable consideration to be given to the Annual Report and Accounts 2017/18.*

8. CoPE RE-ACCREDITATION - ASSESSMENT REPORT : UPDATE

Ms Long said that the Procurement Board had noted, at its June meeting, the view of the CoPE Assessment Panel that EA was making good progress in its work for re-accreditation. The Procurement Board had agreed that EA should produce an action plan to address the review recommendations and to establish a governance mechanism to manage implementation. Ms Long said that EA was required to provide progress reports on the action plan to DE for onward submission to the Central Procurement Directorate. She also advised that the Procurement Board had agreed that EA would be accredited for twelve months to allow for actions on recommendations to be completed. A progress report was being presented to the Procurement Board at its next meeting in November.

Members welcomed the achievements made in this area. A Member sought further information on the re-accreditation process and clarification in respect of the responsibilities of the Central Procurement Directorate, DE and EA in this area. Ms Long said that EA was accountable to DE for all procurement activity. She undertook to provide a report to the Committee on the process of accreditation and procurement governance arrangements.

The Committee noted the paper* (ARA/10/18/12) summarising progress against the action plan.

Action: Provide a report to the Committee on the process of accreditation and EA's procurement governance arrangements.

9. INTERNAL AUDIT PLAN - PROGRESS REPORT 2018-19

Mr Anderson presented the progress report* (ARA/10/18/8.1) giving information on all audits to be covered in 2018/19 and final reports issued to date, including a summary of priority recommendations made and accepted by management. Mr Anderson said that only 10% of the audits in the 2018/19 plan had been progressed to date to either draft or final report stage. It was not expected that all audits in the plan would be completed to at least draft report by year end but he considered that sufficient audits would be carried out to enable reasonable assurance to be reported in his Annual Assurance Report and Opinion for 2018/19. He drew attention to the significant number of whistleblowing and fraud cases which continued to impact on Internal Audit resourcing. In addition, he said that delays with Trade Union Side in agreeing the proposed enduring staffing structure in Internal Audit was having significant impact on progress against the plan.

A Member expressed concern with regard to confidence in delivery of the plan by year end. She queried whether Internal Audit was adequately resourced. She also queried whether the audit on staff welfare should feature earlier in the year as opposed to the last quarter given the impact of voluntary severance and transformation on the wellbeing of remaining staff in the organisation. She said that failing to give priority to staff welfare would adversely affect the reputation of the organisation. Mr Anderson said that management accepted the impact of the complexity and volume of change on staff. The HR Directorate was currently taking forward health and wellbeing strategies for staff and the implementation of new strategies would provide the basis for an audit in the last quarter of the year. He provided a report on Internal Audit staffing, the engagement and process undertaken to agree revised job descriptions with staff and Trade Union Side.

In response to a Member's query, Mr Anderson confirmed that high priority audits were being undertaken first. The top priority audits were procurement and contract management. The Member queried the role of Internal Audit in whistleblowing investigations and whether this function could be carried out by a discrete team. Mr Anderson said that responsibilities for the control, allocation and monitoring of whistleblowing cases resided with him.

A Member queried if screening was carried out on all Departmental policies in respect of rural issues. Mr Fair confirmed that rural impact assessments formed part of any policy considerations.

Mr Fair queried the level of assurance that could be provided on a very limited number of completed audits. He said that this would increase the risk of completing all audits within the three year plan.

Members expressed concern about the adequacy and appropriateness of the plan in the current environment. A Member said that, given the risks associated with delays in agreeing an enduring Internal Audit structure, it was necessary for the Head of Internal Audit and Assurance to discuss the plan with the Interim Chief Executive in order to deliver a plan that would provide reasonable assurance. It was agreed that a progress report on this matter would be provided to the Committee when a special meeting was being convened to consider the Annual Report and Accounts for 2017/18.

Actions: Head of Internal Audit and Assurance to discuss the plan with the Interim Chief Executive in order to deliver a plan that would provide reasonable assurance; and progress report against the Internal Audit Plan to be provided to the Committee at the special meeting.

10. CHAIRPERSON'S BUSINESS

10.1 TRAINING PROGRAMME FOR COMMITTEE MEMBERS

The Chair said that, prior to the Committee meeting, training had been provided to Members on governance and accountability for Arms-Length Bodies and the Strategic Internal Audit Plan. He said that Mr Anderson had been tasked with reviewing the content and format of the Corporate Risk Register with a particular focus on ensuring that key risks were highlighted. He also reported that Mr Anderson was in the process of compiling an assurance framework to support the development of the Internal Audit Strategic Plan.

10.2 REPORT ON INFORMAL MEETING WITH CHAIR OF DE'S AUDIT AND RISK ASSURANCE COMMITTEE

Mr Lundy left the meeting at 12.44 pm and re-entered at 12.46 pm.

The Chair provided a report on his meeting with Ms J McEwan. Issues discussed had included the timeframe to agree annual budgets, overspend, VG / GMI funding, the transformation programme, priority 1 recommendations, communication, risks around ICT, and governance. Mr Collings said that the governance issue relating to the role of the Head of Internal Audit and Assurance in preparing the Governance Statement had been discussed at the GAR meeting on 3 October. He reported that the Corporate Leadership Team would be reviewing this matter further in order to give reassurance to DE around separation of duties. Mr Fair queried the timeframe to take this forward. The Chair asked for a report on this matter at the next scheduled meeting of the Committee.

Mr Fair said that DE's Audit and Risk Assurance Committee had set out separate risks in recognition of its concerns around two of EA's ICT projects: the procurement of IT connectivity for schools after the expiry of the C2K contract, and the new HR / Payroll system. He queried EA's approach to managing risks in these two areas. It was reported that both risks were set out in Risks 8 and 9 of the Corporate Risk Register which would be discussed later in the meeting. Mr Collings reported that these two risks had also been discussed at the GAR meeting on 3 October.

A Member said that, given that ARAC had shared interests with DE's Audit and Risk Assurance Committee, it would be beneficial to formalise an arrangement to enable engagement between the two committees. It was agreed that the Chair would discuss this matter further with Mr Fair.

Action: Report to be provided to the Committee at its meeting on 17 January 2019 on the separation of duties relating to the preparation of the Governance Statement; Chair to discuss with Mr Fair the possibility of formalising an arrangement to enable engagement between ARAC and DE's ARAC.

10.3 EXTERNAL AUDIT QUALITY ASSURANCE

10.3.1 CHARTERED INSTITUTE OF INTERNAL AUDITORS' REPORT

Mr Anderson presented the external audit quality assessment report* (ARA/10/18/5.2.1) dated July 2018 and said that the review had concluded that

EA Internal Audit was generally compliant with Public Sector Internal Audit Standards (PSIAS). Recommendations to achieve further conformance to the PSIAS were outlined in the report.

A Member queried the process to receive progress reports on actions taken against recommendations in the report. Mr Anderson said that this information would be reported to the Committee. He also said that, as the next external review would not take place for another five years, he intended to carry out an internal quality assessment at the mid-point of the five years. A report on this exercise would be provided to the Committee at that time.

A Member commended Internal Audit on the report's overall conclusion. He drew attention to the suggestion in the report (as discussed earlier in the meeting) that consideration should be given to separation of duties around the preparation of the Governance Statement.

10.3.2 COMMITTEE'S SELF-ASSESSMENT CHECKLIST

Mr Anderson presented the self-assessment checklist* (ARA/10/18/5.2.1) which had been developed in line with guidance provided by the National Audit Office. He expressed appreciation to the Chair and Mr Salmon for completing the checklist during the summer period.

Mr Fair queried a number of areas in the checklist which were not yet compliant. In response, Mr Anderson said that he was currently undertaking an exercise on assurance mapping to target areas of greatest risk across the organisation. Mr Fair said that a project team was being established to take forward a consistent approach to shared mapping across Departments. With regard to the issue where a Board Member had overall responsibility for whistleblowing arrangements within the organisation, Mr Anderson said that he had responsibility for whistleblowing and reports were presented to ARAC on a quarterly basis for monitoring purposes.

A Member said that it might be prudent to amend the Whistleblowing Policy to enable the Chair of ARAC to have responsibility for cases where an employee, in bringing forward a particular case, had no confidence in senior management.

Mrs Kane left the meeting at 1.16 pm.

On the proposal of Mr Lundy, seconded by Mr Cargo, the Committee agreed the self-assessment checklist with one minor change to the narrative around assurance mapping. It also agreed to review the Whistleblowing Policy.

Action: *Whistleblowing Policy to be reviewed in respect of a Board Member having overall responsibility for whistleblowing arrangements within EA.*

10.4 GOVERNANCE ISSUES

The Chair said that the Board, at its meeting on 28 June 2018, had referred two governance issues to ARAC for consideration. He said he had established a Sub-Group of ARAC to review these issues and the Sub-Group, at its meeting on 9 August 2018, had made a number of recommendations to the Board around governance. The Chair provided a report on the Sub-Group's deliberations and recommendations. These had been approved by the Board at its meeting on 27 September 2018. It was noted that one recommendation was that ARAC would review its scheme of management to enable the

Committee, or a sub-group of the Committee, to review governance issues referred to it by the Board, a Committee, or the Chief Executive.

10.5 SCHEME FOR THE COMMITTEE

The Committee approved the revised Scheme* (ARA/10.18.5.4) on the proposal of Mr Cargo and seconded by Mr Lundy.

11. CORPORATE RISK REGISTER : REVIEW AS AT 30 SEPTEMBER 2018

Mr Anderson presented the Corporate Risk Register** (ARA/10/18/6.1) reflecting the risk environment up to 30 September 2018. The format of the Register had been revised based on DE's framework guidance. Mr Anderson drew attention to the new risk on adequately safeguarding essential sensitive personal data from unauthorised access and inappropriate use (Risk 11). He presented a report* (ARA/10/18/6.2) setting out his independent evaluation of the content of the Corporate Risk Register. A summary was provided of high and low residual risk areas. Mr Anderson confirmed that, based on his analysis and experience of EA systems and processes, he was in agreement with the current assessment of the risks set out in the Register and that the appropriate controls were being applied to bring the residual risk levels into line with the agreed risk appetite.

Mr Fair asked for consideration to be given to a separate risk for ICT projects, as discussed previously in the meeting (minute 10.3). Mr Collings undertook to discuss this matter with the Corporate Leadership Team.

The Committee requested Mr Anderson to review the Corporate Risk Register with a view to condensing the document. It should give particular focus to changes in risk appetite and high residual risk areas, the actions taken by the Corporate Leadership Team to mitigate risk, and an executive summary should be included which set out the risk dashboard.

The Committee also highlighted that risk management was owned by all the Committees and agreed to recommend to the Board that risk registers should be presented to their respective Committees. It was noted that the Shared Education Committee already received reports on the Shared Education risk register.

The Committee also agreed that Directors should attend ARAC meetings to discuss the Corporate Risk Register. This would be taken as the first substantive item at ARAC meetings.

The Committee noted the Corporate Risk Register.

***Actions:** Issue involving separate risk for ICT projects to be discussed by the Corporate Leadership Team; Mr Anderson to review the layout and format of the Corporate Risk Register; Risk registers to be presented to their respective Committees; and Directors to attend meetings of ARAC to discuss the Corporate Risk Registers.*

12. PRIORITY 1 RECOMMENDATIONS : PROGRESS REPORT DRAFT PROTOCOL FOR FOLLOWING UP RESPONSES FROM SCHOOLS ON THE IMPLEMENTATION OF PRIORITY 1 AND 2 RECOMMENDATIONS

Mr Anderson presented a paper* (ARA/10/18/7) setting out actions in respect of implementing priority 1 recommendations. He also referred to areas where satisfactory progress had been made. These areas would be removed from the report.

A Member queried DE's current position on the retention of receipts following disposal of assets. Mr Fair undertook to report the up to date position to the Committee at a future meeting.

A Member referred to work being taken forward to use the ePims management system to develop an EA Asset Management Plan on a five year horizon. As DE had overall responsibility for management of the Asset Management Plan, he urged Mr Fair to use his best endeavours to progress implementation of this priority 1. Mr Fair confirmed he would relay this to DE.

A Member received clarity on the actions taken around safeguarding children and young people within the priority 1 recommendations for Transport.

A Member asked that the paper should set out clearly the most up to date position with regard to each priority 1 recommendation.

The Committee noted the paper.

Mr Anderson presented a paper* (ARA10/18/7) setting out draft protocol for following up responses from schools on the implementation of Priority 1 and 2 recommendations contained in school audit reports. Responsibility for accepting and ensuring effective implementation of recommendations resided with school Boards of Governors.

A Member referred to the consideration given to this matter at the Committee meeting in April. He was particularly mindful of the number of maintained schools which had not provided management responses to Priority 1 recommendations. He considered that, as CCMS had responsibility for Boards of Governors of maintained schools, EA should be engaging with CCMS to agree a protocol to ensure accountability and deliverability of actions for those schools. Mr Anderson said that he attended CCMS Audit and Risk Assurance Committee meetings. This matter would be taken forward in that forum.

In agreeing the draft protocol, the Committee requested two amendments. These included issuing a copy of the letter to the appropriate employing authority when writing to the Chair of the Board of Governors should a response not be received by the revised deadline. In addition, the Committee would receive regular reports on those schools where the principal and chair of the Board of Governors had been requested to sign a written undertaking on the implementation of recommendations.

Mr Fair queried the process for officers to return and monitor a school after a period of time once a school had implemented Internal Audit's recommendations. Mr Anderson said that a return to a school depended on the nature and level of the concerns within the priority 1 recommendations.

A Member received clarification on the training and guidance provided to Boards of Governors with regard to their responsibilities.

Actions: *DE to report on its current position on the retention of receipts following disposal of assets; Report to reflect clearly the most up to date position with regard to each priority 1 recommendation; Mr Anderson to discuss protocol around management responses for maintained schools with CCMS Audit and Risk Assurance Committee; Protocol for following up responses with schools on the implementation of Priority 1 and 2 recommendations agreed with two changes.*

13. INTERNAL AUDIT (Continued)

13.1 AUDIT STRATEGY 2018/21 INCLUDING AUDIT PLAN FOR 2018/19

Training on the Strategic Plan had been provided to the Committee prior to the meeting.

Mr Anderson presented the Internal Audit Strategic Plan 2018/21* and the Audit Plan 2018/19* (ARA/10/18/8.2).

A Member queried if Internal Audit had carried out work on the impact of Brexit on EA funding. Mr Anderson advised that confirmation had been provided that PEACE IV funding was guaranteed until the end of the CASE project. No other specific work was being taken forward by Internal Audit around Brexit.

The Committee noted the three year Strategic Plan and the annual Audit Plan.

13.2 STAFFING STRUCTURE : UPDATE

Discussion on this item had taken place earlier in the meeting (minute 9).

Mr Anderson provided an update on the proposed enduring structure for Internal Audit* (ARA/10/18/8.3). He advised that he was awaiting notification of a meeting with Trade Union Side to discuss the proposed enduring structure. The Committee noted the proposed structure and revised job descriptions for posts for Regional Internal Audit and Investigations Manager, Internal Auditor and Trainee Internal Auditor.

This matter would be further discussed by the Committee at its special meeting to consider the Annual Report and Accounts for 2017/18.

13.3 FRAUD REPORT 2018/19

Mr Anderson presented the report summarising current and completed fraud investigations. At Mr Fair's request, Mr Anderson undertook to identify new cases in the current financial year in future reports.

The Committee noted the report* (ARA/10/18/8.4).

Action: *Report to identify new cases in the current financial year.*

Mr Forrest withdrew from the meeting.

14. WHISTLEBLOWING CASES - PROGRESS REPORT 2018-19

Mr Anderson presented the report* (ARA/10/18/9) setting out current and recently completed reviews relating to Whistleblowing. Clarification was given on the definitions of whistleblowing, complaints and grievances. It was noted that responses were always provided to individuals where identification had been provided.

A Member referred to management processes for cases raised under the whistleblowing and complaints procedures. He said that officers should review cases so as to ensure that the best approach was used for time bound formal management processes.

The Committee noted the report.

Action: *Review cases to ensure that the best approach is used for time bound formal management processes.*

15. AUDIT COVERAGE OF VOLUNTARY GRAMMAR / GRANT MAINTAINED INTEGRATED (VG / GMI) SCHOOLS

Mr Lundy declared an interest in Rainey Endowed School, St Ronan's College and St Patrick's Grammar, Downpatrick.

Mr Anderson presented the summary report* (ARA/10/18/11) of audit coverage for VG / GMI schools in 2017/18. The report set out internal and external audit providers, assurance ratings and priority recommendations, and main findings. He said that the current arrangement whereby VG / GMI schools were responsible for their own internal audit arrangements was working well. He said that VG / GMI schools were operating under guidance issued by DE in 1999 which permitted the same firm to provide both the internal and external audit service to a school.

The Committee noted that the vast majority of schools in the report used the same firm to provide internal and external audit services. Mr Anderson pointed out that DE's guidance in 1999 was not consistent with DAO 10/07 which stated that in all circumstances where a private sector firm was engaged to provide a contracted-in internal audit function, the same firm should not be engaged to undertake external audit or consultancy work.

The Committee agreed that schools should be informed of the need to adhere to the guidance set out in DAO 10/07 and that it was necessary to regularise this matter for the 2019/20 school year. A Member queried whether this process would require consultation.

A Member queried the length of terms of contracts for external audit providers at VG / GMI schools.

Mr Anderson said that EA was unsighted around private school funds in VG / GMI schools. Mr Fair advised that a viability review was currently being carried out by Finance on these schools. He said that EA should have visibility of all finances for these schools.

The Chair received confirmation that EA would receive the annual accounts for these schools.

Mr Anderson confirmed that a report on the audit coverage of VG / GMI schools would be presented to the Committee on an annual basis.

Action: Review guidance to VG / GMI schools in line with DAO 10/07.

16. DIRECT AWARD CONTRACTS

The Committee noted the Direct Award Contracts* (ARA/10/18/13).

17. ACCOUNTABILITY AND FINANCIAL MANAGEMENT

The Committee noted the following circulars:

- FD (DoF) 05 18 Departmental Annual Reports and Accounts 2017-18 - Guidance on UK leaving the EU
- FD (DoF) 06 18 Annual Theft and Fraud Return to DoF 2017-18
- FD (DoF) 07 18 Laying of Accounts in NI Assembly
- DCO (DoF) 01 18 Timetable for whole of Government Accounts 2017/18 - All NI Bodies
- FD (DoF) 08 18 Remuneration of Chairs and Members of public bodies and other fee rates - daily rates effective 1 August 2017

18. DATE OF NEXT MEETING

The next meeting was scheduled for 17 January 2019.

The meeting ended at 3.00 pm.

Chair

Date

* Paper circulated

** Paper tabled