

**MINUTES OF PROCEEDINGS OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON  
30 MAY 2019 AT 10.00 AM IN THE BOARD ROOM, ANTRIM**

**1. PRESENT** Mr E Jardine (Chair)

Mr D Cargo	Mr O McMullan
Dr M Dynan	Miss R Rainey
Mrs I Knox	Mr T Salmon
Mr G Lundy	

**2. IN ATTENDANCE**

Ms S Long, Mr D Hanna, Mrs K Scott, Mr S Wade, Mr D Anderson, Ms L McCall, and for part of the meeting Mrs D Allen and Mrs G Flavell.

Ms K Mack and Ms T McCavigan attended from the Department of Education (DE) and Mrs C Kane attended from the Northern Ireland Audit Office (NIAO).

**3. DECLARATIONS OF INTEREST**

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

**4. MINUTES OF MEETING HELD ON 8 APRIL 2019**

The Committee agreed the minutes\* (ARA/5/19/3) of the meeting held on 8 April 2019 on the proposal of Mr Cargo and seconded by Mr Salmon.

**5. MATTERS ARISING FROM THE MINUTES**

**5.1 CORPORATE RISK REGISTER (7.1)**

Mr Hanna said that a meeting had taken place with DE officials to discuss safeguarding arrangements relating to home to school transport. It had been agreed at that meeting that the safeguarding arrangements that had been put in place by EA would be set out in a letter to DE. Mr Hanna said that this issue was being kept under review by the Child Protection and Safeguarding (CPS) Committee.

A Member, who was the Chair of the CPS Committee, said that the CPS Committee had received a further report at its May meeting on safeguarding issues relating to transport contracts. It was intended that a paper would be presented to the CPS Committee at its next meeting setting out short term arrangements as well as arrangements for an enduring framework. Subject to endorsement by the CPS Committee, the paper would be presented to ARAC.

Mr Wade provided a report on arrangements to take forward the appointment of the IT Security Officer. It was noted that the revised job description was currently being revaluated and would be shared with Trade Union colleagues. The Chair stressed the importance of this post and urged officers to expedite the appointment as quickly as possible.

A Member said that a report setting out the time taken to progress appointments would be beneficial. Mrs Duffield said that one of the benefits of the fundamental review of recruitment services within HR would be a reduction in the timeframe to make appointments. Currently, HR delivered recruitment services manually for approximately

26,000 job applications each year. No formal mechanism existed to measure the time taken for appointments in the absence of an online system. She undertook however to provide information on the appointments process to the Finance and General Purposes Committee at a future meeting.

*Action: Information to be provided on the process around appointing staff to the Finance and General Purposes Committee at a future meeting.*

## **5.2 EDUCATION TECHNOLOGY SERVICES AND EA ONE PROJECT (7.2)**

Presentations on both the two ICT and associated risks had been provided to the Finance and General Purposes Committee at its meeting on 7 May 2019.

## **5.3 RAISING CONCERNS AT WORK (WHISTLEBLOWING) POLICY (12)**

The Committee had previously agreed to amend the policy so that the Chair of ARAC would have responsibility for Whistleblowing cases in instances where an employee might not have confidence in senior management to progress a report.

The amended policy\* (ARA/5/19/4.1) was noted.

## **5.4 GENERAL DATA PROTECTION REGULATIONS - REPORT ON DATA BREACH (14)**

A follow up report on the data breach would be provided to the Committee at its October meeting.

# **6. CHAIRPERSON'S BUSINESS**

## **ENGAGEMENT WITH DE'S AUDIT AND RISK ASSURANCE COMMITTEE (ARAC)**

The Chair said that he had recently met Ms J McEwan, Chair of DE's ARAC. Focus had been given to EA's budget pressures, clearance of priority 1 recommendations, child protection issues, and capacity to deliver the two major ICT risks relating to the EA One Project and Education Technology Services. He also reported that the Chief Executive had attended a recent meeting of DE's ARAC for the purposes of being introduced to committee members. Ms Long said that she had provided context to DE's ARAC on particular issues impacting EA. Following a Member's query, Ms McCavigan outlined the composition of DE's ARAC.

It was noted that DE intended to hold its annual workshop for all Arms' Length Bodies later in the year. Ms McCavigan asked Members to submit issues which could be discussed at DE's workshop.

The Chair said that he had asked Ms McEwan to reflect on the value of an informal meeting between DE's Audit and Risk Assurance Committee (ARAC) and EA's ARAC.

# **7. INTERNAL AUDIT**

## **7.1 HEAD OF INTERNAL AUDIT AND ASSURANCE'S ANNUAL ASSURANCE REPORT AND OPINION**

Mr Anderson presented the Annual Assurance Report and Opinion\* (ARA/5/18/6.1) and reported that overall there was an adequate and effective system in place of governance, risk management and control. He said that satisfactory assurance was also being reported for Procurement and Contract Management arrangements, as set out within the requirements for CoPE accreditation.

Mr Anderson said that 2018/19 had been a period of improvement for Internal Audit in terms of a new strategic three year plan which had been designed to cover all EA

systems and processes. While the initial plan had been overly ambitious, revisions had been made to the plan during the year. This had been largely due to the complexity of audits which had not taken account of legacy operating systems. He paid tribute to the quality of work undertaken by the Internal Audit team during the year. The revised enduring staffing structure had been taken forward and members of staff were being supported through study programmes, where appropriate. He said that a number of officers had previously been trained in fraud investigations. He also said that Internal Audit could benefit from a member of staff who had specialist forensic computer expertise but this skillset was difficult to obtain and retain. He therefore intended to buy in this expertise where this was required. He said that Internal Audit continued to develop its role in supporting the organisation through the provision of advice and guidance in a wide variety of projects across EA.

Mr Anderson said that the external audit quality assurance exercise carried out during the year had found Internal Audit to be compliant with Public Sector Internal Audit Standards.

Mr Anderson referred to the table detailing progress against audits undertaken in the year. The position of a number of audits, at draft report stage, could change slightly once management responses had been received. He referred to the number of system audits completed during the year which had provided limited or unacceptable assurance. He highlighted that 226 Internal Audit recommendations in final reports had been accepted by management out of a total of 227 recommendations. Implementation of audit recommendations in audits was subject to Internal Audit monitoring for all Priority 1 recommendations.

A Member paid tribute to Internal Audit for the work undertaken during the year and for the improved structural arrangements. She sought assurance that there had been sufficient and appropriate audit activity undertaken to underpin the Head of Internal Audit and Assurance's overall opinion. She queried if management was aware of the importance of responding to audit reports promptly. She also queried plans to ensure that appropriate attention was given to school audits. Mr Anderson said that the assurance was based not only on findings of work undertaken in 2018/19 but also on findings of audits undertaken in the prior two year period. It was also based on the wider control framework in place throughout EA. He said he was not anticipating any significant issues from audits which were still at fieldwork and draft report stage. However, should any issue become apparent, this would be reflected in the Governance Statement. Management was aware of the need to respond promptly to audit reports and a process was in place to keep this under review. He said that a questionnaire was being developed for schools which would provide for a risk based evaluation of school priorities and thus enable Internal Audit to target its work with schools more effectively. The Member concurred with this approach which would support schools in self-evaluation techniques.

Ms McCavigan queried if the audits carried forward from the 2018/19 plan into 2019/20 were likely to impact on the delivery of the 2019/20 plan. Mr Anderson said that these audits had been built into the 2019/20 plan.

A Member asked if any work had been undertaken to monitor the rate of rationalisation of systems and processes and staffing structures. Ms Long undertook to provide a report to a future meeting on the current position and future expectations.

A Member sought clarity on the process around the sale of capital assets. Ms Mack said that money submitted to the centre would be considered by DE and reprioritised through

a future capital budget allocation. The Member also received confirmation from Mr Anderson that audit had not identified any issues within special education.

A Member queried the possibility of identifying data that would make explicit how audit opinions were arrived at. Mr Anderson said that while no scoring mechanism existed, he gave full and proper consideration to the appropriateness of each assurance provided.

A report on progress against the plan would be provided to the Committee at its October meeting.

The Committee noted the report.

**Action:** *Report to be provided in due course on completed change programmes and change programmes to be completed.*

## **7.2 ASSURANCE MAPPING - UPDATE**

Mr Anderson presented a progress report\* (ARA/5/19/6.2) on work which had taken place to map the full range of assurances available within EA.

A Member welcomed the structure which was based on the 'three lines of defence' model and said that it would provide an additional basis on which Members could challenge constructively.

The Chair said that the model should recognise the Education and Training Inspectorate as an independent source of assurance as well as the statistical and analytical support provided by DE. He queried whether EA was receiving the necessary management information from DE's analytical service. Ms Long said that while the statistical and analytical functions resided with DE, EA would develop systems to enhance its own business and management information.

The Chair said that assurance mapping could be a possible topic for DE's workshop in the Autumn.

Ms McCavigan said that DE was also undertaking an assurance mapping exercise which would be piloted across organisations.

Mrs Kane said that assurance mapping would support the identification of duplication across organisations as well as identifying where resources should be directed.

The Committee noted the report.

**Action:** *Assurance mapping to be put forward as an item for DE's workshop for ALBs.*

## **8. GOVERNANCE STATEMENT 2018/19**

Mr Anderson presented the Governance Statement\* (ARA/5/18/7). He said that comments on the Governance Statement had been received from DE during the week and these would be reflected in the final document. Ms Mack said that DE had highlighted child protection as a significant issue.

A Member referred to the statutory nature of the Membership and Teaching Appointments Committee and requested that this would be reflected within the Governance Statement.

The Committee noted with satisfaction the content of the Governance Statement. The final Governance Statement would be incorporated into the Annual Report and Accounts for 2018/19 for submission to NIAO.

**Action:** *Governance Statement to be amended to reflect DE's comments and the statutory nature of the Membership and Teaching Appointments Committee.*

## 9. ANNUAL REPORT AND ACCOUNTS 2018/19

The Committee noted that the Annual Report and Accounts was structured into three parts: the Performance Report, the Accountability Report, and the Financial Statements.

Mrs Allen presented the Performance Report which reflected EA's key performance targets and a number of significant achievements. She said the Performance Report would be further developed in the coming months with infographics and pictures.

Mr Wade drew attention to the reporting timetable and the basis of preparation for the Annual Report and Accounts. He said the provisional outturn was showing an overspend of £15.2m (estimated). He also said that savings from school stock now amounted to an estimated £18m. Work would continue to finalise the position which would be reported at final outturn. He pointed out that the schools' surplus was estimated to be £32m. This figure would change slightly as a result of the movement of accruals and the final position relating to school stock.

Mrs Flavell presented the Accountability Report and the Financial Statements. A detailed report was provided on each of the four Primary Statements and Notes to the Accounts. She said the draft Annual Report and Accounts were required to be submitted to the NIAO and DE on 30 May 2019 and thereafter audit work would commence in September. She paid tribute to staff for the tremendous amount of work undertaken to complete the Accounts.

Members received clarification on information provided in the document relating to staff who had exited the organisation. Variances in information had arisen as a result of information which had been presented as full time equivalents, staff who had exited under different management authorities, and additional posts which had been taken forward as a result of restructuring. A Member said that future reports should provide clear information around exit packages. He welcomed that all capital monies had been expended. He also welcomed the focus in the Performance Report to celebrate school successes. He highlighted however that the report should not only show key activities but also that emphasis would be given to the outcomes arising from those activities. The Member said that consideration should also be given to some means of formal contingency around EA's overspend position. While EA had managed to reduce its overspend in a very challenging financial environment compared to the previous year, there was still significant risk that the Accounts might be qualified.

The Chair said that the Finance and General Purposes Committee, at its meeting on 4 June 2019, would also be reviewing the Annual Report and Accounts for 2018/19.

A Member queried if the Committee should be made aware of any significant financial judgements. Mrs Flavell explained the basis for preparing the Financial Statements. She said the Accountability Report and the Financial Statements had been prepared in accordance with the Government Financial Reporting Manual (FRoM) and the Accounts Direction issued by DE.

The Committee commended staff on the compilation of the document within the tight timeframe.

On the proposal of Mr Salmon, seconded by Miss Rainey, the Committee agreed to recommend that the draft Annual Report and Accounts for 2018/19\* (ARA/5/18/6) should be submitted to NIAO and DE in accordance with the agreed timeframe.

## **10. NORTHERN IRELAND AUDIT OFFICE**

### **10.1 FINAL REPORT TO THOSE CHARGED WITH GOVERNANCE (RTTCWG) 2017/18**

The Committee noted that the Annual Report and Accounts for 2017/18 had been certified on 25 March 2019.

Mrs Kane presented the final Report to those Charged with Governance\* (ARA/5/19/9.2) setting out the results of the audit of the 2017/18 Accounts. This included recommendations for action and management's responses to the recommendations.

Mrs Kane advised that the report provided earlier in the meeting referred to the appointment of an ICT Security Officer which was included as a recommendation from 2016/17.

In response to a Member's query, Mr Wade provided assurance that he was content with the revised target dates in the report.

The Committee noted the final RTTCWG.

### **10.2 2018/19 AUDIT STRATEGY**

Ms Kane presented the Audit Strategy\* (ARA/5/19/9.1) which set out the audit approach to the 2018/19 Annual Report and Accounts and the actions to be taken by those charged with governance. She advised that, following an initial assessment of EA's operations and control environment, audit had not identified any significant risks of material misstatement. Ms Kane set out the basis for materiality. She said that as part of the work to develop the audit plan, NIAO had not identified any significant risks. However, a number of other risk factors had been identified but these were not considered to represent a significant risk of material misstatement in the Financial Statements but were matters which would be monitored throughout audit. These areas included procurement and contract management, budget constraints, inventory, and the IT environment.

The audit timetable was noted. Audit testing would commence on 2 September with the intention that the Financial Statements would be certified by 4 December and the Report to Those Charged with Governance issued on 13 December.

Ms Kane drew attention to current and planned Value for Money reports as set out in the paper. In response to a Member's query, she advised that the working title of the report on social deprivation and links to educational attainment was 'Closing the Gap'. She outlined the approach to the study which would cover early years, primary, and post primary education. A Member asked NIAO to give consideration to the deprivation indices as part of this piece of work.

The Committee noted the Audit Strategy.

*Mr McMullan left the meeting at 1.21 pm.*

## **11. PRIORITY 1 RECOMMENDATIONS - PROGRESS REPORT**

Mr Anderson presented a paper\* (ARA/5/19/10) setting out progress on implementing priority 1 recommendations. He referred to areas where satisfactory progress had been made and said that these areas would be removed from the next iteration of the paper. He said that further consideration had been given to the target dates within the report.

Mr Anderson provided a progress report on key areas within the report.

A Member welcomed the progress made on the implementation of priority 1 recommendations. The Committee noted the report.

## **12. DIRECT AWARD CONTRACTS**

The Committee noted the Direct Award Contracts\* (ARA/5/19/11).

## **13. ACCOUNTABILITY AND FINANCIAL MANAGEMENT**

The Committee noted the following circulars:

- DAO (DoF) 04 19 - Engagement with HM Treasury
- DCO (DoF) 01 19 - Timetables for Whole of Government Accounts - All NI Bodies
- FD (DoF) 02 19 - Departmental Annual Report and Accounts 2018/19
- FD (DoF) 03 19 - Guidance on the format of Remuneration Report 2018/19
- FD (DoF) 04 19 - Departmental Annual Reports and Accounts 2018/19 - Guidance on the UK leaving the EU

## **14. ANY OTHER BUSINESS**

### **CIRCULAR DAO (DoF) 03 19**

The Chair referred to DAO (DoF) 03 19 - Partnerships between Departments and Arms' Length Bodies. This document would be reissued to Members.

## **15. DATE OF NEXT MEETING**

The next meeting would be held on 7 October 2019.

The meeting ended at 1.25 pm.

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**Chair**

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**Date**

\* Paper circulated

\*\* Paper tabled