

Ms Long presented the CRR* (ARA/10/19/6.1) which had been reviewed by each Director and discussed at a recent meeting of the Corporate Leadership Team. A new risk (Risk 15) had been included in respect of the Public Sector Shared Network project to reflect non-completion of the project in time with subsequent loss of connectivity. Mr Wade said that the DoF managed project had consequences across Northern Ireland's public sector. However, negotiations were progressing well and the expectation was that all risks would be managed. Attention was drawn to an error in the paper concerning the residual risk status of Risk 7.

Mr Anderson presented his independent evaluation* (ARA/10/19/6.2) of the content of the CRR. He reported that high residual risk had been assessed against seven key risks and low residual risk had been assessed against eight key risks. The highest rated risk related to the financial risk facing EA, reflecting the current environment. He drew attention to other high residual risk areas. These included planning, investing and maintaining the education estate, preparations for a worst case scenario of a no deal Brexit, delivering an essential transformation programme, progressing required projects in line with appropriate timescales, and the two risks relating to the two major IT projects. Mr Anderson confirmed that he was satisfied that appropriate action and controls were being applied to bring residual risk levels into line with the agreed risk appetite. He said that in some cases resource constraints and complexity were limiting EA's ability to achieve the desired outcomes quickly.

The Committee discussed the three risks where the residual risk had increased. Ms Long said that Risk 3 (non-compliance with statutory legislation and relevant policies) and Risk 5 (non-establishment and maintenance of an effective governance and accountability framework) had increased on account of officers becoming more informed of detail in these areas. Mr Fair indicated that this explanation could be conveyed in the narrative around the two risks. Ms Long said that Risk 10 (non-delivery of an essential transformation programme) would incorporate EA's financial recovery plan, and oversight of the plan would be taken forward through the Finance and General Purposes Committee.

The Chair asked for an update to be provided to the Board on planning for Brexit Day 1 (Risk 12). Ms Long said that previous reports in this area had been provided to Finance and General Purposes Committee. She undertook to provide a report to the Board at its October meeting.

Ms McCavigan outlined DE's concerns with regard to ongoing issues relating to Risk 6 (EA does not deliver its duty of care to provide a safe and secure environment for children and young people, employees, and service users). Ms Long referred to a recent meeting between DE and EA officials in respect of safeguarding matters at which a position had been agreed. This position had been reflected in the documentation which had been presented to the Child Protection and Safeguarding Committee on 17 September 2019. It was agreed that this matter would receive further consideration later in the meeting (minute 17).

The Committee noted the Corporate Risk Register.

Action: Report to be provided to the Board at its October meeting on planning for Brexit Day 1.

9. CHALLENGES AROUND FUTURE CONSOLIDATION OF NDPB ACCOUNTS

Mr Wade said that EA had been notified that the Review of Financial Process (RoFP), also known as faster closing, was required from 2020/21. Faster closing meant earlier completion of year end accounting processes and significant implications for the timing of EA's audit. EA's Annual Report and Accounts would therefore require certification by 30 June in 2020. He said that a dry run of faster closing would be completed for the 2019/20 Annual Report and Accounts. Mr Wade presented a paper* (ARA/10/19/7) outlining the key planning dates for the RoFP, the key

challenges to compliance with the requirements of RoFP, and the potential impact of RoFP on VG/GMI schools.

Mrs Kane said that communication had been received from the Permanent Secretary of DoF to state that RoFP would now be implemented in 2021/22 due to a delay in taking forward legislation. While the new arrangements for faster closing would impact significantly on NIAO, it was intended that NIAO would work as far as practicable to the timetable previously agreed for 2019/20. This meant that, as part of the arrangements for a dry run, audit testing would be undertaken in February 2020 of EA's transactions up to 31 December 2019 and a year-end audit would commence in May 2020 to facilitate completion of the 2019/20 audit by 30 June 2020. She said it was unlikely however that certification would take place by 30 June 2020.

The Chair referred to the reclassification of VG/GMI schools as Non-Departmental Public Bodies. Mr Fair drew attention to the impact of HM Treasury guidance on NDPBs in respect of borrowing. He said that DE was currently seeking information from VG/GMI schools on their planning for capital projects as this would impact on DE's overall capital budget.

Mr Wade said that EA officers would continue to engage with NIAO and DE representatives on the approach to enable faster closing targets to be achieved.

The Committee noted the challenges associated with the revised arrangements for faster closing.

10. 2019/20 MID-YEAR GOVERNANCE STATEMENT

Mr Anderson presented the mid-year Governance Statement** (ARA/10/18/8) which had been forwarded to DE for comment on 4 October 2019.

In response to a query from the Chair, Mr Anderson said that the significant risks identified in the mid-year Governance Statement reflected EA's key risks as set out in the first quarterly report of the Corporate Risk Register.

It was noted that the timeframe to implement year 3 of the Strategic Area Plan was June 2020.

The Committee noted the mid-year Governance Statement.

11. PRIORITY 1 RECOMMENDATIONS

Mr Anderson outlined the progress made on implementing priority 1 recommendations as set out in the paper* (ARA/10/19/9). He drew attention to those areas where satisfactory progress had been made. These areas would be removed from the next iteration of the report.

A Member requested that the layout of the report should be reviewed so as to give clear information on whether progress had been made against each area and to summarise those recommendations which had been removed from the report previously on account of satisfactory progress being made. He referred to actions within the report which relied on the appointment of appropriate senior officers and highlighted the importance of succession planning. Ms Long confirmed that succession planning was part of the Corporate Leadership Team's consideration; however, EA did not have appropriate skillsets in a few key areas, the details of which were provided in the paper. A report on the appointments process for senior posts relating to contingency planning and ICT security was provided.

A Member said that the paper should clearly identify the recommendations where progress was being made, where satisfactory progress had been made to warrant removal from the paper, or where no progress had been made.

Mr Fair referred to target completion dates for Transport issues. Mr Anderson said he was satisfied that these dates had been met. A report would be provided on this matter later in the meeting (minute 17). Ms Long said that the intention was to make the process concerning priority 1 recommendations more responsive through the reporting mechanism to the Corporate Leadership Team.

The Committee noted the report.

Action: *Layout of report to be revised.*

12. INTERNAL AUDIT

12.1 INTERNAL AUDIT PROGRESS REPORT 2019/20

Mr Anderson presented a report* (ARA/10/19/10.1) showing progress against the Internal Audit Plan. The plan included work carried over from the 2018/19 plan, as previously reported to the Committee. Out of the 92 audits identified in the 2019/20 plan, 34% had progressed to either draft or final report stage and a further 16% to fieldwork stage. He expected that the majority of the audits in the plan would be completed to at least draft report stage to enable reasonable assurance to be reported in his Annual Assurance Report and Opinion for 2019/20. He said that, to date, 101 Internal Audit recommendations had been accepted by management out of a total of 103. A report was provided on the rationale for the 2 recommendations which had not been accepted. Mr Anderson drew attention to the reports detailed in the paper which had been agreed and issued as final versions.

Members paid tribute to Internal Audit on the rate of progress to date against the plan. Mr Anderson referred to significant progress being made in respect of the time taken for management to respond to audit recommendations.

A Member raised concerns in respect of an issue concerning prompt reconciliations of school meals income. Mr Anderson said that training had been provided in this area to Cashiers offices. This area would continue to be monitored.

A Member received clarification that follow up audits would be built into the plan and carried out later in the year on any audit which had resulted in limited assurance being provided. A Member received clarification that contingency days had also been built into the plan.

A Member drew attention to the initial assurance being provided against the audit fieldwork for the Speech and Language Service. Mr Anderson said that the Internal Audit report had identified inconsistencies in the application of the service across the region.

A Member acknowledged that the complaints process was robust and that its final report had provided overall satisfactory assurance. He said that EA should be seeking to maximise its good news stories and successes in the media. Ms Long said that this issue was being addressed in EA's Communications Strategy which was currently being finalised and would be presented to the Board for consideration.

12.2 FRAUD PROGRESS REPORT

Mrs Knox and Mr Lundy declared an interest in this item and they withdrew from the meeting.

Mr Anderson presented the report summarising current and completed fraud investigations. He outlined his engagement with the PSNI concerning matters of alleged financial crime. He also outlined the approach agreed with the PSNI in respect of EA proceeding to take

action on disciplinary matters whilst awaiting PSNI involvement in any case. In response to a query from a Member, he advised that EA's Anti-Fraud Policy was available on EA's website for schools.

A Member queried the advice given to schools in respect of cheque signatories. Mr Anderson confirmed that clear instructions and procedures had been given to schools in this area. He said that guidance on the management and control of private school funds would be made available to schools shortly and, in parallel, he would be providing training to schools in this area in the next quarter.

It was pointed out that in cases where a controlled school failed to follow EA advice and guidance in respect of management and control of private school funds, EA would engage with the school to discuss the school's responsibilities around actions to be taken. Where financial crime was suspected, the PSNI would be informed as quickly as possible. In cases involving VG/GMI schools, it was agreed that EA's advice would be provided to the Board of Governors of that school, including issues relating to indemnification, and the requirement of the school to alert the PSNI to any potential financial crime.

The Committee noted the report* (ARA/10/19/10.2).

Ms Knox and Mr Lundy re-entered the meeting.

13. WHISTLEBLOWING CASES

Mr Anderson presented the report* (ARA/10/19/11) setting out current and recently completed reviews relating to Whistleblowing. He said that cases which had closed would be removed from the report. Members received clarification that all cases were treated with equal seriousness and were thoroughly investigated.

Mr Fair referred to an issue raised in the media. Ms Long said that this matter had not been forwarded to EA for investigation under the whistleblowing procedure and was therefore not included in the report.

Mrs Kane pointed out that those with concerns could also be encouraged to take forward issues through EA's complaints procedure.

The Committee noted the report.

14. REVIEW OF INTERNAL AUDIT REPORTS FOR VOLUNTARY GRAMMAR AND GRANT MAINTAINED INTEGRATED (VG/GMI) SCHOOLS 2018/19

Mr Anderson said that he had reviewed the internal audit reports submitted by VG/GMI schools in July 2019. While not all schools had submitted their internal audit reports, he was satisfied that work had been appropriately completed and that the assurance provided in the majority of cases was appropriate and in line with findings. He pointed out that the majority of VG/GMI schools still used the services of a single provider to carry out internal and external audits at their schools. He also pointed out that a small number of schools had drawn attention to financial difficulties and this information had been relayed to the Corporate Leadership Team. He presented a paper* (ARA/10/19/12) summarising the findings of his review against each VG/GMI school.

A Member referred to the comment made by some schools for the need for a tighter review of the use of credit cards and said that this matter should be addressed when EA was issuing its guidance to schools on the management and control of private school funds.

Members commented on the significant number of schools which were not yet compliant with DAO 10/07 in respect of internal and external audits being carried out by discrete providers. They acknowledged that existing contractual arrangements with providers could cause a delay in this compliance.

The Committee agreed to recommend that EA would write to those VG/GMI schools which still used the services of a single provider for internal and external audits to ascertain their timetable for compliance with DAO 10/07.

Action: EA to write to those VG/GMI schools which still used the services of a single provider for internal and external audits to ascertain their timetable for compliance with DAO 10/07; and schools to be reminded of EA's procedures around the use of credit cards when issuing guidance to schools on the management and control of private school funds.

15. ICT SECURITY

Mr Baxter presented a paper* (ARA/10/19/13) summarising the outcome of recent security testing carried out by an accredited IT specialist on EA's ICT network. He advised that external testing had highlighted that over 85% of EA's external facing servers had caused no concern and that legacy issues had been actioned following testing. Internal testing had identified a number of issues and many of these had related to redundant servers which would be disposed of in the near future. He also advised that social engineering tests had shown a high level of user awareness around SPAM email and that only a small number of staff sampled had failed to recognise the emails as malicious. He drew attention to a number of recommendations arising from the testing which were either now complete or underway, as set out in the paper.

Mr Baxter said that while the findings of these tests gave reassurance that the EA network was secure, the situation would continue to evolve and EA would continue to take steps to minimise risk. This was a critical area and would require investment. He said that proposals would come forward for investment in this area at a later date.

A Member said that target dates should be attached to the actions outlined in the paper. In response to the Member's query, Mr Baxter said that the recruitment and selection process for the post of ICT Security Officer was underway. He advised that consideration was being given to functional teams with dedicated specialisms, including cyber assurance, within the Finance and ICT Directorate. He also advised that training would be rolled out to all staff on IT security and the acceptable use of IT.

Members commented on raising staff awareness around physical security considerations also.

A Member said that the external testing provided good baseline data. He welcomed the findings of the report.

The Committee noted that external testing would be carried out by independent industry experts on a bi-annual basis to highlight any potential issues.

Action: Progress report on the actions arising from the independent security testing, including target dates, to be provided to the Committee in due course.

16. NORTHERN IRELAND AUDIT OFFICE

Mrs Kane advised that the audit of EA's Annual Report and Accounts for 2018/19 had commenced in September and certification was expected to take place at the end of November. A report on EA's overspend position would be provided by the Comptroller and Auditor General.

She said that, as previously mentioned, a meeting had been held with DE and EA to discuss the audit timetable for EA's Annual Report and Accounts for 2019/20. She also advised that NIAO was currently carrying out fieldwork in respect of EA's 2018/19 Trust Funds.

Mrs Kane said that NIAO would be undertaking a follow up review on the SEN report published in 2017. She also said that NIAO anticipated to publish the report on Closing the Gap, which related to social deprivation and links to educational attainment, in March / April 2020. This work would be supported by feedback from schools via a survey facilitated by DE, feedback from QUB and UJJ academics, and visits to Sure Start projects. In response to a Member's query, it was noted that consideration would be given to the work of the Goliath Trust and other initiatives where volunteer tutors provided support in deprived areas.

Mrs Kane said that NIAO intended to carry out a strategic review of EA in 2021/22. This would entail a review of EA's plans for regionalisation and progress to date. Ms Long said that DE was undertaking a quinquennial review of EA in 2020.

17. CHILD PROTECTION AND SAFEGUARDING

Mr Hanna presented papers* (ARA/10/19/14.1 and 14.2) on child protection arrangements in the Operations and Estates Directorate as well as interim training arrangements for private transport operators. He said that the Child Protection and Safeguarding (CPS) Committee, at its meeting on 17 September 2019, had given consideration to these papers and had welcomed the significant progress made in these areas.

Mr Hanna said that Internal Audit had conducted a series of audits within the Operations and Estates Directorate which had generated a number of recommendations impacting upon arrangements for child protection, safeguarding, and wider compliance. He referred to the action plan* which set out the actions taken against 17 priority 1 and 2 recommendations. All 17 recommendations had been addressed. In addition to the Internal Audit recommendations, a number of enhanced actions were planned and these were either complete or underway.

Mr Hanna referred to the follow up review conducted in March 2017 of an Internal Audit undertaken in 2016 on child protection arrangements which had highlighted limited assurance in pre-employment checks and child protection training for contracted drivers. He drew attention to the significant progress which had been made to manage risk in these areas, as set out in the paper. This included regional processes for pre-employment checks, and interim child protection training for contracted drivers. Mr Hanna provided a report on the number of contracted drivers trained to date as part of the new interim arrangements and the upcoming sessions which would provide training to the remaining contracted drivers.

Mr Hanna advised that further in-depth reports on both issues would be presented to the CPS Committee at its meeting on 19 December 2019.

A Member, who was also a Member of the CPS Committee, said that the CPS Committee had commended the significant progress made in both areas. The robust monitoring arrangements were to be welcomed. However, a number of areas were still to be addressed. Two actions assigned to HR within the enhanced action plan did not yet have identified target completion dates. He referred to a section in the action plan which stated that EA appointed project managers would monitor the arrangements for the vetting of persons undertaking minor works in schools and suggested that this would need careful management and monitoring and that a process needed to be in place to enforce this arrangement or to delegate the authority elsewhere. He also drew attention to arrangements for recruitment

practices for temporary school based staff and indicated that in practice there should be very few occasions that would require a member of staff to be appointed in a temporary capacity in advance of completion of an Access NI check. He highlighted that schools had delegated responsibilities around managing their workforce. The Member said that clarity should be sought in respect of what was expected of EA in addition to EA's statutory requirements in these areas.

Mr Fair queried the risk appetite identified in the two risk registers concerning duty of care to provide a safe and secure environment for children, young people, employees, and service users and commented on the low residual score. Mr Hanna advised that private operators were subject to the highest level of vetting which took place every 12 months and, in addition, licencing regulations for private operators required private operators to be vetted by DVLA. Ms Long confirmed that the risk appetite in the risk registers was zero. The amber rating related to legislative compliance at the time of drawing up the risk registers.

The Chair said that the Audit and Risk Assurance Committee would maintain an active interest in monitoring these areas.

18. DIRECT AWARD CONTRACTS

The Committee noted the Direct Award Contracts* (ARA/10/19/16).

The Chair queried arrangements for cashless catering systems. Ms Long said that a paper on this matter was being presented to the Finance and General Purposes Committee at its November meeting.

19. ACCOUNTABILITY AND FINANCIAL MANAGEMENT

The Committee noted the following circulars:

- DCM DoF 02 19 - 2018 19 Whole of Government Accounts - Central and Local Government Guidance
- FD (DoF) 05 19 - Laying of Annual Report and Accounts in the Northern Ireland Assembly
- FD (DoF) 06/19 - Annual Theft and Fraud Return to DoF: 2018/19
- FD (DoF) 07/19 - Review of Financial Processes 2018/19 Dry Run Consolidated Accounts
- FD (DoF) 08/19 - IFRS 16 Implementation
- FD (DoF) 09/19 - Remuneration of Chairs and Members of Public Bodies and other Fee Rates (daily rates with effect from 1 August 2018)
- Consultation on Revisions to the 2020/21 FReM

20. DATE OF NEXT MEETING

The next meeting would be held on 13 January 2020.

The meeting ended at 1.00 pm.

Chair

Date

* Paper circulated

** Paper tabled