

**MINUTES OF PROCEEDINGS OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON
13 JANUARY 2020 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, Mrs K Scott, Mr S Wade, Mr D Anderson, Ms L McCall, and for part of the meeting Mrs C Duffield, Mr S Baxter, Mrs S McCartan, Mrs E Bremner and Ms F McCloskey.

Ms T McCavigan attended from the Department of Education (DE) and Mrs C Kane, Mr A Allen and Mr J Latimer 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 7 OCTOBER 2019

The Committee agreed the minutes* (ARA/1/20/3) of the meeting held on 7 October 2019 on the proposal of Miss Rainey and seconded by Mrs I Knox.

5. MATTERS ARISING FROM THE MINUTES

5.1 PLANNING FOR BREXIT DAY 1 (8)

A report had been provided to the Board at its October meeting on planning for Brexit Day 1. The Chair asked for a further report on this matter to be presented to the Board at its January meeting. This was agreed. Ms Long drew attention to the exercise undertaken by EA, in conjunction with DE, on planning for Brexit around a 'no deal' eventuality. She said that the outcome and learning from this exercise had been useful across all EA's business continuity areas.

***Action:** Further report on planning for Brexit Day 1 to be provided to the Board at its meeting on 30 January 2020.*

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

Mr Anderson said he was aware that an increasing number of VG/GMI schools had made arrangements to ensure separation of duties between the providers of the Internal Audit service and the External Audit service at their schools. At the request of the Chair, Mr Anderson undertook to present a progress report to the Committee setting out detailed information in this area.

Mr Cargo entered the meeting at 10.05 am.

The Chair sought information in respect of the supply of independent firms to carry out internal and external audits. Mrs Kane said she was aware of a number of new firms carrying out such work and that a number of VG/GMI schools were co-ordinating together to procure internal audit services. It was noted that NIAO did not have a direct role in ensuring compliance in this area.

Action: Detailed progress report to be provided to the Committee in this area.

5.3 ICT SECURITY (15)

Mr Baxter presented a paper* (ARA/1/20/4.1) which set out the actions taken to minimise risk since the last meeting of the Committee as a result of recent security testing carried out by an accredited IT specialist on EA's ICT network. He drew attention to the action plan and the progress made against each action in line with associated target dates.

The Chair commended the positive report. He sought an update on the appointment of the IT Security Officer. Mr Baxter said that the initial internal and subsequent external appointment exercises had failed to appoint an IT Security Officer. A second external appointment exercise was due to conclude on 19 January. He provided a report on the specialised nature of the post, the strong IT market within NI, and the engagement which was currently taking place with DE's ICT Programme Board around options concerning the role of the IT Security Officer. He also drew attention to a further risk concerning the inability to date to secure the appointment of the Head of Assurance within the Finance and ICT Directorate.

Members noted challenges in appointing an individual using traditional approaches in the current flexible IT industry. It was suggested that specific posts within EA might require a different set of criteria in terms of job evaluation. The Chair urged officers to expedite arrangements as quickly as possible in order to secure a dedicated resource to manage IT security matters.

A Member sought an update on a priority 3 recommendation contained in NIAO's draft Report To Those Charged with Governance 2018/19 which related to ICT Server Room inspections. Mr Baxter said that fire suppression systems would be used in server rooms as opposed to water sprinkler systems which were previously operational in some areas. He advised that the intention was to move server rooms across the region into a wider shared centre.

The Committee noted the progress made in this area as set out in the paper. It was agreed that short progress reports would be provided to the Committee on ICT Security on a regular basis.

Action: Short progress reports to be provided to the Committee on ICT Security on a regular basis.

5.4 CHILD PROTECTION AND SAFEGUARDING (17)

Mrs Bremner reminded Members of an incident involving a young person in July 2019. As part of a series of audits in respect of child protection arrangements within the Operations and Estates Directorate, a further internal audit had been conducted in respect of driver and escort protocols and this had concluded in October 2019. Mrs Bremner reported that six recommendations had been identified in the internal audit report, which included one priority 1 recommendation relating to the training of drivers and escorts. She said that a regional training programme for drivers and escorts (Passenger Assistance Training Scheme) had been implemented. To date, 740 drivers and escorts had been trained since the summer months and this programme continued to be rolled out. Training was also being provided in the area of CTC (Certificate of Training Competence). She outlined other actions and measures which were also being taken forward. These included updated guidance and policy documents for example driver and escort instruction manuals, consistency in approaches and monitoring of safeguarding, staff engagement events and

communication tools between offices. She advised that a report on this matter had also been conveyed to the Child Protection and Safeguarding Committee (CPS) at its meeting on 19 December 2019.

The Chair of the CPS Committee said that child protection and safeguarding within the wider context of Transport remained a standing item on the CPS agenda and he was content that the matter was receiving appropriate oversight through the CPS Committee and the Audit and Risk Assurance Committee. He highlighted that an issue concerning the training of all staff remained a longer term consideration.

Ms McCavigan said that DE was content with the governance and safeguarding approaches being taken forward by EA in this area.

6. CHAIRPERSON'S BUSINESS

SPECIAL EDUCATION REPORT - AUDIT OF PRACTICE

Ms Long drew attention to the rationale for commissioning an audit of practice within special educational needs. She said that the audit had concluded and she was currently considering its findings. A report would be provided to the Committee and the Children and Young People's Services Committee (CYPS) in due course.

The Chair said it was anticipated that the CYPS Committee would take the lead on the report and that ARAC would review the recommendations and the implementation of any actions arising from the report.

A Member welcomed that both Committees would be kept apprised of the findings and recommendations of the audit of practice. He referred to ARAC's advisory role to provide support in areas of risk, control and governance and said that any matters of regularity and probity should be addressed by ARAC.

7. ANNUAL REPORT AND ACCOUNTS 2018/19

Mr Wade said that the Committee, at its meeting on 31 May 2019, had agreed to submit the draft Annual Report and Accounts 2018/19 to NIAO and DE. At that meeting, the Committee had noted the potential qualified audit opinion due to EA's overspend position.

Mr Wade said that following audit fieldwork, a number of minor disclosure changes had been made to the draft Annual Report and Accounts. He reported that these changes had been mainly presentational and no significant changes had been made to the financial outturn or assets and liabilities other than confirmation of school stock valuations. He said that NIAO had advised that the audit opinion was expected to be unqualified for the 2018/19 Accounts and, as in previous years, a public interest report would be drawn up by the Comptroller and Auditor General relating to EA's overspend.

Mr Wade presented the finalised version of the Annual Report and Accounts* (ARA/1/20/6). The Financial Statements now reflected the finalised outturn position and showed an overspend against budget of £14.9m. The amounts reported included £18.3m in relation to school stock and a closing schools' funding commitment of £32.7m in respect of school surpluses.

A Member sought clarification in respect of the actions being taken to address EA's overspend position. Mr Wade outlined the work that was being taken forward by EA in conjunction with DE on a 3-5 year financial recovery plan. He said that consideration was being given to areas of spend, key policy areas, and a fresh review of all services. Research was also taking place on how financial recovery was addressed by other public sector organisations. The intention was

to draw up an agreed plan with DE which would review the scale and scope of service levels to be delivered going forward in the context of funding available. This plan would be shared with Board Members in due course.

The Member urged officers to keep the Committee informed of developments in respect of the financial recovery plan.

Members suggested areas where some minor changes should be made to the document. This was agreed.

Subject to the minor amendments raised by Members, the Committee, on the proposal of Mr Salmon and seconded by Mr Cargo, approved the Annual Report and Accounts 2018/19 for presentation to the Board at its meeting on 30 January 2020.

Action: *Minor amendments, as raised by Members, to be made to the Annual Report and Accounts 2018/19 before their presentation to the Board for approval at its meeting on 30 January 2020.*

8. NORTHERN IRELAND AUDIT OFFICE

DRAFT REPORT TO THOSE CHARGED WITH GOVERNANCE 2018/19

Ms Kane presented the draft Report To Those Charged with Governance* (RTTCWG) (ARA/1/20/7) which set out the provisional findings of NIAO's audit of EA's Financial Statements for 2018/19. She drew attention to areas within the draft RTTCWG that would be amended following further work undertaken in the past week. It was anticipated that these changes would not impact on any figures identified in the document. It was pointed out that the draft RTTCWG had not yet been fully considered by management due to time of receipt.

Ms Kane said that it was proposed the Comptroller and Auditor General (C&AG) would certify the 2018/19 Financial Statements with an unqualified audit opinion without modification. She said that the C&AG had produced a draft public interest report, to accompany his audit opinion, on EA's overspend of £14.6m compared to its 2018/19 budget allocation.

Ms Kane drew attention to NIAO's review of qualitative aspects of EA's accounting practices and financial reporting. She outlined the audit findings which included two priority 1, nine priority 2 and one priority 3 recommendations within the categories of Financial Audit and IT Audit. She also presented the C&AG's Audit Certificate in its final format, the C&AG's draft Report on EA's overspend, and the draft Letter of Representation. Ms Kane said it was intended that the C&AG would certify the Financial Statements as soon as possible after their approval by the Board.

Ms Long said that the Letter of Representation in its final format would include commentary on data breach.

Members welcomed that the Financial Statements would be certified with an unqualified audit opinion. They sought progress reports in areas of payroll reconciliation, corporate business continuity, disaster recovery, and IT security. Particular concern was expressed that a Corporate Business Continuity and Disaster Recovery Plan had still not been implemented. Mr Wade provided assurance that whilst some areas had not been addressed in their entirety, actions had been taken to improve the security and resilience of EA's infrastructure. He reported on the approach taken in respect of manual payroll reconciliation checks.

A Member commented on the increased uptake by schools (an increase of 21% to 40%) to complete school stock counts. She queried the supports available to schools to support this exercise. Mrs McCartan said that officers had developed a database for schools to count stock

and this allowed prior year information to be carried forward to facilitate current year recording. Information and guidance was provided to schools on assets which could be counted as stock and a helpdesk had also been made available. Over 95% of schools had met LMS officers in the past year as part of the schools' financial planning exercise and LMS officers had explained the value of the stock count at those meetings. A Member suggested that some schools might not take part in the school stock exercise on account of being in surplus. The point should be made to schools that the collective undertaking of this exercise benefitted all schools.

Mr Wade commended the positive working relationship between EA and NIAO during the completion of the Annual Report and Accounts.

The Committee noted the findings in the draft RTTCWG, including the final Audit Certificate and draft Letter of Representation. The Audit Certificate and final Letter of Representation as well as the C&AG's final public interest report would be appended to the Financial Statements. Following finalisation of the audit and the receipt of management responses in respect of the issues identified in the report, the final RTTCWG would be presented to the Committee.

A Member queried the process around the submission of reports to the Public Accounts Committee (PAC) and, particularly, public interest reports. Mrs Kane said that NIAO presented reports to the PAC. It was open to the PAC to examine or note those reports.

9. TRUST AND ENDOWMENT FUNDS - ANNUAL REPORT AND ACCOUNTS 2017/18

The Committee noted that the audit of the Annual Report and Accounts 2017/18 for the Trust and Endowment Funds had been certified by the Comptroller and Auditor General on 12 December 2019. The Annual Report and Accounts 2017/18* (ARA/1/20/8) were noted.

A Member said that a number of funds were bestowed on schools which were no longer operational. Mr Wade said that this was a complicated area with strict legislative requirements and that work in this area would be taken forward in due course.

10. CORPORATE RISK REGISTER - QUARTER TWO

Mr Anderson presented quarter two of the Corporate Risk Register* (CRR) (ARA/1/20/9.1) in a revised format and his independent evaluation* (ARA/1/20/9.2) of the content of the CRR. One risk had been downgraded and removed from the CRR concerning the Public Sector Shared Network (PSSN) project and three new risks had been included. These related to the effectiveness of arrangements for managing major incidents or emergencies, the effectiveness of area planning to deliver a network of educationally and financially sustainable schools, and the continuing industrial action which impacted adversely on the quality of education in schools.

Mr Anderson reported that low residual risk (but higher than the risk appetite) had been assessed against six key risks. Higher residual risk had been assessed against the four key risks that related to the Education Technology Services project, the transformation programme, implementing new projects within appropriate timescales, and continuing industrial action which impacted adversely on the quality of education in schools. 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 Chair queried the rationale behind an increase in the residual risk score in respect of the ETS project. Mr Wade said that while some progress had been made in this area, the overall assessment showed that a number of factors had impacted on the residual risk. These included

the ability to recruit against a tight timeframe and reliance on the PSSN project. Officers continued to work closely with DE officials to give priority to this area.

A Member commended the new layout of the document which was easier to navigate.

It was agreed that the CRR, being a corporate document, would be presented to the Board at its January meeting. A Member said that consideration should be given to a new process to ensure that all Members had sight of documents at the Board meeting which they were being asked to approve through the Committee structure. Ms Long said that the CRR tied into the new performance framework which was currently under development. In addition, the Corporate Leadership Team was taking forward a review of the wider governance arrangements. These points would be taken on board.

The Committee noted quarter two of the Corporate Risk Register.

Action: CRR to be presented to the Board at its meeting on 30 January 2020.

11. PRIORITY 1 RECOMMENDATIONS

Mr Anderson outlined the progress made on implementing priority 1 recommendations as set out in the paper* (ARA/1/20/10). Three areas remained outstanding relating to Contingency Planning and Disaster Recovery, Staff Health and Wellbeing, and Library Stock. It was noted that recommendations concerning Contingency Planning and Disaster Recovery were listed in the draft RTTCWG 2018/19.

Ms Long said that the paper also provided summary information on priority 1 recommendations which had been closed.

A Member expressed concern at the continued delay to develop a Contingency Planning and Disaster Recovery Strategy. Whilst he acknowledged the challenges associated with resource capacity and appointing appropriate staff, he said that the absence of a strategy created significant risk for the organisation. He urged officers to use their best endeavours to develop the strategy in line with the identified timeframe of June 2020. The Member also referred to the recommendation concerning Staff Health and Wellbeing and concurred with the March 2021 timeframe to implement actions concerning return to work procedures. He considered the timeframe to be appropriate given the significant change in the health and wellbeing culture within the organisation. The Member also said that the date of the first internal audit recommendation should be clearly recorded against each area in the paper.

In response to a Member's queries regarding responsibilities around management of sickness absence, Mrs Duffield said that a rolling programme of training was being implemented for corporate managers and school leaders to support them with procedures and best practice to manage attendance at work. The Health and Wellbeing Strategy had just been launched and this included a number of activities and interventions to support managers, including the development of a hub to support managers in managing attendance at work and to provide guidance on more complex cases. She advised that absence would be measured and reported within the performance framework which was currently under development.

The Committee agreed that its concerns regarding the delayed development of a Contingency Planning and Disaster Recovery Strategy should be relayed to the Finance and General Purposes Committee and that the FGP Committee should be asked to ensure that actions were taking place to ensure the development of the Contingency Planning and Disaster Recovery Strategy by the target date of June 2020.

The Committee noted the report.

Actions: Matter concerning the development of a Contingency Planning and Disaster Recovery Strategy to be relayed to the Finance and General Purposes Committee for action. Date of the first internal audit recommendation to be clearly recorded against each area in the paper.

Mr Lundy left the meeting temporarily at 11.50 am.

12. INTERNAL AUDIT

12.1 INTERNAL AUDIT PROGRESS REPORT 2019/20

Mr Anderson presented a report* (ARA/1/20/11.1) showing progress against the Internal Audit Plan. The plan included 94 separate audits of which 37% had progressed to either draft or final report stage and a further 17% were ongoing. He expected that the majority of the audits currently ongoing 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. To date, 127 Internal Audit recommendations had been accepted by management out of a total of 129. An outline of the reports which had been agreed and issued as final versions since the last meeting was noted.

Mr Lundy re-entered the meeting at 11.53 am.

Mr Anderson drew attention to an exceptional case which had required significant staffing input. Members queried the level of contingency in the plan and whether options were available to acquire an additional resource should this prove necessary. They highlighted that, given the size of the organisation, the plan should be drawn up to provide for a realistic number of audits and an adequate number of contingency days. They also sought assurance that sufficient and appropriate audit activity would be undertaken and completed to underpin the Head of Internal Audit and Assurance's overall opinion by year end. They expressed concern that any audit carry over was likely to impact on the delivery of the 2020/21 plan.

Ms Long said that discussions were taking place with DE around service levels and capacity within EA. The audit plan needed to be sufficient to inform the basis of the overall audit opinion whilst allowing adequately for emergencies.

Ms McCavigan said that DE was concerned with carry over of audits from year to year. She said that sufficient work should be advanced to enable reasonable assurance to be provided in the HIAA's overall annual Assurance Report and Opinion. She provided an overview of the operating structure of DE's Internal Audit team.

Mr Anderson said that the staffing complement within EA's Internal Audit team was relatively stable. He reported that two members of staff had recently completed the audit training successfully and a further member of staff was expected to be successful in the following month. He undertook to give consideration to reprioritising the plan to meet the assurance requirements of the organisation.

Action: Consideration to be given to reprioritising the plan to meet the assurance requirements of the organisation.

12.2 FRAUD PROGRESS REPORT

Mrs Knox and Mr Lundy declared an interest in this item.

Mr Anderson presented the report* (ARA/1/20/11.2) summarising current and completed fraud investigations. He provided a report on a current complex investigation, his

engagement with the key stakeholder and other agencies in the matter, and the actions which were being taken to widen the investigation in order to provide assurance. He advised that he would be speaking to the Charities Commissioner on this matter and would keep DE apprised of all developments.

Ms McCavigan said that DE would be reviewing policy and procedures in this area as a result of this case.

A Member said that future fraud reports should be tabled at Committee meetings and lifted at the end of discussion. Furthermore, discussion should take place in committee around fraud reports. This was agreed.

The Committee noted the report.

Action: *Fraud reports to be tabled at Committee meetings and lifted at the end of discussion. Discussion on fraud reports to take place in committee.*

13. WHISTLEBLOWING CASES

Mr Anderson presented the report* (ARA/1/20/12) setting out current and recently completed reviews relating to whistleblowing.

A Member referred to a number of cases which had commenced in 2018 and which were identified as ongoing. Mr Anderson outlined the circumstances of these cases. Ms Long said that future iterations of the report would remove cases where the whistleblowing element of the investigation had concluded.

A Member said that an issue raised by a whistleblower could subsequently reappear in the form of a slightly different allegation. He urged officers to give careful scrutiny to such cases where the outcome of an investigation produced further correspondence from a whistleblower.

The Committee noted the report.

14. DIRECT AWARD CONTRACTS

The Committee noted the Direct Award Contracts* (ARA/1/20/13).

Ms Long said that the Head of Procurement was undertaking an exercise around DACs. This related to the reporting of DACs in instances where only one provider was available, eg the Duke of Edinburgh's Award Scheme.

15. SUSPENSION OF STANDING ORDERS – REPORT FROM EDUCATION COMMITTEE MEETING HELD ON 17 OCTOBER 2019

Mr Cargo, Dr Dynan, and Miss Rainey declared an interest in this item as they were members of the Education Committee and were present at the meeting held on 17 October 2019. Mr Lundy said that he was a member of the Education Committee but had not been present at the meeting held on 17 October 2019.

As set out in Standing Orders, a report* (ARA/1/20/14) was provided on the reason for suspending Standing Orders at a meeting of the Education Committee held on 17 October 2019. The Committee noted the report.

16. ACCOUNTABILITY AND FINANCIAL MANAGEMENT

The Committee noted the following circulars:

- DAO DoF 05 19 - Partnership Agreement Template
- DAO DoF 06 19 - Guidance on Proportionate Autonomy for ALBs
- DoF - Departmental Response to recommendations in the NIAO's Report - Management of the NI Direct Strategic Partner Project - Helping to Deliver Digital Transformation
- FD (DoF) 10 19 - Pay Remit Approval Process and Guidance 2019-20

Members raised queries around the Partnership Agreement template, approved by the NICS Board, which was intended to provide Departments and Arm's Length Bodies (ALBs) with a new model 'relationship document' and would set out partnership arrangements between an ALB and the Department. The Partnership Agreement template would supersede the Management Statement Financial Memoranda template which was incorporated as Annex 7.4 of Managing Public Money NI. Ms McCavigan said it was intended that the Partnership Agreement would be read in conjunction with legislation. She also said that guidance was not yet available around the definition of autonomy. It was noted that DE was undertaking a piece of work in this area.

Ms Long said that the Chief Executives of the education partners had discussed the implications of this document at a recent meeting.

17. DATE OF NEXT MEETING

The next meeting would be held on 6 April 2020.

The meeting ended at 1.00 pm.

Chair

Date

* Paper circulated

** Paper tabled