

**MINUTES OF PROCEEDINGS OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON
31 JULY 2020 AT 10.00 AM via zoom**

1. PRESENT Mr G Lundy (Chair)

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

2. IN ATTENDANCE

Ms S Long, Mrs C Duffield, Mrs U Turbitt, Mr S Wade, Mr D Anderson, Mrs D Allen, Mr R Sayers, Mrs K Scott, Mrs F McCloskey, and Ms L McCall.

Mr G Fair attended from the Department of Education (DE) and Mr P Barr and Mr A Allen attended from the Northern Ireland Audit Office (NIAO).

The Chair welcomed Mr Barr to his first meeting of the Committee.

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 15 JUNE 2020

The Committee agreed the minutes* (ARA/7/20/3) of the meeting held on 15 June 2020 on the proposal of Mrs Knox and seconded by Mr Salmon.

5. MATTERS ARISING FROM THE MINUTES

5.1 ICT SECURITY (7.2)

Ms Long advised that the Committee would receive training on ICT security at a future meeting.

5.2 ARAC ASSESSMENT AGAINST BEST PRACTICE (8.2)

A Member commented that the Committee's current year assessment against best practice showed an improvement on the assessment carried out in the previous year.

On the proposal of Dr Dynan, seconded by Miss Rainey, the Committee approved the completed self-assessment against best practice checklist* (ARA/7/20/4.1).

5.3 CORPORATE RISK REGISTER 2019/20 (9)

Ms Long said that the refined Corporate Risk Register would be presented to the Committee following its review by the Corporate Leadership Team

5.4 UPDATED DRAFT REPORT TO THOSE CHARGED WITH GOVERNANCE (RTTCWG) 2018/19 AND DRAFT EA RESPONSE (11.1)

Ms Long reported that work had commenced on the exercise to report on slippages in respect of implementing previous audit recommendations. This information would be provided to the Committee at a future meeting.

5.5 DRAFT INTERNAL AUDIT PLAN 2020/21 (16.1)

Ms Long said that the Audit Plan was being finalised to ensure its alignment with key corporate documents. It was intended that the Audit Plan would be presented to the Committee at its next meeting on 12 October.

A Member queried whether there was opportunity at the current meeting to discuss risks relating to the Education Restart Programme, as set out in the weekly SITREP report. Ms Long said that the Board, at its meeting on 6 August 2020, would be considering a paper on Education Restart. The Chair said that, as this item of business was not on the agenda, the matter would not receive consideration at the present meeting. He noted the Member's concerns and said that the matter would be discussed at the Board meeting the following week.

5.6 PROTOCOL FOR VIDEO CONFERENCING AND CONFERENCE CALLS (20)

The Chair considered that the new protocol should make provision, at the outset of meetings, for the Board and Committee Chairs to seek assurance from all participants that the privacy protocols, as set out in the paper, were being followed. He said the protocol applied equally to meetings held by video conferencing or by conference call. Subject to the paper being amended to incorporate the Chair's comments, the Committee agreed to recommend the approval of the protocol* (ARA/7/20/4.2) for Board Members in respect of video conferencing and conference calls on the proposal of Mr Cargo and seconded by Mrs Knox.

***Action:** Draft protocol, to include amendments put forward by the Chair, to be presented to the Board for approval.*

6. ANNUAL REPORT AND ACCOUNTS 2019/20

Mr Wade said that, as a result of the unprecedented challenges relating to the coronavirus pandemic and its impact on normal year end processes, the Treasury Officer of Accounts had relaxed administration deadlines by two months which meant that the draft Annual Report and Accounts were due to be submitted to DE and NIAO on 3 August 2020.

Mr Wade presented the Annual Report and Accounts* (ARA/7/20/6) which was structured into three sections: the Performance Report, the Accountability Report, and the Financial Statements. He drew attention to the reporting timetable and the basis of preparation and content for the Annual Report and Accounts. He said that, as a result of the restrictions and challenges imposed by Covid-19, it had not been possible to complete a small number of disclosure notes for inclusion in the document at the current time. These disclosures, in addition to the Chair's Reflection and the Chief Executive's Foreword, would be provided to DE and NIAO on 3 August or during the audit process. He advised that the outstanding information did not in any way impact materially on the Annual Report and Accounts.

Mr Wade said that DE and EA had worked collaboratively during 2019/20 to secure additional funding (£63.8m) to meet the funding needs of the sector. He reported that the combination of managing expenditure, delivering savings, and securing additional funding throughout the year had enabled EA to report a small underspend of £0.067m for 2019/20 against budget allocations, excluding earmarked and youth. He said that an overspend of £1.238m was reported against DE Earmarked budgets and this had resulted primarily from unfunded pressures arising from the Minister's commitment in March 2020 to make payments to parents in lieu of free school meals.

Mr Wade reported that the final capital budget allocation during the year was £82.219m for schools and £5.05m for youth. Expenditure had come in on budget with small underspends of £0.026m for schools capital (Fresh Start - Major Works/Shared Campuses) and £0.003m for youth capital.

Mr Wade referred to key movements within the Statement of Comprehensive Net Expenditure. These related to a reduction in income on the previous year (£4.9m), which was largely due to reduced catering income and income from tuition as schools had been closed from 23 March 2020 in line with Government guidelines, and an increase in staff costs on the previous year (£85.7m) as a result of pay increases with staff numbers rising by 1.5%. Other Operating Expenditure had increased by £15m as a result of grants payable to Voluntary Grammar/Grant Maintained Integrated Schools, and provisions had increased due to increased Employer Liability and Publicity claims.

A Member commended the Finance team on compiling the Annual Report and Accounts, in association with the external provider, in line with the revised timeframe. He welcomed the reported underspend position (£0.067m) against budget allocations at year end and said that, while this outcome had been largely achieved through collaboration with DE to secure additional funding, EA continued to operate at significant financial risk and every effort should continue to be directed towards EA's transformation and financial recovery programme. He sought assurances that the Annual Report and Accounts had been prepared in accordance with the Accounts Direction issued by DE and that all judgements and estimates used to inform the Financial Statements had been taken on a reasonable basis. Mr Wade said that officers had met with the external provider to ensure that all work carried out in compiling the Annual Report and Accounts was in line with FReM and the Accounts Direction issued by DE. Mrs McCloskey advised that the Accountability Report and the Financial Statements were compliant with the Government Financial Reporting Manual (FReM) and the Accounts Direction issued by DE. She said that EA was required to disclose within the Accounts any areas where it had deviated from FReM. She confirmed that all accounting standards and additional disclosure requirements had been followed and there were no material departures.

Mrs McCloskey said that all estimates used to inform the Financial Statements were in most cases reliant on professional advice. Where estimates and judgements did not rely on a professional opinion, they were based on fair and reasonable assumptions and calculated in line with accounting standards. She outlined the work involved in respect of estimates in the areas of pension liabilities and legal costs.

A Member said that the Annual Report section of the document was helpful and comprehensive. She considered that the progress being made, as set out in the Performance Report, should be communicated more widely within the public domain.

A Member acknowledged the work of the Board, and particularly the Finance and General Purposes Committee, in managing a constrained and challenging financial and operating environment during the past year. He also commended DE on right sizing the budget to meet the funding needs of the sector.

The Chair also paid tribute to the Finance and General Purposes Committee on its robust management of the Board's budget strategy during the year. He said that the work of the transformation and financial recovery programme remained vital going forward.

Mr Fair commended the layout of the document. He also commended the capital expenditure position, although he reiterated DE's concerns about EA's delays in preparing business cases and the lack of management information/reporting on the progress of the minor works programme during the year. He queried the rationale for an increase in cash losses. Mrs McCloskey referred

to a small number of higher value losses which were of a confidential nature. Mr Fair drew attention to a minor error relating to a timeframe in respect of the section on the Independent Counselling Service for Schools. He also referred to the ongoing financial challenges facing the sector and said that DE would continue in its advocacy role for EA. He made reference to the funding requirements for the Education Restart Programme and DE's partnership role with EA to manage expectations.

On the proposal of Mrs Knox, seconded by Mr Salmon, the Committee agreed to recommend that the draft Annual Report and Accounts for 2019/20 should be submitted to NIAO and DE in accordance with the revised year end deadline.

7. GOVERNANCE STATEMENT 2019/20

Mr Wade outlined the changes made to the Governance Statement since its last consideration by the Committee on 15 June 2020. The changes related to data protection, the voluntary exit scheme, the final outturn position for 2019/20 including commentary on the significant underlying financial challenges going forward into 2020/21, and the non-identification of stakeholders concerning small items of expenditure. Mr Wade said that the format of the document complied with DE and NIAO guidance.

Mr Fair considered that the commentary on the Strategic Area Plan 2017-2020 should include reference to the fact that area planning projects had been stood down from March (with the exception of area planning projects for special schools) in the context of Covid-19. Mrs Scott said that a paper setting out the impact of Covid-19 on development proposals had been presented to the Education Committee at its meeting on 19 March 2020. A Member agreed that a comment on the impact of Covid-19 should be incorporated into the area planning section. The Member paid tribute to DE and EA officers for collaborating successfully during the year through rigorous financial management to deliver improved outcomes for schools and children and young people.

Subject to this change, the Committee agreed to recommend the approval of the Governance Statement* (ARA/7/20/7) on the proposal of Mr Cargo seconded by Mrs Knox. The Governance Statement would be incorporated into the Annual Report and Accounts for 2019/20 for submission to NIAO.

***Action:** Section relating to Strategic Area Plan 2017-20 to reference that area planning projects had been stood down from March (with the exception of area planning projects for special schools) in the context of Covid-19.*

8. NORTHERN IRELAND AUDIT OFFICE

FINAL REPORT TO THOSE CHARGED WITH GOVERNANCE 2018/19

The draft Reports to Those Charged with Governance for 2018/19 had previously been presented to the Committee for consideration on 13 January and 15 June 2020.

It was noted that, following certification of the 2018/19 Annual Report and Accounts on 29 May 2020, the key matters raised by the NIAO in its audit of the 2018/19 Accounts had now been finalised with EA management responses provided.

The Committee noted the final RTTCWG* (ARA/7/20/8.1).

9. DIRECT AWARD CONTRACTS

The Committee noted the Direct Award Contracts* (ARA/7/20/9).

Mr Fair indicated that he would speak to Mr Wade on an issue concerning Direct Award Contracts after the meeting.

10. ACCOUNTABILITY AND FINANCIAL MANAGEMENT

The Committee noted Circular DCO (DoF) 01 20 - Timetables for Whole of Government Accounts - All NI Bodies.

11. DATE OF NEXT MEETING

The next meeting would be held on 12 October 2020.

The meeting ended at 11.05 am.

Chair

Date

* Paper circulated

** Paper tabled