

**MINUTES OF PROCEEDINGS OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 12 OCTOBER 2020 AT 10.00 AM** (blended meeting – held in Antrim and by 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 E Bremner, Mrs P Cooney, Mr N Craig, and Ms L McCall.

Mr G Fair and Ms T McCavigan attended from the Department of Education (DE) and Mr A Allen attended from the Northern Ireland Audit Office (NIAO). An apology had been received from Mr P Barr from the NIAO.

**3. PROTOCOL FOR EA BLENDED AND REMOTE ATTENDANCE MEETINGS**

All present were observing the protocol.

**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 31 JULY 2020**

Mr Fair asked for a change to be made to the minute relating to the Annual Report and Accounts for 2019/20. This was agreed. Subject to this amendment, the Committee agreed the minutes\* (ARA//20/3) of the meeting held on 15 June 2020 on the proposal of Dr Dynan and seconded by Mr Salmon.

**6. MATTERS ARISING FROM THE MINUTES**

**6.1 PROTOCOL FOR VIDEO CONFERENCING AND CONFERENCE CALLS (5.6)**

The Chair said that the protocol for video conferencing and conference calls was now being implemented for all Board and Committee meetings. Standing Orders had also been amended, following a special meeting of the Board on 27 August 2020, to make provision for the conduct of meetings by electronic means.

A Member asked for a telephone number to be made available to Members joining a meeting remotely in case connectivity became an issue for individual Members. Ms Long said that this issue had been raised at the Education Committee the previous week and would be progressed.

**6.2 GOVERNANCE STATEMENT 2019/20 (7)**

Mr Wade advised that the Governance Statement had been amended to incorporate the comment raised at the last meeting in respect of area planning.

**7. CORPORATE RISK REGISTER 2020/21 - QUARTERS ONE AND TWO  
HEAD OF INTERNAL AUDIT AND ASSURANCE INDEPENDENT EVALUATION**

Mrs Bremner presented quarters one and two of the Corporate Risk Register\* (CRR) (ARA/10/20/7.1). The revised CRR had been reviewed in line with the 2020/21 Business Plan to ensure that the Business Plan reflected the corporate risks. The CRR contained nine key risks

with two new risks incorporated - EA must comprehensively transform SEND services to children and young people across NI, and EA must have a highly engaged and high performing workforce.

Mrs Bremner provided a report on four risks where there had been movement on the residual risk score (two had increased and two had decreased). The two risks which were being escalated related to continuity of ICT provision and challenges associated with resources, and adequate provision of corporate budgeting and financial reporting services. She also drew attention to a number of risks which would be removed from the CRR but would continue to be managed within the Directorate Risk Registers. It was noted that EA had been successful in achieving CoPE accreditation and this risk had been removed from the CRR.

A Member welcomed the positive movement in the CRR and the ongoing scrutiny given to the document on a monthly basis.

The Chair said that he had met officers the previous week to discuss the CRR. He welcomed the reduction in the number of corporate risks and the de-escalation of corporate risks to the Directorate Risk Registers where the appropriate level of scrutiny would be provided.

Mr Fair queried if Risk 5 (EA must establish a corporate governance framework which is reflective of a regional service delivery organisation) provided adequate detail on the arrangements around governance of the CRR. Ms Long referred to the separation of duties to manage the CRR; the Operations and Estates Directorate was currently producing the document as part of a wider corporate framework and its independent assessment was being carried out by the Head of Internal Audit and Assurance. Mr Fair referred to Risk 6 (EA must deliver a network of educationally, fit for purpose and financially sustainable schools) and said that delays in preparation of business cases by EA and the lack of management information particularly in minor works did not seem to be adequately reflected within this risk. Ms Long undertook to reconsider Risk 6 in conjunction with the Corporate Leadership Team.

Mr Anderson presented his independent evaluation\* (ARA/10/20/7.2) of the content of the CRR and advised that he was in agreement with management's current assessment of the key risks. He reported that there was clear evidence of a robust review of the CRR and the Directorate Risk Registers.

The Committee noted the CRR including the Head of Audit and Assurance's independent assessment of the CRR.

**Action:** Risk 6 to receive further consideration by CLT.

## **8. PRIORITY 1 RECOMMENDATIONS**

Mr Anderson outlined the progress made on implementing priority 1 recommendations as set out in the paper\* (ARA/10/20/8). Four areas remained outstanding. These related to the development of a Disaster Recovery Strategy, an Emergency Preparedness Plan and related continuity plan. Mr Anderson referred to the revised target dates to complete actions. The paper also provided summary information on priority 1 recommendations which had been closed.

Mr Wade said that these areas remained a priority for officers to progress. He referred to the significant impact on ICT resources to manage and support business continuity and Education Restart in recent months. He reported that the Head of ICT Security had now been appointed.

A Member commended officers on the progress made with regard to implementing priority 1 recommendations. He drew attention to the significant demands on ICT services at the current time and queried whether appropriate resource was being made available in this area. Mr Wade

said that the Public Sector Shared Services Network project had highlighted that EA did not have a level of ICT resource in place that was appropriate to an organisation of EA's size. He said that the Finance and ICT Directorate was currently putting in place fourth and fifth tier structures and additional ICT support would require substantial investment at a time when EA faced significant pressures. He said that officers were currently discussing with DE the requirement for a review to provide independent validation around ICT resource and structures. He said that EA's Head of ICT continued to assess risk and ICT's ability to support digital transformation.

A Member suggested that a paper on the risks associated with ICT provision should be provided to the Committee at a future meeting. However, it was agreed that, as Finance and General Purposes Committee had oversight of ICT provision, the matter should be referred to that Committee for consideration in the context that greater priority should be given by EA to this area.

The Chair commended officers on their agility to develop and manage contingency planning during Covid-19.

The Committee noted the paper.

**Action:** *Matter concerning ICT provision to be referred to the Finance and General Purposes Committee for consideration in the context that greater priority should be given by EA to this area.*

## 9. INTERNAL AUDIT PLAN 2020/21

Mr Anderson presented the Internal Audit Plan\* (ARA/10/20/9) which aligned to EA's Business Plan for 2020/21. The Audit Plan included some residual work carried over from the 2019/20 Audit Plan which had not been completed by year end, annual reviews linked to separate assurance requirements, and a number of high priority areas linked to Education Restart and Education through Covid-19. He advised that all high priority areas had been covered within the three year plan of which this was the final year. He pointed out that, due to Covid-19, current operational circumstances remained a challenge for Internal Audit.

Mr Anderson drew attention to progress on investigative work which had commenced in 2019/20. It was anticipated that this work would conclude shortly and officers would proceed thereafter to extend this work to controlled schools and Catholic maintained schools. He said that this audit would be incorporated into the Audit Plan and that DE was being kept fully apprised of progress in this area.

A Member referred to the number of unforeseen investigations in 2019/20 which had impacted on the plan's delivery in that year and which had resulted in a number of audits being revisited and reprioritised. He asked if the current plan was realistic and achievable should further unforeseen investigations come to light in 2020/21. Mr Anderson said that the plan contained all priority areas. To date, there was a considerable reduction in the number of unforeseen investigations in comparison to the previous year. He said that he would continue to keep the Committee informed of any developments in the plan should this prove necessary. He advised that the audits in the plan were currently being completed to the schedule.

A Member queried if the plan adequately reflected the requirements to provide for an overall satisfactory assurance by the Accounting Officer by year end. Ms Long said that the plan had been discussed at length by CLT and Mr Anderson in order that she would have sufficient assurance to set out an overall satisfactory opinion at year end in respect of EA's systems and processes. She said that audits had been identified as high and medium priority and had been linked to EA's Business Plan and CRR. In light of EA's corporate priorities, focus had been given to business continuity and Education Restart.

In response to a Member's query, Mr Anderson advised that an audit would be conducted within the plan to provide assurance around all grant schemes.

The Chair sought clarity in respect of the audit in respect of the capital works programme. Mr Anderson said that this audit had been carried out on capital works across the controlled and maintained sectors and satisfactory assurance had been provided. Mr Fair queried whether the audit had covered the issues relating to delays in preparation of business cases and lack of management information, as was discussed as part of the CRR. Mr Anderson said that this had not been included in the scope of this review; the audit had focused on the capital construction process from design stage to completion stage.

The Chair asked for a dashboard to accompany the paper to show progress against the plan. Mr Anderson said this information would be provided to the meeting in January.

The Committee noted the Internal Audit Plan for 2020/21.

*Action: Dashboard to accompany the paper to show in year progress against the Audit Plan.*

## **10. FINANCIAL GOVERNANCE - FRAUD OVERSIGHT REPORT**

Mr Wade said that following a review of EA's financial governance arrangements relating to fraud, it was determined that there should be greater segregation between fraud oversight arrangements and fraud investigative work. As a result, the Director of Finance and ICT would be responsible for co-ordinating EA's fraud oversight arrangements and the Head of Internal Audit and Assurance would continue to be responsible for fraud investigation and to liaise with the PSNI as appropriate. Mr Wade outlined the key arrangements which would be taken forward following the review, as set out in the paper\* (ARA/10/20/10). It was noted that the Assistant Director of Financial Services would be EA's Fraud Liaison Officer and would take lead operational responsibility for ensuring effective arrangements to deter, prevent, detect and prosecute fraud. A Fraud Investigation Oversight Group would also be established to agree the investigation strategy for each case of suspected fraud.

A Member sought assurance that the establishment of the Fraud Investigation Oversight Group would not compromise EA's whistleblowing procedures and particularly the anonymity of a whistleblower where this had been requested. Mr Anderson said that he was responsible for this procedure and would guarantee anonymity where requested. The new arrangements around fraud oversight did not compromise this element in any way.

A Member welcomed the practices being put in place to separate the duties of fraud oversight and investigation. He queried whether EA had in place insurance arrangements with regard to the recovery action identified for an investigation. Mr Anderson undertook to come back on this issue.

Mr Anderson tabled an anonymised paper\*\* on current fraud cases.

*Ms Knox and Mr Lundy declared an interest in the paper on fraud cases.*

Mr Anderson provided a high level report in respect of the cases in the paper. [The paper was removed at the end of the discussion.] Mr Anderson drew attention to a number of themes which were apparent in the paper and said that this information would help to inform where future training would be targeted. A Member welcomed this approach as she considered that there was a lack of understanding in some settings around the potential for fraud.

In response to a Member with regard to an investigation, Mr Anderson said that a number of recommendations were currently being presented to CLT on this matter in respect of lessons

learned, recovery action, and controls to be put in place. He referred to his engagement with the PSNI in this matter.

Mr Fair said that matters involving fraud should be reported to DE more quickly than was currently happening. Mr Anderson said he was aware of DE's concerns in this area and would continue to endeavour to notify all frauds to DE as quickly as possible. He advised that, in some cases, the process of notification to DE was delayed pending the receipt of a crime report reference relating to the PSNI.

A Member queried if the NIAO was considering a review of the voluntary exit scheme. Mr Allen said that this area was not included within NIAO's programme at the current time. He drew attention to a NIAO publication on a good practice guide for Public Sector Voluntary Exit Schemes in 2016. The Member asked the NIAO to give reconsideration to this issue.

The Chair acknowledged that the information contained in the paper was anonymised. He asked however for Members of the Committee to be alerted in advance to potential interests in this paper by taking account of their annual declaration of interests.

The Committee noted the report setting out the financial governance arrangements for fraud and the report on current fraud cases.

**Actions:** *Ascertain EA's insurance arrangements around the recovery action identified for an investigation; consideration to be given to reporting matters to DE involving fraud in a more expedient manner; and Committee Members to be alerted in advance to potential interests in the paper concerning current fraud cases by taking account of their annual declaration of interests.*

## **11. WHISTLEBLOWING CASES – PROGRESS REPORT**

Mr Anderson presented the report\* (ARA/10/20/11) setting out ongoing whistleblowing reviews and including those cases which had closed during the year.

In response to a Member's query on a specific case which had closed, Mr Anderson outlined high level information on actions which had been taken to substantiate the case.

Discussion ensued on issues raised by whistleblowers which could subsequently reappear in slightly different format. A Member considered that a paper identifying any emerging patterns across areas would provide useful information to the Committee on an annual basis.

The Committee noted the report.

**Action:** *Consideration to be given to providing information to the Committee on an annual basis on any patterns emerging from whistleblowing cases.*

## **12. MID-YEAR GOVERNANCE STATEMENT 2020/21**

Mr Wade presented the mid-year Governance Statement\*\* (ARA/10/20/12) setting out EA's significant risks and additional specific assurances around procurement, economic appraisals, business cases, and direct award contracts. He advised that an amendment would be made to the assurance on Post Project Evaluations (PPEs) included in the document and this would reflect that, while PPEs were not currently completed for all projects, work was underway as part of the EA review of governance structures to bring more focus to the importance of PPEs and increase compliance in this area. The Committee noted the mid-year Governance Statement.

## **13. NORTHERN IRELAND AUDIT OFFICE - AUDIT STRATEGY FOR 2019/20**

Mr Allen presented the NIAO letter dated 7 September 2020 and the Audit Strategy\* (ARA/10/20/13.1) which set out the audit approach to the 2019/20 Annual Report and Accounts and the actions to be taken by those charged with governance. Following an initial assessment of EA's operations and control environment, audit had not identified any significant risks of material misstatement to transactions and balances. The Strategy also set out the basis for materiality.

Mr Allen said that as part of the work to develop the audit plan, NIAO had not identified any significant risks. However, there was a presumed significant risk of material misstatement owing to fraud arising from management override of controls. This risk would be addressed through testing journals, estimates, and review of significant or unusual journals during the year. He also drew attention to a presumed risk of fraud in revenue recognition but this was not believed to be material to the financial statements.

Mr Allen said that a number of risk factors had been identified. 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 budget constraints, inventory, the IT environment, and valuation of land and buildings.

The audit timetable was noted. Audit testing had commenced on 24 August 2020 with the intention that the financial statements would be certified the week commencing 1 February 2021 and the Report to Those Charged with Governance issued on 15 February 2021.

Mr Allen drew attention to current and planned Value for Money reports as set out in the Strategy.

A Member noted that there was little change to the risk factors identified in the audit approach in comparison to the previous year. Mr Allen advised that the valuation of land and buildings was the only additional risk factor in the current year.

The Committee noted the Audit Strategy.

#### **14. VOLUNTARY GRAMMAR AND GRANT MAINTAINED INTEGRATED SCHOOLS (VG/GMI) – REVIEW OF INTERNAL AUDIT REPORTS**

Mr Wade referred to the significant challenges facing schools at the current time due to Covid-19 and said that 30 responses had been received from the 88 VG/GMI schools on their audit coverage. Within this number, 29 schools had received satisfactory assurance through audit and one school had received limited assurance. Four schools had received Priority 1 recommendations. Mr Wade said that he would write to the Chairs of the Boards of Governors of those VG/GMI schools which received limited assurance to seek assurance that the matters raised through audit would be addressed by the schools and that progress reports would be provided to him on a quarterly basis. He advised that officers would liaise with the remaining VG/GMI schools to follow up on the findings of their audits.

Mr Anderson said that the audit carried out each year was based on a series of standardised Internal Audit questions which had initially been drawn up by DE. The questions had been updated in the current year in line with the Audit Code. He reported that he had reviewed the audit findings and recommendations concerning the 30 VG/GMI schools and was content with the standard of audit work being carried out by external providers.

The Chair referred to the requirement for VG/GMI schools to engage separate providers to undertake internal and external audits in their schools in line with DAO 10/07. He asked for a progress report on this matter to be provided to the Committee also in January. Mr Anderson advised that contracts could still be in place with external providers at a number of these schools.

He said that a report would be provided to the Committee at its January meeting on the audit coverage of VG/GMI schools including an overview of the Priority 1 recommendations and progress against DAO 10/07.

**Action:** Report to be provided to the Committee at its January meeting on the review of Internal Audit reports at VG/GMI schools and to include progress against DAO 10/07.

## 15. DIRECT AWARD CONTRACTS

Ms Long said that from 19 March 2020 to 1 September 2020 the Board had delegated authority to her to transact business on the Board's behalf in the absence of Committee meetings due to the out-workings of the Covid-19 pandemic. Reports had been presented to the Board each month on all matters authorised by her on the Board's behalf and this information had included the approval given to Direct Award Contracts. As stated in the Mid-Year Governance Statement, Ms Long said that all procurement activity undertaken during this time had been carried out in accordance with appropriate procurement rules.

The Committee noted the Direct Award Contracts\* (ARA/10/20/15).

## 16. ACCOUNTABILITY AND FINANCIAL MANAGEMENT

The Committee noted the following circulars:

- DCM DoF 03 20 2019-20 - Whole of Government Accounts – Central and Local Government Guidance
- Management Review Checklist For Local Government bodies consolidated within WGA
- FD DoF 06 20 - Laying of Annual Reports and Accounts in the NI Assembly
- FD DoF 07 20 - Annual Theft and Fraud Return to DoF 2019-20
- FD DoF 08 20 - Update on Holiday Pay Liability 2019-20 Departmental Annual Reports and Accounts
- FD DoF 09 20 - Remuneration of Chairs and Members of Public Bodies and other fee rates - daily rates wef 1.8.2019
- FD DoF 10 20 Pay Remit Approval Process and Guidance 2020-21

## 17. DATE OF NEXT MEETING

The next meeting would be held on 18 January 2021.

The meeting ended at 12.05 pm.

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**Chair**

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**Date**

\* Paper circulated

\*\* Paper tabled