

MINUTES OF PROCEEDINGS OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 15 JUNE 2020 AT 10.00 AM (via zoom)**1. PRESENT**

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

2. IN ATTENDANCE

Ms S Long, Mrs M Corkey, Mrs C Duffield, Mr D Hanna, Ms U Turbitt, Mr S Wade, Mr D Anderson, Ms L McCall and for part of the meeting Ms F McCloskey.

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).

3. APOLOGY

An apology had been received from Mr P Barr from the NIAO.

4. ELECTION OF CHAIR

On the proposal of Dr Dynan, seconded by Mr Cargo, Mr G Lundy was elected Chair.

5. DECLARATIONS OF INTEREST

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

6. MINUTES OF MEETING HELD ON 13 JANUARY 2020

The Committee agreed the minutes* (ARA/6/20/4) of the meeting held on 13 January 2020 on the proposal of Miss Rainey and seconded by Ms Knox.

7. MATTERS ARISING FROM THE MINUTES**7.1 REVIEW OF INTERNAL AUDIT REPORTS FOR VOLUNTARY GRAMMAR AND GRANT MAINTAINED INTEGRATED (VG/GMI) SCHOOLS 2018/19 (5.2)**

Mr Anderson said that a letter had issued to all VG/GMI schools to remind them of the need to separate the duties of providers of internal audit and external audit services at their schools in line with DAO 10/07. A number of schools had responded to advise that they would conclude their existing contracts. He said that he would monitor this position as part of his annual review of internal audit reports over the summer period. Thereafter he would provide a report to the Committee. He advised that updated guidance would issue to VG/GMI schools later in the coming months in time for the next year's review.

7.2 ICT SECURITY (5.3)

Ms Long said that progress reports would be provided to the Committee on ICT Security on a regular basis.

Mr Wade provided an update on the appointments process for two key posts within the Finance and ICT Directorate. The IT Security Officer had been appointed on 1 June 2020

and the recruitment exercise for the Head of Assurance had concluded and the post had been offered to a candidate. The Chair acknowledged the Committee's previous concerns with regard to securing a dedicated resource to manage EA's IT security matters and he welcomed the update.

A Member requested that, when appropriate, training should be provided to the Committee on ICT security. This was agreed.

Action: When appropriate, Committee to receive training on ICT security.

7.3 PRIORITY 1 RECOMMENDATIONS - CONTINGENCY PLANNING AND DISASTER RECOVERY STRATEGY (11)

Ms Long said that the Finance and General Purposes Committee, at its meeting on 4 February 2020, had received a report on the arrangements to develop the Contingency Planning and Disaster Recovery Strategy. At that stage, it had been intended that the draft Strategy and associated activation flow chart would be tested on 15 May 2020. However, due to the prioritisation of work associated with Covid-19, she advised that the activity had not taken place on 15 May but the testing of the draft Strategy would be progressed by officers as soon as possible.

Ms Long said that, as requested by Members, the paper on Priority 1 recommendations had been amended to take account of the date of initial internal audit recommendations.

8. CHAIRPERSON'S BUSINESS

8.1 ARAC ANNUAL REPORT 2019/20

The Chair reported that, due to the restrictions currently in place relating to Covid-19, the Committee's annual report had been presented to, and noted by, the Board at its meeting on 30 April 2020.

The Committee's Annual Report* (ARA/6/20/6.1) was noted.

8.2 ARAC ASSESSMENT AGAINST BEST PRACTICE

Mr Anderson said that the process to review the Committee against best practice had commenced. He drew attention to the work that had taken place to review the best practice checklist in consultation with Mr Salmon and subsequently with Ms Knox.

It was agreed that all Members would review the checklist and provide comments to Mr Anderson prior to the document being presented to the Committee for approval.

Action: All Members to be invited to submit comments on the best practice checklist. The final document to be presented to the Committee for approval.

8.3 COPE ASSESSMENT – FINAL REPORT

Ms Long said that, as reported to the Board at its meeting on 28 May 2020, EA had been successful in securing COPE accreditation.

The Committee noted the CoPE assessment final report* (ARA/6/20/6.3) and expressed appreciation to officers for their tremendous work in securing the accreditation at the highest level. Mr Fair commended EA on the accreditation.

9. CORPORATE RISK REGISTER 2019/20 - QUARTER FOUR AND HEAD OF INTERNAL AUDIT AND ASSURANCE INDEPENDENT EVALUATION

Mr Hanna presented quarter four of the Corporate Risk Register* (CRR) (ARA/6/20/7.1). The CRR reflected two new risks (EA does not achieve CoPE accreditation, and EA does not effectively manage the Covid-19 emergency and deliver critical services and duty of care to provide a safe and secure environment for children and young people and employees). In addition, two risks had been successfully resolved (the formal offer to end the industrial action by teaching staff had been accepted, and EA had achieved CoPE accreditation).

Mr Hanna provided a brief update on changes to the CRR during the period April to June 2020. These related to the new risk relating to statutory operations and a change to Risk 3 relating to educational attainment. He said that this information would be presented to the Committee within quarter one of the 2020/21 CRR.

Mr Anderson presented his independent evaluation* (ARA/6/20/7.2) of the content of the CRR and advised that he was in agreement with the current assessment of the key risks. He drew attention to the changes in the risk movement since his last report to accompany quarter three. He said that the current residual risk level for each risk was an accurate assessment of the residual risk level. He 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. However, resource constraints, uncertainty and complexity were limiting EA's ability to achieve the desired outcomes quickly.

A Member referred to the tender for the preparation and production of the Financial Statements for 2019/20 and queried whether this risk was included in the CRR. He considered that the Committee should have sight of emerging risks within each iteration of the report. A Member also referred to the new risk relating to managing the Covid-19 emergency and said that the report did not reflect the reality of the situation. Mr Hanna pointed out that the report was retrospective, showing the position relating to EA's activities to the end of March. Quarter one of 2020/21 would reflect the overall pattern of Covid-19 activity.

A Member considered that the key risks in the CRR should be further refined to align with DE's corporate risks and that any emerging risks should be addressed within the key core risks. Ms Long advised that the Corporate Leadership Team was carrying out a fundamental review of the CRR with the intention that a more streamlined and responsive CRR would be presented to the Committee in 2020/21.

Mr Fair referred to the approach taken by DE to draw up its CRR and, also, to reflect management of the Covid-19 emergency. He asked officers to ensure that EA's CRR reflected all matters of business that were novel or contentious and to continue to keep engaging with DE on such matters. He also said that Risk 6 (EA does not prioritise, invest, maintain and plan for the education estate) did not reflect DE's concerns about the speed at which business cases were being prepared and any delays against forecast spend. Mr Hanna undertook to review Risk 6.

Mr Fair asked if the CRR adequately reflected the level of suspected and actual fraud. The Chair said that this matter would be considered later in the meeting as part of the fraud report.

The Committee noted the report relating to quarter four of the CRR, including the Head of Internal Audit and Assurance's independent evaluation of the CRR.

Actions: *As part of the CLT review of the CRR, consideration to be given to a process where a refined CRR will align with DE's corporate risks and where risks can be escalated and de-escalated. Risk 6 to be reviewed.*

10. PRIORITY 1 RECOMMENDATIONS

Mr Anderson outlined the progress made on implementing priority 1 recommendations as set out in the paper* (ARA/6/20/8). Two areas remained outstanding. These related to the development of a Disaster Recovery Strategy, and an Emergency Preparedness Plan and related continuity plan. Reference was made to the target dates to complete actions within the two areas. The paper also provided summary information on priority 1 recommendations which had been closed.

Mr Wade said that officers would use their best endeavours to take forward the actions to implement the outstanding priority 1 recommendations. He advised that the work associated with managing Covid-19 in recent months had impacted significantly on ICT resources and it would also have an impact in the coming months as officers would be supporting the Education Restart Programme.

The Chair commended officers for the progress made to conclude priority 1 recommendations.

The Committee noted the paper.

11. NI AUDIT OFFICE

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

Mr Allen said that the draft RTTCWG had been presented to the Committee at its meeting on 13 January 2020 setting out the provisional findings of NIAO's audit of EA's Financial Statements for 2018/19. At that time, it had been pointed out that some changes in the document would be required but that these would not impact materially. He advised that, on 26 May 2020, the Financial Statements for 2018/19 had been signed by the Chair and the Chief Executive and, on 29 May 2020, the Comptroller and Auditor General (C&AG) had certified the Financial Statements with an unqualified audit opinion without modification. He referred to the public interest report prepared by the C&AG, which would accompany his audit opinion, on EA's overspend compared to its 2018/19 budget allocation.

Mr Allen said that NIAO had given initial consideration to the management responses. He drew attention to the recommendations which had been accepted and partially accepted by management and he outlined further consideration and possible action to be taken by the NIAO in respect of management responses.

Mr Fair considered that, for monitoring purposes, the document should clearly show the original target dates attached to management responses including any slippage in the target dates. Mr Allen indicated that, where appropriate, information was provided in the document on original target dates.

The Chair said that summary information should be provided to the Committee where slippage had occurred in implementing previous recommendations. Ms Long said that this was an internal exercise and would be taken forward.

A Member expressed appreciation to NIAO and EA officers for their work in completing the 2018/19 Annual Report and Accounts.

The Committee noted the updated draft RTTCWG and the draft EA response* (ARA/6/20/9.1). The final RTTCWG would be presented to the Committee at a future meeting.

Action: *Internal exercise to be undertaken where slippage had occurred in implementing previous recommendations.*

11.2 NI AUDIT OFFICE (NIAO) - UPDATE

Mr Allen said that, as a result of internal restructuring within the NIAO, Ms C Kane had assumed other responsibilities and Mr P Barr was now responsible for the EA audit. Ms Long advised that Mr E Jardine had written in March to thank Ms Kane for her input to the EA audit and for her work with the Committee.

Mr Allen drew attention to two ongoing public reports. He said that the draft report on Special Educational Needs, which was a follow-up of the 2017 report, would be issued to DE for comment later in the month, and work was continuing on the report 'Closing the Gap - social deprivation and links to educational attainment'. In response to a Member's query about whether the Closing the Gap report would reflect on the impact on schools and children and young people as a result of Covid-19, Mr Allen advised that NIAO had sought details of interventions from DE for inclusion in the report and that the comments received had made reference to the impact of Covid-19.

12. ANNUAL REPORT AND ACCOUNTS 2019/20 - UPDATE ON POSITION AND APPROACH

Ms McCloskey drew attention to the impact of Covid-19 on normal year end finance processes and the working arrangements that had been put in place for staff in line with PHA guidance. She said that, following correspondence from the Treasury Officer of Accounts, DE had revised the submission date for the receipt of EA's draft 2019/20 Annual Report and Accounts to 3 August 2020 in line with central government reporting requirements. She said that financial year end processes had resumed, with some key changes, to enable the revised year end timetable to be met. Focus had been given to delivering the provisional outturn position within the agreed timeframe and the schools' stock portal had closed on 3 April to enable completion of the valuation process for provisional outturn.

Ms McCloskey drew attention to the tender for the preparation and production of EA's Financial Statements for 2019/20. She said that this enabled the limited finance resource to focus on resuming normal finance operations, with the new working arrangements, whilst facilitating compliance with the revised submission date for the Annual Report and Accounts.

A Member queried whether officers were confident that the tenderer would be able to meet the timetable for producing the Financial Statements. Ms McCloskey outlined the requirements of the tender and the information provided by the successful tenderer to direct appropriate resource towards tender preparation and production. She confirmed that officers were working closely with the provider and were confident that the deadline submission date would be adhered to. In response to the Member's query, Mr Fair said that DE was also working alongside to support the production of EA's Financial Statements.

The Committee noted the paper* (ARA/6/20/10) setting out information on the revised submission date and the approach to the Annual Report and Accounts 2019/20.

The Committee agreed to meet in July to consider the draft Annual Report and Accounts for 2019/20 and any other urgent items of business.

Action: *Committee to meet in July, on a date to be agreed, to consider the Annual Report and Accounts for 2019/20 and any other urgent items of business.*

13. GOVERNANCE STATEMENT 2019/20

Mr Hanna said that the draft Governance Statement had been submitted to DE for comment and now reflected DE's suggested changes, as appropriate.

A Member referred to the key areas in the report where significant control weaknesses had been identified through internal audit reports and sought clarity on the criteria used around the level of

expenditure which required matters to be detailed in the document. Mr Wade said that any matter identified through an internal audit report which resulted in less than satisfactory assurance was required to be outlined in the Governance Statement and this requirement applied across the public sector. Mr Allen said that the approach was in line with best practice. He said that consideration could be given to incorporating a suitable form of wording into the document which enabled stakeholders not to be specifically identified in respect of small areas of expenditure.

Mr Fair said that an issue relating to the voluntary exit scheme should be appropriately reflected in the document. He said that EA and DE should work collaboratively on their respective Governance Statements to ensure that both documents were aligned as closely as possible.

The Committee noted the Governance Statement* (ARA/6/20/11) in draft format. A final version of the document would be presented to the Committee for comment at a future meeting.

14. AUDIT OF PRACTICE - STATUTORY OPERATIONS

Ms Long referred to the report provided on this matter to the Committee on 13 January 2020. She said that progress reports on the Improvement Plan had been provided to the Board at its meetings on 30 April and 28 May 2020 and that these reports would continue to be provided on a regular basis to the Board, as necessary.

The Committee noted the report.

15. CHIEF EXECUTIVE'S DELEGATED AUTHORITY - IMPACT OF COVID-19 ON NORMAL BUSINESS AND DOF PROCUREMENT GUIDANCE NOTE (PGN) 1/20

Ms Long said that the Board, at its meeting on 19 March 2020, had delegated authority to the Chief Executive to transact business on the Board's behalf in the absence of Committee meetings over a period of time, as deemed appropriate, due to the impact of Covid-19. A report on all business transacted in this manner was presented to the Board at each monthly meeting.

Ms Long said that the Board, at its meeting on 30 April 2020, had been provided with a report on PGN 01/20 which provided direction on a range of commercial actions to be considered by contracting authorities in response to the impact of Covid-19 and the procurement routes that could be used. She said that, at that meeting, the increased risk of complying with PGN 1/20 had been pointed out to the Board, along with the approach to take forward the range of commercial actions which had been agreed by EA in conjunction with DE.

The Committee noted the two reports. The Committee was content with the processes that had been put in place to manage the risk as a result of the impact of Covid-19 and that the processes would remain in place until such time as deemed appropriate by the Board.

16. INTERNAL AUDIT

16.1 HEAD OF INTERNAL AUDIT AND ASSURANCE'S ANNUAL ASSURANCE REPORT AND OPINION 2019/20 AND DRAFT INTERNAL AUDIT PLAN 2020/21

Mr Anderson presented the Annual Assurance Report and Opinion* (ARA/6/20/14.1) and reported that overall there was a satisfactory system in place of governance, risk management and control. While some residual risk had been identified, he said that this should not significantly impact on the achievement of system objectives. This opinion was based on internal audit activity carried out during 2019/20, the wider control framework in place throughout EA, and cumulative assurances from internal audit activity undertaken in

previous years. He also reported that there was satisfactory assurance over both procurement and contract management arrangements.

Mr Anderson referred to the changing role of audit during the year from providing core assurance based work to an enhanced role of trusted adviser with internal audit involvement in a number of transformation projects, specific change projects, and reviews. He said that, due to the complexities of a number of audits in the 2018/19 plan, some audits had been carried forward from that plan into the 2019/20 plan. Furthermore, the internal audit work in relation to a significant number of unforeseen investigations in 2019/20 had meant that the plan had been revisited and reprioritised. This position had been considered by the Committee and, at its meeting on 13 January 2020, the Committee had requested that the plan should be reprioritised to ensure that high priority audits were completed to at least draft report stage. He drew attention to a number of legacy issues in relation to systems and processes and said that these were being addressed by a wide range of business improvement projects. He also drew attention to the work initiated during the year through an audit of practice in respect of children and young people with special education needs, and to the arrangements which were put in place following the Covid-19 pandemic to ensure that adequate provision was maintained and monitored. As a result of Covid-19, and the additional unforeseen high priority work relating to investigations, 55% of the 2019/20 plan had been completed to either final or draft report stage with a further 22% of the plan in progress at year end which would be carried forward into the 2020/21 plan.

Mr Anderson referred to the list of significant issues identified in the paper. He also referred to the summary of internal audit opinions on which he had based his opinion and to other key factors which had contributed to his overall opinion. He drew attention to the information in the paper on final reports issued in 2019/20, along with the number of recommendations made and accepted in each report.

A Member sought assurance that there had been sufficient and appropriate audit activity undertaken to underpin the Head of Internal Audit and Assurance's overall opinion. Mr Anderson provided this assurance and said that the number of audits completed in 2019/20 had exceeded the number of audits in 2018/19.

The Chair said that the audits carried forward into the 2020/21 plan were likely to impact on the delivery of the 2020/21 plan. Mr Anderson said that the Corporate Leadership Team was reviewing the plan in light of targeting resource towards assurances post Covid-19 and in light of the significant time being given to current investigations. In response to a Member's query, Ms Long said that she was satisfied with the internal audit activity carried out during the year and its scope which was sufficient to provide her with assurance of the overall satisfactory opinion. She said that the Corporate Leadership Team was revisiting the draft 2020/21 plan in light of EA's key risks and priorities and in light of recent experiences relating to investigation work.

Mr Fair sought and received confirmation that any audits on Priority 1 recommendations which had not been carried out in 2019/20 would be carried forward into the 2020/21 plan. Mr Anderson advised that the vast majority of the audits were medium priority and some were low priority.

The Chair paid tribute to Internal Audit for the work undertaken during the past year and for addressing issues for the benefit of children and young people and services through the internal audit process.

Ms Long said that the draft 2020/21 plan would be presented to the Committee as soon as possible.

16.2 FRAUD REPORT 2019/20

Ms Rainey left the meeting at 12.00 noon.

Ms Knox and Mr Lundy declared an interest in the paper.

On the proposal of Mr Cargo, seconded by Ms Knox, the Committee agreed to discuss this item in committee.

Mr Anderson provided a high level report in respect of the paper with the exception of one investigation where details of actions being taken by officers were provided.

On the proposal of Mr Salmon, seconded by Dr Dynan, the Committee agreed to resume the meeting.

The Committee noted the report, including the update provided by Mr Anderson in respect of one investigation. The paper on this item would be withdrawn from the Members' library.

17. WHISTLEBLOWING REPORT

Mr Anderson presented the report* (ARA/6/20/15) setting out ongoing whistleblowing reviews. He provided a verbal report on the number of cases that had been recently closed, which included the number which had been substantiated, partially substantiated, and not substantiated.

A Member queried if officers were mindful of issues raised by whistleblowers which subsequently reappeared in a slightly different format. Mr Anderson confirmed that he maintained a comprehensive database and gave scrutiny to all matters being raised from this perspective also.

The Committee noted the report.

18. DIRECT AWARD CONTRACTS

18.1 NEW PROCEDURE FOR DIRECT AWARD CONTRACTS

Mr Hanna presented a paper* (ARA/6/20/16.1) setting out the arrangements for a new procedure for DACs to provide better governance and accountability through an enhanced approval process. The new procedure had been considered and approved by the Finance and General Purposes Committee at its meeting on 3 March 2020.

Mr Fair said that any contract for external consultancy that did not go through a public competition exercise required Permanent Secretary and Ministerial approval in advance. He referred to requirements to demonstrate the appropriateness of taking forward a Direct Award Contract. Mr Hanna took Mr Fair's comments on board in respect of procedure and documentation.

The Chair received confirmation that the new procedure was now operational.

Ms Long said that the CoPE accreditation team had commented on a reduction in the number of DACs being taken forward. The Chair queried if the out-workings of Covid-19 could result in an increase in the number of DACs requiring approval. Ms Long said that reports on DAC approvals, including those which arose as a result of Covid-19, were detailed in the information provided to the Board each month. She said that DACs were taken forward where this was the only option. Mr Hanna also drew attention to approaches to renew and extend existing contracts and frameworks where this proved possible.

The Committee noted the paper setting out the new arrangements for approving Direct Award Contracts.

18.2 ASSURANCE STATEMENTS

The Committee noted the Direct Award Contracts* (ARA/6/20/16.2).

19. ACCOUNTABILITY AND FINANCIAL MANAGEMENT

The Committee noted the following circulars. Specific attention was given by Mr Anderson to the correspondence listed under numbers 1 and 5 below.

- 1) DE 99-03-20 Governance and Accountability Arrangements for the Oversight of DE's Arm's Length Bodies Manual
- 2) DAO DoF 01 20 Accounts Direction for 2019-20
- 3) DAO DoF 02 20 Revised policy and guidance on best practice in Project Delivery and Engagement with Gateway Review Process (and attachment)
- 4) DAO DoF 03 20 Payment of Grants during period of Covid 19 Response
- 5) DAO DoF 04 20 Update to HM Treasury's Orange Book
- 6) DAO DoF 05 20 Annual Theft and Fraud Report 2018-19
- 7) DAO DoF 06 20 Coronavirus Job Retention Scheme
- 8) DCM DoF 01 20 Designation of Bodies for Whole of Government Accounts 2019-20
- 9) DCM DoF 02 20 Whole of Government Accounts - Change to Process 2019-20
- 10) Whole of Government Accounts (Designation of Bodies) Order (Northern Ireland) 2020
- 11) FD DoF 01 20 Government Financial Reporting Manual (FReM) 2019-20
- 12) FD DoF 02 20 Departmental Annual Report and Accounts 2019-20
- 13) FD DoF 03 20 Approval of Pay Remits in 2019-20
- 14) FD DoF 04 20 Guidance on the format of the Remuneration Report 2019-20
- 15) FD DoF 05 20 Departmental Annual Reports and Accounts - Changes as a result of Covid 19
- 16) FD DoF 06 20 Laying of Annual Reports and Accounts in the NI Assembly

A Member sought and received assurance that all correspondence received in this way was circulated to relevant officers.

20. ANY OTHER BUSINESS

PROTOCOL FOR VIDEO CONFERENCING AND CONFERENCE CALLS

The Chair said that the Scheme for the Committee did allow for meetings to be held by conference call or video link if necessary. He asked for a protocol to be developed, as an aid to the Board, to enable Members to engage in confidential meetings either by conference call or video link. This was agreed.

Action: *Protocol to be developed to support the Board in engaging in confidential meetings either by conference call or video link.*

21. DATE OF NEXT MEETING

The next meeting would be held in July (on a date to be agreed) to consider the Annual Report and Accounts 2019/20 and other urgent items of business.

The meeting ended at 12.40 pm.

Chair

Date

* Paper circulated

** Paper tabled