

**MINUTES OF PROCEEDINGS OF THE GOVERNANCE, RISK AND AUDIT COMMITTEE HELD ON 22 APRIL 2021 AT 2.00 PM (by zoom)**

**1. PRESENT**

Rev A Adams	Mr G Lundy
Mr D Cargo	Ms A Mervyn
Mr G Doran	Mr L Ó Flannagáin
Mr P Kavanagh	Miss R Rainey
Mrs I Knox	Mr T Salmon

Mr B Mulholland attended at the start of the meeting for the purposes of the Committee electing a Chair and Vice-Chair.

**2. IN ATTENDANCE**

Ms S Long, Mrs M Corkey, Mrs C Duffield, Mr D Hanna, Mr S Wade, Mrs U Turbitt, Mr D Anderson, Mr N Craig, Mr M Robinson, and Ms L McCall.

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

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

The Chair of the Board drew attention to the protocol for blended and remote attendance, noting that all present were observing the protocol.

**4. OFFICE OF CHAIR AND VICE-CHAIR**

The Chair of the Board said that, as agreed by the Board, the Appointments Advisory Committee had met to consider Members' expressions of interest for the positions of Committee Chair and Vice-Chair. He reported on the outcome of the meeting of the Appointments Advisory Committee.

On the proposal of Mr Flannagáin, seconded by Ms Mervyn, the Committee agreed to appoint Mr G Lundy as Chair of the Committee.

On the proposal of Mr Flannagáin, seconded by Miss Rainey, the Committee agreed to appoint Mr D Cargo as Vice-Chair of the Committee.

Mr Lundy and Mr Cargo took up the positions of Chair and Vice-Chair.

*Mr Mulholland left the meeting at 10.22 am.*

**4. DECLARATIONS OF INTEREST**

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

**5. SCHEME FOR THE GOVERNANCE, RISK AND AUDIT COMMITTEE**

The Committee noted the Scheme\* (GRA/4/21/5) which had been approved by the Board at its special meeting held on 29 March 2021.

**6. MINUTES OF MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE HELD ON 18 JANUARY 2021**

The Committee noted the minutes\* (GRA/4/21/6) of the meeting of the Audit and Risk Assurance Committee held on 18 January 2021. These minutes had been presented and approved by the Board at its meeting held on 28 January 2021.

**7. MATTERS ARISING FROM THE MINUTES**

## **7.1 CORPORATE RISK REGISTER 2020/21 – QUARTERS ONE AND TWO (9)**

Mr Hanna said that further consideration had been given to the residual risk rating for Risk 4. This document would be considered later in the meeting. He also advised that Mr Fair had submitted some minor changes in respect of Risk 4 and these had been reflected within the document.

*Rev Adams entered the meeting at 10.26 am.*

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

Mr Wade said that work was taking place to clarify EA's relationship with the VG/GMI sector. This work would examine the legislative basis and associated implications for EA, the extent of EA's role as funding authority, the extent to which EA was utilising its powers as funding authority to best effect, and the relationship of EA as funding authority with the different sectors. A report on the outcome of this work would be provided to the Committee in due course.

Members welcomed the extent of this work which would provide clarity and accountability between EA and the VG/GMI sector and also set out EA's relationship with the different sectors. It was highlighted that all clarification should be sought in writing from DE.

## **7.3 DIRECT AWARD CONTRACTS (DACs) (15)**

Mr Hanna advised that further engagement had taken place with Mr Fair on the DACs and matters had been addressed.

## **8. CHAIR'S BUSINESS**

### **8.1 WELCOME**

The Chair welcomed the new Members to the Committee: Rev Adams, Mr Doran, Mr Kavanagh, Ms Mervyn, and Mr Ó Flannagáin. He also welcomed Mr P Barr, Ms F Magowan and Ms P Hubbard to their first meeting of the Committee.

### **8.2 CONDOLENCES**

The Chair extended the Committee's condolences to Her Majesty Queen Elizabeth II on the passing of HRH the Duke of Edinburgh. He said that EA recognised the significant value and contribution of the Duke of Edinburgh's Award which had been in operation within schools and youth services across NI for over 30 years. He said that the Duke of Edinburgh's personal commitment to young people had been evident and visible during his visits to NI over the years.

### **8.3 SEMINARS FOR NEW MEMBERS OF AUDIT AND RISK ASSURANCE COMMITTEES**

The Chair advised that he had attended the Government Internal Audit Agency's seminar on 18 March 2021 (by video conferencing) for new ARAC members. He provided a brief report on the seminar and said that the materials were available for any interested Member.

## **9. NORTHERN IRELAND AUDIT OFFICE**

Mr Barr said that the audit of EA's Annual Report and Accounts for 2019/20 continued. This work was taking longer than anticipated on account of remote working, the requirement to complete risk assessments when entering EA premises, and technology issues. All information was now able to be accessed. Audit testing was planned to be complete by the end of May with the

intention that the Financial Statements would be certified in June. It was also intended that the Report to Those Charged with Governance would be finalised by the end of May.

Mr Barr said it was anticipated that NIAO's Audit Strategy for 2020/21 would be presented to the Committee at its June meeting. This would set out the audit timetable for EA's Annual Report and Accounts for 2020/21. The intention was that the Financial Statements would be presented for certification by November 2021.

Mr Barr referred to the requirements of faster closing for the 2021/22 financial year. This meant that all audit testing and year end accounting processes would require to be completed to enable the Financial Statements to be certified prior to summer recess. He drew attention to the resource implications associated with faster closing for both NIAO and EA and advised that NIAO and EA officers would discuss in detail the arrangements to achieve faster closing.

Mr Barr said that the NIAO report on Educational Attainment and Social Deprivation had been agreed by the Permanent Secretary and would be published the following week. In addition, as part of NIAO's public reporting programme, he said that NIAO had commenced work on a Good Practice Guide on School Governance which drew upon previous work completed by NIAO on Board Effectiveness. It was intended that this work would be published prior to the end of the current financial year.

A Member said that faster closing was to be welcomed. He sought clarification on EA's approach to deliver on this timeframe in 2021/22. He also sought an update on the tender process to outsource accounts preparation. Mr Wade provided a report on the tender process which had proved unsuccessful. He said that the requirements of faster closing would bring intensity to the accounts process for a period of time. This created additional challenges but plans would be put in place to meet statutory reporting deadlines. He said that alternative arrangements were being facilitated to secure appropriate expertise within the wider Finance department to undertake specific tasks. He was also engaging with DE around additional resource going forward.

## **10. CORPORATE GOVERNANCE**

### **10.1 FRAUD OVERSIGHT REPORT**

Mr Craig presented a reformatted paper giving high level information on open fraud cases and a fraud oversight dashboard. The dashboard incorporated analytics on type of fraud (based on number of cases as well as value of cases), cause of fraud, means of discovery, perpetrators of fraud, and the indicative risk rating.

*Mr Barr left the meeting at 11.00 am.*

A Member queried the length of time taken in respect of a case detailed in the report. Mr Anderson outlined the complex nature of this case. The Member said that the dashboard could be developed further to give an understanding of the amount of time, effort and cost that was spent on cases in comparison to recoverable costs.

A Member said that the newly formatted report provided a strategic overview of fraud cases. In this regard, she queried the actions that would be taken to mitigate against identifiable risks. Mr Craig outlined work taking place within the Finance department to continually improve and streamline processes, including changes to introduce electronic processes to reduce cash handling. Mr Wade said that the report supported the consideration given to balancing risk, ie the ongoing assessment of measures to be put in place to prevent fraud and the measures to be put in place to detect fraud. He outlined arrangements to increase scrutiny, both internally and externally, with regard to an area of risk identified in the report. A Member sought and received further clarity on the cause of fraud for this area of risk.

Mr Wade said that the dashboard could be further refined to show subsequent follow up action, eg where subsequent HR action had been taken.

A Member said that staff should be trained appropriately on an ongoing basis on risk management in order to reduce potential for fraud. Mr Anderson said that he delivered targeted training to cohorts of staff on fraud awareness at which focus was given to key controls in a range of high risk fraud areas.

The Chair commended the report and indicated that the dashboard would continue to be further refined in light of Members' comments.

The Committee noted the paper\* (GRA/4/11/10.1).

<b>ACTION REQUIRED</b>
Dashboard to be further refined going forward in light of Members' comments.

## **10.2 DIRECT AWARD CONTRACTS (DACs)**

Mr Hanna presented the newly formatted paper\* (GRA/4/21/10.2) detailing the number and value of DACs processed within quarters 3 and 4 of 2020/21. For comparison purposes, the number and value of DACs relating to quarters 1 and 2 had also been provided. The paper also detailed DACs by Directorate and by category, ie justified, emergency, lack of planning, and as a preference.

For the benefit of new Members, a Member drew attention to the robust processes that were in place prior to the award of a DAC.

The Committee welcomed the strategic nature of the paper. Specific information was sought and received on a DAC categorised as lack of planning. Members considered that this categorisation did not appropriately reflect the position. As the paper was a working document, they asked for clarity to be provided on the criteria for categorisation in order to ensure accuracy and to inform the reporting process going forward.

<b>ACTION REQUIRED</b>
Clarity to be provided on the criteria for categorisation in order to ensure accuracy and to inform the reporting process going forward.

## **10.3 EA GOVERNANCE STATEMENT 2020/21 - INITIAL DRAFT**

Mr Wade said that the draft Governance Statement had been submitted to DE for comment and reflected DE's suggested changes, as appropriate. He said that information was still required in two areas in the document. These related to details of audit reviews with limited or unacceptable assurance and the provisional outturn position. This information would be incorporated into the document and presented to the Committee in final format in conjunction with the Annual Report and Accounts for 2020/21.

A Member drew attention to an error in the document relating to the membership for the Shared Education Committee. Another Member drew attention to extenuating circumstances for non-attendance. Mr Wade undertook to factor these comments into the document.

Subject to minor amendments, the Committee noted the draft Governance Statement\* (GRA/4/21/10.3).

<b>ACTION REQUIRED</b>
Amend document following Members' comments.

## 11. MANAGEMENT OF RISK ACROSS EA

### CORPORATE RISK REGISTER 2020/21 – QUARTER FOUR HEAD OF INTERNAL AUDIT AND ASSURANCE INDEPENDENT EVALUATION

Mr Hanna presented quarter four of the Corporate Risk Register (CRR)\* (GRA/4/21/11.1). He referred to the summary information provided on risk movement and said that four residual risk scores had decreased. Risk 4 (to deliver a balanced resource budget) had moved from red to amber as EA was on track to remain within budget at the end of March 2021. However, moving forward into quarter one of 2021/22, this risk would be escalated due to EA's significant financial challenges. He advised that the residual risk score for Risk 7 (to deliver strategic projects in an appropriate timeframe to ensure continuity of service) had increased due to continuing challenges associated with the delivery of the Education Technology Service project.

Mr Hanna referred to the incorporation of a new risk (Risk 11) in respect of the effective management of the increase in demand for placements of SEN children in schools for September 2021. He said that this item was a standing item on the Corporate Leadership Team agenda and was being reported through the Performance and Engagement Committee.

For the benefit of new Committee Members, it was agreed that training should be made available on risk management, including the risk matrix.

A Member queried the process for identifying and agreeing corporate risks. Mr Hanna said that the CRR was a fluid document and was considered regularly by the Corporate Leadership Team. The document was presented to the Committee for consideration and subsequently to the Board.

A Member considered that Risk 1 (to ensure continuity of learning for children and young people) should be defined as 'to ensure the continuity of high quality *or* excellent learning for children and young people'. Mrs Corkey advised that this risk had been identified through the Continuity of Learning Programme. She undertook to give consideration to the Member's comment.

A Member commended the format of the CRR in providing clear lines of accountability with regard to operational risks.

Mr Anderson presented his independent evaluation\* (GRA/4/211.2) of the content of the CRR and advised that he was in agreement with management's current assessment of the key risks. He said there was clear evidence of a robust review of the CRR and the Directorate Risk Registers. In his opinion, the current residual risk level for each risk was an accurate assessment of the residual risk levels.

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

ACTION REQUIRED
Consideration to be given to the identification of Risk 1.

## 12. DELIVERY OF INTERNAL AUDIT FUNCTION

### 12.1 DRAFT INTERNAL AUDIT PLAN 2021-22 AND INTERNAL AUDIT STRATEGY 2021-24

Mr Anderson presented the Internal Audit Plan for 2021-22, in draft format, and the Internal Audit Strategy for 2021-24. The Strategy was intended to cover all EA's systems across the three year period and audits directly linked to specific annual assurances. It also included a return to the targeted programme of audits specific to controlled schools, special schools, and a number of youth facilities. The document was still in draft format as the audit coverage was currently being reviewed by management.

It was noted that the Strategy detailed an audit of Integrated and Irish medium education in year 2, quarter 3. It was pointed out that this audit should give attention to EA's functions in the context of DE's duty to encourage and facilitate the development of Integrated and Irish medium education.

The Chair said that the Strategy was required to be agile so as to ensure that Internal Audit could respond to emerging priorities. He advised that the Plan and Strategy would be presented in final format to the Committee at its June meeting.

The Committee noted the Internal Audit Plan 2021-22 in draft format and the Internal Audit Strategy for 2021-24\* (GRA/4/21/12.1).

## **12.2 PRIORITY 1 RECOMMENDATIONS**

For the benefit of new Members, it was pointed out that the report on Priority 1 recommendations remained a standing item on the Committee's agenda.

Mr Anderson presented the newly formatted report\* (GRA/4/21/11.2) setting out priority 1 recommendations into three categories: new, outstanding, and proposed to close. The three new priority 1 recommendations had not yet been classified as outstanding as the associated target dates had not yet been reached. Details on completed priority 1 recommendations was also provided in the report.

Mr Anderson said that officers were on track to address the outstanding priority 1 recommendation which related to contingency planning and disaster recovery planning. He also drew attention to the priority 1 recommendation which was identified as proposed to close and said that the Corporate Leadership Team had finalised this work on the Emergency Plan and Contingency Plan.

Ms Long outlined arrangements to further develop the report to incorporate Priority 2 recommendations.

A Member said that the report provided the Committee with improved strategic oversight. It provided clear and concise information around tracking and would support the identification of trends going forward.

The Committee noted the report, including that one priority 1 recommendation relating to the Emergency Plan and Contingency Plan would be formally closed.

## **12.3 WHISTLEBLOWING CASES**

Mr Anderson presented the reformatted report\* (GRA/4/21/11.3) giving high level information on whistleblowing cases by means of an oversight dashboard.

The Chair welcomed the dashboard which enabled oversight of emerging trends and patterns.

A Member received clarification on the procedure in place for addressing whistleblowing cases. He also received clarification on the approach adopted by officers to address issues raised either through the whistleblowing procedure or the complaints procedure.

In response to a Member's query, Mr Anderson reported on the investigation of cases by members of the Internal Audit team or by senior management. The Member asked for the report to incorporate summary information on subsequent actions taken by management where allegations had been found to be substantiated. Mr Anderson confirmed that action was taken in every instance where corrective action had been identified. He said that the

reporting of this information could be sensitive. He undertook to consider this issue with a view to providing high level summary information within the dashboard.

The Committee noted the report.

<b>ACTION REQUIRED</b>
Consider incorporating data into the dashboard on corrective action taken following a allegation which is substantiated.

#### **12.4 HIAA ANNUAL ASSURANCE AND OPINION REPORT 2020-21**

Mr Anderson presented the Annual Assurance Report and Opinion\* (ARA/4/21/11.3) 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. He said that this opinion was based on internal audit activity carried out during 2020/21, 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 for both procurement and contract management arrangements.

Mr Anderson said that Covid-19 had impacted on Internal Audit's ability to complete the planned programme of audits by year end. He outlined the arrangements for the audit team to carry out their work during the pandemic. By the end of March, 83% of planned audits had been completed to either final or draft stage. He confirmed that sufficient work had been completed in 2020/21 and previous years to cumulatively support an overall assurance opinion.

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 during the year, along with the number of recommendations made and accepted in each report.

For the benefit of new Members, Mr Anderson said that Internal Audit had undergone an external quality assessment in 2018 and this exercise would be undertaken again in 2023.

The Chair paid tribute to the Internal Audit team for delivering against the audit programme during a particularly challenging year. Members also expressed appreciation to the Corporate Leadership Team for the overall satisfactory opinion.

The Committee noted the report.

#### **13. AUDIT AND RISK ASSURANCE COMMITTEE ANNUAL REPORT 2020-21**

The Chair presented the Annual Report for the Audit and Risk Assurance Committee for 2020/21\* (GRA/4/21/13). The report set out the Committee's opinion that the assurances provided on corporate governance, risk management, financial management, and internal control during the year were appropriately comprehensive, reliable and of sufficient integrity to assist EA and the Accounting Officer to meet their accountability obligations for 2020/21.

The Chair paid tribute to the support and expertise provided by the two external independent Members to the work of the Committee. He expressed appreciation to the members of the Corporate Leadership Team for their detailed information on the management of key risks and for the detail provided on primary assurances within operational areas. He also expressed appreciation to the Internal Audit team and to the NI Audit Office for their input in facilitating the completion of the comprehensive work programme undertaken during the year. Finally, the Chair

commended Members for maintaining the necessary high degree of scrutiny to the work of the Committee during the past year in the context of Covid-19.

It was agreed that the Annual Report would also pay tribute to the significant contributions made by Dr M Dynan, a former Member of the Committee and the Board who had passed away in March 2020. Subject to this amendment, the Committee approved the Annual Report for 2020/21 on the proposal of Miss Rainey and seconded by Ms Knox.

<b>ACTION REQUIRED</b>
The Annual Report to be amended to give recognition to the significant contributions made by Dr M Dynan to the work of the Committee.

#### **14. ACCOUNTABILITY AND FINANCIAL MANAGEMENT**

The Committee noted the following circulars:

- DAO DoF 01/21 Accounts Direction for 2020-21
- DAO DoF 02/21 Publication of Ministerial Directions

#### **15. DATE OF NEXT MEETING**

The next meeting would be held on 10 June 2021.

The meeting ended at 12.56 pm.

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**Chair**

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**Date**

\* Paper circulated

\*\* Paper tabled