

**Minutes of the 13th Meeting of the Audit & Risk Assurance Committee held on Wednesday 18 September 2019 at GTCNI, Albany House, Great Victoria Street, Belfast**

**Present:** David Cargo (Chair - DC), Sheila Fleming (SF), Raymond Beggs (RB), Susan Parlour (SP)

**Apologies:** Rosemary Rainey (RR)

**In Attendance:** Sam Gallaher, (SG - Chief Executive), Gerry Devlin (GD - SEO), Gary Fair (GF – Department of Education), Alan Boyd (AB - Department of Education), Tracey McCavigan (TMcC – Head Internal Audit – NICS IAFIS), Carolyn Shaw (CS –NICS IAFIS), Andrew Allen (AA - NIAO), Sima Gondhia (SG – Temporary Accountant), Lesley Dickson (LD – PA)

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| 1. **Welcome**   The Chair (DC) welcomed members and guests to the last meeting of the ARAC of the current Council and noted the apologies. He extended a welcome to Alan Boyd from the Department of Education who is replacing Julie Humphries on the ARA Committee.   1. **Declarations of Interest**   The Chair reminded members that if there was any matter which came up in which they had an interest they could declare it during the meeting.   1. **Minutes**   The Chair firstly took members through the minutes of the meeting on 3 May for accuracy.  TMcC and RB both asked for an amendment at Page 3 at paragraphs 5 and 7.  And TMcC asked for change to her initials which were entered wrongly on Page 13 and 14.  Allowing for amendments to be made the Minutes were accepted as a true and correct record.  Proposed: David Cargo  Seconded: Raymond Beggs   1. **Matters Arising**   The CEO said that points had been noted and were in hand and will be picked up in the Agenda items.  RB highlighted Point 9 and said that this Committee had been presented with a different set of figures than the other Committees and enquired if this Committee would be presented with these.  The Chair advised that the ARAC was a scrutiny Committee and had no need to see the other papers. AA indicated that ARAC was not a decision making body. The Chair added that it should not have been on the Agenda.  RB acknowledged AA’s confirmation that this Committee does not make decisions but that it had been presented to this Committee. He said that at Council the CEO said he did not want internal and external audit to see the papers presented to the other Committees.  The CEO indicated that what was given to the F&GP Committee was relevant information for that Committee.  RB enquired if this Committee would be given the chance to see these documents to scrutinize what the other Committees are making decisions on.  The CEO highlighted that each Committee has a different function.  SF enquired what is missing from this paper that was given to other Committees.  RB said that it was agreed by the Chairs of the Committees at their meeting as to how this was to be presented.  DC said that there had been a long discussion at Committees and Council on this matter and asked RB if he had a proposal.  RB said that the difficulty was that this Committee had been presented with documents not consistent with the other Committees. How do we know if any of this is real?  DC Proposed for the meeting to move on  SF seconded the proposal.  **5. Anti Fraud, Bribery and Whistle Blowing (AC/19/13/01)**  SG took members through this paper advising that for the period April – August 2019 there are no untoward incidents to report in respect of fraud and bribery. There has however been other incidents over recent months (which may fall within the parameters of whistleblowing) that give serious cause for concern and create undue risk to the effective operation of the Council.  The CEO advised members that documents had been leaked out of the organisation and said he was bringing it to the Committee to see if the incident should be investigated.  The Chair requested a very short meeting after the main meeting when he could ask members for their views on the leakage of information from the organisation and TMcC could provide members with an update.  RB quoted the paper saying documents are not being presented and it appears that the matters or concerns expressed are not being dealt with in an appropriate manner via the Chair of Committee or Chair of Council. This situation does not reflect well on the Council as a body, nor on the organisation as a whole.  RB asked it to be noted that as a member of Council he was being told not ‘not to go there’ and not bring this up at the Committee meeting.  SP enquired why members were being presented with an outdated Risk Register.  The Chair advised that this will be dealt with later.  The Chair said the paper was noted.  TMcC sought clarity if a decision was going to be taken on the paper at that time.  RB asked if there was any other decision.  The Chair said members should note the investigation and note the paper.  RB added that members concern should also be noted.  SP enquired if the Disciplinary Policy should be discussed as she understood that someone was going to be disciplined for leaking documents.  The CEO said this is a factual statement for the policy and it depends on how such incidences are viewed. Such action could be deemed as gross misconduct.  The Chair said members can be updated on what they want to do in the closed meeting afterwards.  The Chair asked members if they would be content to discuss this at the closed meeting.  RB said he was concerned as to why this particular comment was noted in the report.  SF said that the policy states the facts.  **6. Chair and Registrar’s Expenses and Hospitality Register 2018/19**  **(AC/19/13/P02)**  SG presented the paper to members and highlighted the figures contained therein.  RB said that at the last meeting members had asked for details to be expanded to justify travel expenses and it is not being presented.  GF added that it had been agreed to add another column.  SG said that she would provide this for the next report.  **7. Finance Report (AC/19/13/P03)**  The CEO thanked SG for her assistance in the absence of Majella Matthews.  The CEO took members through Table 1 giving budgetary details and discussed the possibility of a bid to DE for resources.  GF enquired what would happen if the bid was not met.  The CEO said we would have to look at lines of expenditure and if regulation were not to go ahead this year there would be some room for transposition within the budget.  GF questioned expenditure of £30,000 capital.  SG advised that this was for the website.  GF asked if approval had been received.  SG said that it had.  GF asked if engagement had been made with the sponsor team.  The CEO said that we just need to keep an eye on the budget month by month and indicated that with regard to staffing 2 allowances had ceased and an employee who was on long term sickness had returned. He said that the assumption would be that staffing would remain the same.  GF asked why there was a reference to Internal Audit Plan in the report.  The CEO explained that an update had gone to F&GP and comments on the Internal Audit Programme were agreed. It is for the Committee to decide on the programme of work.  SG advised that there was a detailed explanation of expenditure incurred for the 5 months to Aug’19 in Appendix 3.  The CEO advised that we will be spending more on HR than previously envisaged.  GF asked what the substitution costs involved and also what came under miscellaneous.  SG advised that the substitution fees are for teachers attending our meetings and the miscellaneous involved various elements that could be provided in a breakdown.  The Chair asked for any more questions. He said he was happy to note the report and said that F&GP were monitoring and that ARAC were just for oversight. He highlighted living within our means.  The CEO spoke about the Draft Unaudited Annual Report and Accounts 2018-19 advising that the Draft unaudited Annual Report & Accounts (AR&A’s) for 2018-19 have been prepared in accordance with the DoF Accounts Direction. The NIAO audit is provisionally planned to commence mid-October with final certification in December following council meeting.  SG took members through the Cash and Reserves.  She said that the Council’s cash reserves position at 31 August 2019 was **£2,527k** spread over a mix of cash in hand and short and medium term deposits. These cash reserves will reduce as we progress through the financial year due to the fact that our income is front loaded with only a trickle of receipts received budgeted in the latter half of the year.  Interest rates have dropped slightly since the start of the financial year, however we have made no adjustment to the interest earnings forecast for 2019-20.  She informed members that the unaudited reserves balance at 31 March 2019 including a net surplus of £76k for 2018-19 is £1,857k.  SG directed members to the relevant tables.  She advised members that it was important for them to note the following:   * Regulation Reserve is deemed a restricted reserve i.e. an amount we should always carry for unforeseen costs * Registration Database Reserve is a restricted reserve and reflects the capital requirement over the life of at least a 5yr contract. This requirement needs to be reviewed as part of the revision of the business case. * Pension Fund Liability is a restricted reserve * Premises reserve is a restricted reserve * Election reserve and Website reserve will be spent in 2019/20 i.e. current year. * The General Reserve is intended to be run down in support of operational costs associated with professional regulation.   RB enquired if we were the only body who had a pension fund reserve.  AA advised that anyone with NILGOSC will have one or anyone with pension liabilities.  The CEO indicated that the present reserves policy is scheduled for review having been approved in 2014 and reviewed last in 2017. The current policy largely sets out how the Council’s accumulated reserves (£1.76m Mar 2017) are to be rundown in respect of supporting professional regulation, replacement registration system, capital and accommodation over a five-year period. It also identified a general reserve to cover liquidity issues. The policy is however weak in a few areas, particularly in terms of identifying restricted or contingency reserves – though the general reserve may have been deemed a such – addressing how such reserves are to replenished to ensure a level of contingency is maintained on an ongoing basis and how provision is to be made for replacement capital investment. Considering that the Council has over recent years been largely operating on a break-even basis and this is without undertaking professional regulation and incurring the associated costs, it would be timely to review the reserves policy to incorporate a strategic perspective on contingency provision. This work is under way with a view to bringing a revised policy to the new Council before the end 2019.  The Chair said there had been some criticism of the current policy.  The CEO said we are running down our reserves in a measured way and need to think beyond that.  GF agreed with this approach in principle subject to budget cover being sourced to enable the Council to access reserves.  The Chair noted the report and thanked Sima and all staff concerned in the preparation of the report.  **8. Direct Award Contracts**  There were no DACs.  **9. Capital Projects Update**  The CEO advised that there were two projects ongoing – the Website and the Registration System.  He advised that the website project is progressing, the design stage is complete with the build stage well underway. Work is ongoing on content development and the project remains on target for a “go live” in October. It should be noted that whilst we are putting in place a website structure that will enable us to deliver a dynamic website of real use to teachers, in the first instance the new website will be largely ”static” i.e. similar to present website though different look and feel. Further development will take place following investment in communications resource.  Progress with the Registration System procurement is slow due to lack of designated resources. Presently staff are fitting in this project around other competing priorities and we have experience a higher level of staff absence over recent months. There has been difficulty in recruiting a full time experienced Project Manager and work is ongoing with CPD regarding procuring this service via a digital services framework. He advised that the Business Case for this had been approved in 2015.  The Addendum business case submitted to DE for approval in July 2018 was subsequently withdrawn by the CEO in light of other emerging issues and options and the need to consider carefully this project and investment going forwards. The CEO added that a Project Board has been established;  A Project Manager role requirements and job description agreed; an appropriate procurement strategy and route agreed with CPD and initial documentation prepared and development of a Statement of Requirements (system specification) has progressed (est 50% complete).  He said that the new system was envisaged to be implemented in 2022/23.  He informed members that the suppliers of the present system have informed us that elements of the system software will no longer be supported post December 2019. As this is our key information system supporting teacher registration it is important that we mitigate the business continuity risk. A business case for upgrading the system is being finalised for submission to DE. Other preparatory work is also being undertaken.  He added that the necessary system upgrade will not enhance system functionality but will purely mitigate a significant business continuity risk and provide as stable system for at least a further three years at a capital cost of £120,000.  He said that ideally we would want work to start in October, and will need a revised DAC to minimise the amount of time we are exposed.  The Chair asked if a Project Team had been set up and did officers use the Prince system in doing so.  The CEO said that a consultant had been engaged and structures were put in place.  The SEO added that in 2015 when DE had originally approved the replacement of the registration database a Project Board had been set up and there were meetings. They had tried to adhere to the Prince system. Then the Council went into Special Measures and we lost our IT Officer during this time and we were overtaken by events.  The CEO said that the Project Board had not met since June but will recommence next month.  The Chair asked if it was an officer Project Board.  The CEO explained the composition and there was officer and expert advice.  The SEO said that in the original Board we had a member of Council attending.  The Chair asked who the Board reported to.  The CEO said that it was F&GP and the ICT Project Board in DE.  SP asked if there should be a Council member on the Board.  The CEO said he had no objection but what added value would there be. If Council deemed it approprate a member could join the Board.  The Chair said that since the Committee was scrutinising it should look at the governance structure to ensure the project board is appropriate for the job in hand. Would like to get to the end of the road this time and it is important that the achievement is met.  The CEO indicated that it was important that this is highlighted as a Corporate Risk.  The Chair asked if there was a Risk Register for this project.  The CEO answered that there was and a risk assessment and project initiation document.  SP asked if there was any paperwork involved and we should have a clear paper trail that we can see.  The CEO said the details will be in the Council papers.  The Chair indicated that this will be looked at by F&GP but they may say it needs an oversight group or project board of Council members representing a range of Committees to drive the project forward. But it is a matter for F&GP and it is our job to ask the finance committee to look at it.  The CEO stressed the need to move forward on this project.  TMcC enquired if there was risk and issues log to be presented to ARAC.  The CEO said that reports would be fed through to Committees.  SF enquired if the CEO was confident that skills exist within the organisation.  The CEO said yes but we are lacking a full time experienced person to manage IT Projects.  GF asked if the business case for the DAC would come through to DE.  The CEO said it had just gone to DE.  GF enquired if DE had been engaged regarding the cost.  The CEO said he had liaised with the TET Team, IT Assist and CPD.  GF said there was a need to make sure Philip Irwin was aware because of the cost.  GF asked if the Council were ‘over a barrel’ with the current supplier.  The CEO said that the existing DAC finishes at the end of March.  GF enquired about the additional cost and said the overall timeline sounds quite generous.  The CEO said it had been 6 months since we submitted the addendum and only got comments back in February.  GF asked if a timeline had been developed from CPD  The CEO said it had and gave the process looking at a period of 6 months.  GF asked how quickly the Business Case would reach the Department.  The CEO said it would be November.  RB enquired if there could be a solution through DE rather than using teachers money.  AB said it was not something he would know about but would doubt it.  The SEO informed members that the system is bespoke to our needs and it had been the Council’s view that we should maintain a separation.  The Chair said that RB’s option would be taken into account.  RB said this has been running since 2015 and there doesn’t seem to be a reporting mechanism to Council.  The CEO said he was happy to put it onto the Agenda for F&GP and ARAC.  The Chair said he would make a recommendation to Finance to bring the report to Council.  This was seconded by RB.  TMcC will also provide independent assurance on projects management.  **10. Final RTTCWG Report 2017-18 (AC/19/13/P04)**  AA advised members that this report was tabled at the December ARAC meeting. He identified one significant risk around the taxation status. This matter had been raised with HMRC and resolved. He advised that the Accounts were certified in July and the HMRC issue resolved in March. He identified points with Priority 2 and 3 and said there had been disputed invoices which resulted from an overcharge and declarations of interest for senior management which had now been submitted.  The Chair thanked AA and staff.  **11. Internal Audit Progress Report (AC/19/13/P05)**  The CEO said the comments in the report where his comments provided to members. It was for the Committee to decide if the current programme should proceed as is  TMcC discussed the 2018/19 Audit plan advising that there is one outstanding issue. She advised she was unable to report until the investigation work was concluded and once this had been done she will discuss with management and bring to the Committee.  The Committee agreed to postpone the 2019/20audit until the outstanding investigations have been concluded.  **12. IA Outstanding Recommendations Update (AC/19/13/P06)**  The Chair said this was a useful document for the new ARAC.  TMcC said that there were two missing priority 2 recommendations from the Procurement and Contracts Management audit which needed to be included  The CEO said he would update the paper.  GF said there was not a lot of information given on the Priority 1 recommendation  The CEO advised that there had been a small working group which had not met since February and that this will be picked up and addressed. It is being progressed.  GF asked if this would be a priority.  The CEO said it would.  GF pointed out that the dates for the review of HR policies had passed.  The CEO said the review has been done by our HR advisor and feedback has been sent back. Work is ongoing and staff and Council can then be consulted. In recent months there has been a lot of sickness/absence and dealing with other matters consumed a lot of time. Documentation has slipped and the Risk Register has not been signed off internally as yet. It has been difficult but matters are not being ignored. He highlighted that he had had a discussion on information governance with Alan McDonald.  The Chair said he was keen to ensure that nothing disappears off the register as he wants to give the new Committee a complete list.  RB enquired if this matter should not be moved to a Priority 2.  The Chair said no.  RB asked who the HR provider is.  The CEO said it is Headstogether.  RB then asked if they had carried out the staff survey as there was a conflict of interest. Did we ask the company we are employing to carry out an investigation on our behalf?  DC said yes because they are our HR provider.  RB enquired how they could be independent.  DC said the HR Committee checks on HR matters.  RB said there is a massive conflict of interest.  DC said there is a point of order.  The CEO said they are reviewing our current policies.  RB said but they haven’t done that.  The CEO said the policies have to be reviewed and outlined the progress.  RB said he wanted to raise huge concerns that the Council appointed a sub-contractor working for us prior to events to be asked to investigate matters.  RB the paper is not complete  DC with 2 amendments.  **13. Corporate Risk Register (AC/19/13/P07)**  The CEO spoke to this paper, advising that it was not yet signed off internally. He highlighted the key corporate risks, their assessment and the draft actions. He advised that the detailed Risk Register would go to Council.  The Chair said it was unfair to ask members to comment on the Register as it had just been tabled for this meeting.  He proposed that the new Committee sit and review this Risk Register and that this Committee note receipt of it.  SP said at the moment there is a major risk regarding publicity and asked why we did not receive the Risk Register until this morning.  The CEO advised that there were other priorities at present and some things have taken a bit longer.  The Chair said that he accepted that things may not be normal at the moment but it would not be appropriate to discuss a document just tabled this morning.  GF added that the Committee had all received what was in this paper and asked if members were content with what it contained as things may have changed. He asked if the Council is aware of the key risks and would it be wise to circulate it to get members views.  The Chair advised the document would go on to Council from the Committee. He advised noting that it had been tabled and for the new Council to establish what the key risks are.  GF said he would have expected the existing Audit Committee to have scrutinised risks and advised the Council accordingly.  The Chair indicated that the Committee were not in a position to have an informed discussion at present.  The CEO said he was happy for this to go to Council and then on to the new Council.  The Chair advised that there was no SMT at present and one of the key activities of SMT is preparing the Risk Register.  RB said that he shared concerns that this is the ARAC and this document has been tabled today. He indicated that this meeting could have been postponed. He said he understood the Registrar’s concerns.  The CEO indicated that it was a summary and not detailed.  GF said that Risks could still be escalated and this has not been done.  The CEO said that it was still in draft form and yet to finalise.  RB enquired that if the detailed document was not ready for Council then do we postpone Council.  The Chair said this was unlikely.  GF asked that it be noted that the Committee had not scrutinised this and there was no clarity. It could be done by email.  SP indicated that it was unwise to leave this to the new Council and it is a quite daunting task.  The Chair said that could be done.  RB indicated that he had pointed out errors and that there was a huge error in governance at present as ARAC have not been given this document and there would be the possibility of the Council going back into Special Measures after the effort that has been put in over the last 4years.  The Chair said he was proposing the Committee notes this matter and suggested circulation via email and present the paper to Council.  The CEO said he was happy with this.  RB proposed that the Committee meets to do its function and to discuss the Risk Register.  This was seconded by SP.  A vote was taken  2 for  2 against  The Chair had the carrying vote – 2 against.  Members returned to the email suggestion.  The Chair indicated that this was the last meeting of the current ARAC. He proposed to note and circulate by email ahead of Council to allow it to carry out scrutiny.  **14. Regulation Update (AC/19/13/08)**  The SEO took members through this paper advising that arising from deliberation by DSO over the summer months a paper has been prepared and sent to Counsel (L McMahon) on 20/08/19 under joint instruction for consideration and opinion. It is expected that a response will be received around the end of September upon which a further meeting will take place between DE and GTCNI to consider the outcome.  The CEO highlighted a meeting which had taken place with the Permanent Secretary in June with other DE officials and legal advisers from DSO. This was in light of the Counsel opinion received by GTCNI in May. The outcome of the meeting was that DSO advisers (GTC & DE) were tasked with consider the matters raised in the opinion received from Counsel and provide definitive advice as to an appropriate way forward.  GF enquired if there were any outstanding safeguarding cases at present from a risk perspective.  The CEO said that some had been profiled in terms of Risk and the key thing was getting a way forward.  GF said that there was possibly a significant risk and asked if it was in the Risk Register. He said that if he was a Council member he would be concerned about this.  The CEO said registration is in the Risk Register.  The Chair said that the key risk is linked to the need for legislation and this rests with the Department.  **15. Election Update (AC/19/13/09)**  Members noted the election update.  **16. Any other business**  RB asked for a question to be answered but the Chair said that he had received no notified business.  RB asked for this matter to be noted in the Minutes.  The Meeting went into Committee at 12.10 and officers left.  **17. Date of Next meeting**  TBA  Signed…………………………….. Dated ……………………………….. | Action  Action  Action  SG  CEO  CEO |
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