Board meeting minute

Meeting:	**Audit and Risk Committee**
Date:	**3 December 2018**
Time:	**13.00**
Venue:	**Boardroom, Denholm House**

Members:

Linn Phipps	Non-executive Board Member (Chair)
Moi Ali	Non-executive Board Member
Mike Ewart	Non-executive Board Member
John Fyffe	Non-executive Board Member
James Wallace	Independent Audit and Risk Member

Attendees:

Alan Armstrong	Strategic Director
Iain Burns	Internal Audit
Euan Couperwhite	Acting Assistant Director
Stephen Edgar	Improvement and Evaluation Manager (item 11 only)
Maureen Gore	Assistant Director
Gayle Gorman	Chief Executive
Paul Johnston	Director General, Education, Communities and Justice
Andrew Kerr	Audit Scotland
Roz McCracken	Head of Corporate Governance
Janie McManus	Strategic Director
Kate Moffat	Internal Audit
Michael Moynihan	Head of Information Security (item 12 only)
Audrey Parfinowska	Interim Chief Financial Officer
Richard Smith	Audit Scotland
Louise Spencer	Internal Audit
Brian Taylor	Strategic Director
Lesley Macaulay	Secretary

Apologies:

Dave Richardson	Audit Scotland
Stuart Robinson	Assistant Director

1.   Welcome and Apologies

1.1   The Chair welcomed everyone to the meeting and noted apologies from Dave Richardson and Stuart Robinson. The Chair welcomed Paul Johnson, Director-General for Education, Communities and Justice, Scottish Government; John Fyffe, NEBM; Louise Spencer, new Internal Audit Manager; and Andrew Kerr, Senior Auditor, Audit Scotland.

1.2   Paul Johnson, who had met with the NEBMs in a pre-meeting gave a brief overview of his roles and responsibilities.

1.3   ARC expressed appreciation for the support – formal and informal – of Iain Burns (IA) who was temporarily moving to a new role and welcomed the fact that Kate Moffat would temporarily be covering the Senior Internal Auditor Manager role.

2.   Minutes of meeting 26 September 2018 and Action Log

2.1   The Minutes of 26 September 2018 were approved without amendment.

2.2   The Action Log was reviewed and the following noted: -

Action ARC 016/2018 – the paper on reporting cyber breaches, produced by Lesley Macaulay, Secretary, was commended. It was noted that the approach by this Committee was proportionate to other SG agencies. It was agreed the ARC should continue to receive quarterly updates containing the necessary assurance on any breaches and that the processes and mitigating actions were being carried out effectively by ES staff.

Action ARC 020/2018 – Improving Governance – The NEBM skills matrix had been completed and the results would be analysed as part of succession planning. During discussion it was agreed that an Action Plan produced in conjunction with learning from the ARC's self-evaluation would be tabled at the February 2019 meeting.

Action ARC 025/2018 – training needs - the NEBMs extended their thanks to Audrey Parfinowska who had delivered the recent finance training.

The following actions were closed: -
ARC 016/2018 – Cyber resilience
ARC 025/2018 – NEBM skills matrix and training
ARC 043/2018 – Pre-meeting with audit to take place before each ARC
ARC 045/2018 – External Audit to provide links to paper previously submitted
ARC 046/2018 – update finance figures
ARC 048/2018 – Deep-dive performance monitoring
ARC 049/2018 – Deep-dive lone working
ARC 050/2018 – HS&WG – next report to contain link to strategic objectives
ARC 051/2018 – Cyber Security – report to contain evidence that IT were concentrating on the right areas and provide timescales with clear narratives.

New Action ARC 051/2018: Succession Planning - Planning Group to table an Action Plan produced in conjunction with learning from the ARC's self-evaluation.

3.   Declarations/Register of Interest

3.1   No declarations/registrations of interest were noted.

4.   Internal Audit (IA)

4.1   IA confirmed that regular meetings had been held with ES management and provided an update on the advisory activities it had undertaken across ES.

5.   External Audit (EA)

5.1   EA confirmed that they had met with ES senior management in terms of planning the 18/19 audit. The timeline for the audit had been pushed back to 13 May.

5.2   It was noted that ARC had not received sight of the final 17/18 audit report. IA confirmed that it did not have to go back to ARC because there were no significant changes.

5.3   As part of the review of the planned performance audits for 18/19 the Committee raised some queries in relation to the upcoming Educational outcomes national study. EA agreed to provide an update via e-mail after the meeting.

5.4 It was noted that ES had provided input (Brian and Linn) to the AS self review of quality by the NAO, both in writing and by teleconference.

New Action ARC 052/2018: Richard Smith to provide the Committee with an update on the Educational Outcomes National Study by email.

6.   Finance

6.1   Brian Taylor provided an update on the steps being taken to manage key financial challenges facing ES in 18/19 and the planned improvements to financial management and finance awareness across the organisation.

6.2   It was noted that there remained a pressure of £0.3 m and that ES was working to reduce this throughout the remainder of the year. Positive discussions had taken place with Learning Directorate for additional funds

6.3   The NEMBs noted that they had submitted an email requesting assurance on whether there were robust spend profiles which would deliver a much higher rate of spend in the last 5 months of the financial year than had been evident in the 7 months of the year to date.   They had also suggested that the wording of Corporate Risk No 7 (effective financial management is

not embedded throughout the organisation to support informed decision making and accurate reporting) needed reviewed, to incorporate reputational risks around not declaring underspends in a timely manner should these appear likely. Furthermore the NEBMs had sought assurance on the currently low level of capital budget and how future capital needs might be met. Brian Taylor agreed to provide a written response to the written requests, and to revise the wording for Risk No 7.

New Action ARC 053/2018: Brian Taylor to provide a written response to the NEBM's email and to revise the wording of Corporate Risk No 7.

7.   Portfolio Risk Register and Dashboard

7.1   The Committee noted the changes in RAG status since the last ARC report. Staffing changes within the programmes had impacted on some progress within the workstreams. SLT continued to carry out deep-dives into individual programmes on a monthly basis

7.2   The Chair requested that, for the next report, the narrative be reviewed to ensure that it was focused on assurance for ARC purposes

New Action ARC 054/2018: Going forward the Portfolio Risk Register and Dashboard should focus on assurance for ARC purposes.

8.   Corporate Risk Register (CRR)

8.1   The work to develop the agency's risk management arrangements was noted. Escalation was a developing area where the support and challenge being provided by Programme Managers and the Governance Team was being enhanced by improved communication with senior staff. A risk management workshop, facilitated by an SG colleague, was delivered to 18 members of staff from throughout the organisation. The break-out sessions at that event focussed on potential risk escalation routes for the agency and risk appetite statements.

8.2   The recent SLT meeting had identified that there needed to be a risk added to the CRR reflecting the organisational changes currently facing the agency and the change to regional working. It was agreed that a short-life sub-group should be set up to carry out some strategic analysis/horizon scanning.

8.3   After reviewing the CRR the Committee expressed the view that the scoring attributed to risk 001 (capacity and capability of staff) should be reviewed given the ongoing organisational changes. There was also a concern that the monthly requests for updates may be becoming a box ticking exercise and that risk owners needed to give more thought to action plans. Consideration should be given to inserting an additional column to the register allowing for the date to be added when the risk was last reviewed.

New Action ARC 055/2018: Brian Taylor to review the scoring attributed to Corporate Risk 001

New Action ARC 056/2018: Brian Taylor to consider the insertion of an additional column allowing for the date to be added when the risk was last reviewed.

9.   **Quarterly report from the Health, Sustainability and Wellbeing Group**

9.1   Euan Couperwhite provided an overview to his report which provided the Committee with progress made in relation to the actions previously identified. It was noted that focus would be placed on those items which had been flagged red to ensure they were completes as soon as possible.

9.2   The Committee thanked Euan for the comprehensive report.

10.   **Deep Dive – Lone Working**

10.1   Brian Taylor provided an overview of the agency's deep-dive into lone working. The Committee welcomed the deep dive report. It was noted that the deep dive had been valuable in surfacing a range of findings and recommended actions such as the need for an ES-specific policy for this area. The piloting of a lone working app has been submitted to ET for approval. If approved the app will be piloted by a small number of staff before consideration is given to full implementation.

10.2   Moi Ali sought assurance that ES had all the policies that it required and on how these policies were reviewed. The Secretary confirmed that this task had already been allocated to her and that she would provide an update at the next meeting.

New Action ARC 057/2018: Lesley Macaulay to provide a paper listing the policies currently in place in ES and the review dates for the February meeting.

11.   **Deep Dive - Performance Monitoring**

11.1   Stephen Edgar, Improvement and Evaluation Manger, attended to speak to his deep-dive paper. As part of the discussion he updated ARC on progress with developing KPIs and invited members to comment on a number of defined questions.

11.2   The Committee welcomed the development of approach, clarity of thinking and work so far to develop more impact and outcome KPIs, beyond input and output measures. It was agreed that there should be no more than 10 KPIs. What we directly control is a small area. There was interest in soft

indicators, qualitative evidence and wider narrative of impact – a wider approach to evaluation within ES and of its broader influence.

11.3   In terms of point of action the following was noted:
(1) Need to ask 'so what' question of draft KPIs. Need to consider all draft KPIs against the areas where we add most value.;
(2) Clarify whether KPIs relate specifically to performance of ES and links to wider reporting on education system priorities (e.g. NIF). We could still be failing in our overall mission to improve Scottish education but doing well against KPIs linked only to what ES directly controls;
(3) Map KPIs against 5 themes from the ES Corporate Plan and make links clear. Ensure language used to describe the KPIs draws on the language used in the Corporate Plan;
(4) Linked to this, need narrative to introduce KPIs and link into organisational objectives; and
(5) Clarify how KPIs will be reported back – consider Balanced Scorecard?

11.4   Stephen agreed to provide an updated paper for the next meeting in February 2019.

New Action ARC 058/2018: Stephen Edgar to provide an updated performance monitoring paper for the next ARC meeting in February 2019

12.   Cyber Security Report

12.1   Michael Moynihan attended to answer any questions on his paper. It was agreed that all incidents should continue to be reported to ARC. It was recognised that Cyber Security sits within the broader issue of Information Governance and that consideration should be given to bringing assurance on IG to the ARC.

12.2   The Committee thanked Michael for his hard work in producing the paper.

New Action ARC 059/2018: Assurance around IG to be brought to ARC.

Any Other Business

12.3   Gayle Gorman, Chief executive extended her personal thanks to Iain Burns for his help and support since she took up her post.

13.   New Risks

13.1   No new risks were identified.

14.   Corporate Communications

14.1   It was agreed that the key messages from the meeting were around:

1. Lone working update
2. Review of Performance Monitoring work
3. Risk management
4. SLT deep-dives.

15.   The next meeting will take place at 1 pm 25 February 2019 within the Boardroom, Optima, Glasgow.   There will be a pre-meeting between the NEBMs and external audit commencing at 12.30.

Lesley Macaulay
Secretary
19 December 2018