

# Audit and Risk Committee

## Minutes of meeting

Date: 16/09/2016

Time: 10.30-12.30

Location: Boardroom, Denholm House, Livingston

### 1. Apologies/welcome\*

Present:

Kate Dunlop (Chair)

Moi Ali

Linn Phipps

Apologies:

Mike Ewart

Graeme Logan

Bill Maxwell

In attendance:

Alan Armstrong

Myra Binnie

Lesley Brown

Alastair Delaney

Lisa Duthie

Gillian Howells

Roz McCracken

Kate Moffat

Dave Richardson

Stuart Robinson

Nina Hyslop (secretariat)

Welcome extended to Dave Richardson and Lisa Duthie from Audit Scotland (AS), Dave was taking over from Ross Hubert. Roz McCracken was also welcomed to the meeting as Education Scotland's permanent Head of Governance appointment. Myra Binnie confirmed that a new internal audit senior manager would be appointed to Education Scotland in time for the meeting in December.

### 2. Minutes of previous meeting and action log 7 June 2016

Noted 1: Minutes from June were approved by the Board.

Action 1: Request to paginate future minutes for ease in reviewing at subsequent meetings. (NH)

Action 2: Ensure minutes and papers to be published in line with Terms of Reference. (RM)

**Agreed 2: Actions log to have clear update to item. 'Ongoing' not sufficient – rather a full status update was required.**

Action 3: Action points to be numbered consecutively and the action owner identified for clarity. (NH/RM)

### 3. Declarations/register of interest

Noted 1: No declarations of interest were noted from attendees at this meeting.

### Items for discussion

### 4. Internal Audit

Noted 1: Internal Audit would provide their first 2016-17 progress report by December 2016.

Noted 2: Kate Moffat had been involved in the Improving our Organisation Board and good progress had been noted.

Noted 3: Kate had also attended a planning meeting. Agreed approach to support ES with self-evaluation and would prepare Terms of Reference.

**Agreed 1: Moi made a recommendation that internal audit's tracker should record issues such as where progress had been made ie consider what NEXs need to know.**

**Action 4: Kate Moffat to note progress against actions on tracker.**

Noted 4: Linn acknowledged the efforts involved in preparing the report, but asked about Internal Audit resource issues given staff had been moved to accommodate other priorities. Myra Binnie advised that additional staff had been taken on to prevent anticipated issues with resourcing and that staff had been ring-fenced for ES purposes.

Noted 5: Roz invited comment of any issues that Audit and Risk Committee (ARC) should be aware of.

Noted 6: Dave content with a focus on the areas of the action plan.

Noted 7: Non executives and Roz to remain after the meeting to discuss secretariat arrangements going forward.

### 5. External Audit

Noted 1: Verbal update provided advising that the planning process for next year had commenced. Dave invited NEXs to comment on how they wished to engage during the course of the year. It was noted that where appropriate, there might be benefit in ARC members meeting with auditors outwith the formal, recorded meeting.

**Agreed 1: NEX to engage with AS informally as required.**

**Agreed 2: AS agreed to provide papers for future ARC meetings as this was much preferred by ARC members to verbal updates.**

Noted 2: Stuart Robinson suggested revisiting the schedule of meetings (RM planned to do this for 2017-18 and following self-evaluations), with NEX and AS having a short private informal meeting separate to the formal ARC Board meeting. Dave to be invited to consider what should be included at any such meeting. It was agreed that this arrangement would be reviewed for success.

**Agreed 3: Private meeting between NEX and AS to be arranged as required. It was also agreed that there would be no formal reporting required but AS could use it as an opportunity to informally bring items to attention of members.**

Action 5: Roz to liaise with Dave to arrange an informal meeting between ARC members and AS and to agree any items for discussion.

Noted 3: Linn advised that previously AS had shared information about new regulations, national reports or identified best practice from across the public sector etc with ARC members. This had been very useful and members were keen for this to continue.

**Agreed 4: Dave agreed to draw to ARC's attention any publications and learning points that could be shared between organisations.**

Noted 4: Dave advised that it was not, however, part of AS's remit to digest and provide an analysis of any such report.

## 6. Finance Report

### Finance report and forecast outturn

Noted 1: Summary of overall picture of current year's budget provided. Advised a current pressure of £450k, which was due to the agreement between ES and SG to retain Development Officers (DO). Managers were actively monitoring this in order to reduce the pressure. ES had written agreement from SG for a budget transfer if no savings could be made.

Noted 2: ES returned £150k from £175k transferred to us in respect of SCEL, the retained difference for costs incurred.

Noted 3: Moi requested clarification on overspends, staff required and central costs (T&S). Stuart advised this was relative to the DOs being retained and that seven of the nine programmes having no budget, and transfer from the portfolio at the end of the year.

Noted 4: GH has had no issues with the ten day payment performance tracker. This was monitored weekly in house.

### Spending review

Noted 1: Scale of pressure around the spending review with a model of 5% and 10% in scale of cuts had been requested. Fortnightly SG Portfolio

Finance meetings were place as an early start to reducing costs across the Board. ES was not a protected agency.

Noted 2: Some of the cuts proposed had already been rejected by DFM, and the CE had subsequently met with him to discuss investment to save possibilities in the medium term. DFM had advised that he did not want to reduce education staff.

Noted 3: There was little left beyond staff costs for further reductions to take place. Staffing amounts to 90% of our spending. ES was heavily reliant on clerical processes and so was investigating the scope for digitisation e.g. we had engaged with a business analyst on inspection process automation.

Noted 4: It was noted that we were reviewing the ES estate, considering what was feasible through lease end dates and improving working environments, whilst engaging with Scottish Futures Trust. SG were aiming to reduce estate by 25% as part of the Governance Strategy.

**Agreed 1: It was agreed that authors of ARC papers should provide greater context and seek to better identify key risks when presenting future papers.**

Noted 5: Sensitivity was high on digitisation and accommodation. Unions had been briefed.

Action 6: Corporate Management Team to be engaged for budget discussions and scenario planning to identify efficiencies.

## 7. Corporate risk

### Corporate risk register

Noted 1: RM liaising with Sam Burns who manages the programme side of the risks to agree a clear escalation process between programme and corporate risks.

Noted 2: Risk Interrogation of risk 5 tabled and comments invited. It was noted that it was not ARC who had requested such interrogations and that non executives were more interested in helping the Agency to identify and capture significant short term significant risks.

Noted 3: It was agreed there was a need to consider devising a new risk register in advance of the 2017-18 financial year. Doing so would require horizon scanning. Annual away days would be an ideal opportunity to undertake horizon scanning and identify the key risks facing the Agency.

Action 7: Consider whether there was a need for an away day to be organised to review and agree the key risks facing ES in 2017-18 or whether this could be built into the business planning process. (RM)

Noted 4: Acknowledged that many of the corporate risks will be generic risks that face most organisations, and not as specific as the Programme risk register.

#### Interrogation of Corporate risk 5

Noted 1: Incorporated above.

### 8. Performance

Noted 1: Portfolio Board dashboard is prepared monthly and all programme leads and Assistant Directors meet to discuss issues, strategic challenges i.e. competing priorities, delivery of our resourcing. Update provided about issues over the demand for certain skillsets with the same people being consistently called on.

Noted 2: Fortnightly internal comms to staff from Alastair Delaney addressing staff concerns such as resourcing was now being delivered. To assist with ES inspection targets agreement had been reached to use recently retired HMI as Associate Inspectors (AI). Training to be provided.

Noted 3: Dashboard was helpful but required assurance to ARC that highlighted risks were being being mitigated.

**Agreed 1: Some acronyms are not obvious, to be written out in full initially, with acronym provided in brackets for understanding.**

#### Items for noting

### 9. Health and safety report

Noted 1: Report still work in progress. Work continuing on the accommodation and new website page on policies and guidance. Future reports to identify trends and changes to incidents being reported. Key risks narrative required but the report was much better.

### 10. ARC evaluation of performance

Noted 1: Annual evaluation of ARC by members to be done. Roz to issue self evaluation questionnaire.

Noted 2: Softer feedback invited on relationships, usefulness and seeking feedback from Accountable Officer. How helpful do both Non executives and executives find the Committee for example? What value have the nn executives brought?

Action 8: All attendees to ARC to complete and return evaluation.

### 11. AOB

No other business was discussed.

## **12. Date of next meeting**

The next meeting of the group will be held 13 December 2016, Boardroom, Denholm House.