

Minutes of meeting held – 10 April 2018 – 10:00 (rescheduled from 28 February 2018)

Members: Linn Phipps Non-executive Board Member (Chair)
Moi Ali Non-executive Board Member

Attendees:

Patricia Dougan	Assistant Director (item 8 only)
Roz McCracken	Head of Corporate Governance
Janie McManus	Interim Strategic Director
Brian Taylor	Interim Strategic Director
Iain Burns	Internal Audit
Kate Moffat	Internal Audit
Dave Richardson	Audit Scotland
Lesley Macaulay	Secretary

Apologies: Mike Ewart Non-executive Board Member
Gayle Gorman Chief Executive
Alan Armstrong Strategic Director
Maureen Gore Assistant Director
Gillian Howells Head of Finance and Procurement
Elizabeth Morrison Interim Strategic Director
Stuart Robinson Assistant Director

Welcome and apologies

1. The Chair opened the meeting by acknowledging the difficulties there had been in re-arranging to 28 February meeting which was cancelled due to adverse weather.
2. A welcome was extended to Brian Taylor and Lesley Macaulay who had recently joined Education Scotland. Apologies were received from Mike Ewart, Gayle Gorman, Alan Armstrong, Maureen Gore, Gillian Howells, Elizabeth Morrison and Stuart Robinson.
3. The Committee recorded appreciation of the splendid job done by Kate Dunlop, former Chair of the Audit and Risk Committee (ARC) who had resigned in March.
4. It was agreed that meeting was quorate despite none of the Non-Executives having finance experience.
5. Brian Taylor advised that due to staff unavailability he would be speaking to three items on the agenda namely No's 4, 7 and 10. He would provide a summary of the meeting to the Chief Executive who had been unable to attend the re-scheduled date.

6. Roz McCracken advised that Mr James Wallace, Head of Finance Social Security Directorate would join ARC from the next meeting. Moi Ali queried the lack of openness and transparency around the appointment. In particular the potential impact on diversity. Following best practice was not done in this case. Brian Taylor confirmed this was a one year appointment to fill a particular skills gap. It was acknowledge that succession planning was important and this was being looked at as part of bigger review of committees.

7. It was agreed that as everyone had read the papers in advance the report writers would provide updates only if things had moved on or developed since the time of writing.

Minutes of previous meeting and action log: 6 December 2017

8. The minutes of the meeting held on 6 December 2017 were approved as a true record of the meeting.

9. The actions from the December 2017 ARC meeting have been completed, except the following: -

- 5 – to remain open. Matter is with Accountable Officer. Further update will be provided in June
- 7 – task will be taken forward following the AD Strategic Risk Session on 14 May 2018.

Declarations/Conflicts of interest

10. The Chair invited any new Conflicts/Declarations of Interest from the Board. No new Declarations of Interest were made.

Items for discussion

Budget Reforecasting

11. Brian Taylor advised that there was no significant change to the forecasted £6.1m underspend. In his view the underspend had occurred because monitoring was not robust enough and there was a lack of clarity about individual roles in the process. Lessons had been learnt and a more robust system would be put in place for 18/19 which would more closely align reporting to individual directorates.

12. The Chair asked how the NEDs might have noticed this earlier, and whether Finance was a risk? It was agreed that finance was a risk and that changes were ongoing to ensure that there was enough capacity and capability in that area. It was reported that Audrey Parfinowska had joined Education Scotland on 10 April as Acting Chief Financial Officer, leading engagement with the senior management team to embed financial management across the organisation and to raise the profile of Finance as a key consideration in decision making at all levels within Education Scotland. This role would initially be for 6 months.

13. There remained the possibility that Education Scotland could suffer reputational damage as a result of the underspent, however the VAT changes/refund could be explained.

Action: BT to provide an update about the work being done to drive improvements at the June meeting.

Action: How best to carry out periodic risk interrogations to be added to the next agenda planning session.

External Audit

14. Dave Richardson provided an update to sections, 5, 6 and 10 of the Annual Audit Plan 2017/18. He confirmed that: -

5. Capacity had been identified as a risk.
6. Financial sustainability remained an issue given the number of temporary postings within the senior team.
10. The specialist ICT auditor would hold the first meeting next week during which he would review the approved digital strategy.

15. Brian Taylor confirmed that three members of staff were still acting as Interim Strategic Directors, however, the posts were currently being advertised and he would provide an update at next meeting. There were challenges around line management and reporting of communication channels. There was a need for a clearer organisational structure. It was also agreed that the Non-Executives needed appropriate skills and to be given proper training and support.

16. There was a recognition that Governance needed to be given due regard across the Agency and a new governance frameworks was currently being developed to support this. The draft diagram depicting the new framework would be shared with members for comment.

Action: The Secretary to provide the Non-Executives with the SD remits paper in advance of the June meeting.

Action: The Secretary to share the draft Governance diagram with members for comment in advance of the June meeting.

Internal Audit

17. Iain Burns confirmed that initial discussions with the Chief Executive about audit coverage for 2018-19. It was noted however, that Internal Audit could be flexible in their approach to audit and that coverage could also include the provision of advice rather than formal audits. It was further noted that the taking on of new clients by Internal Audit would not impact on the coverage for ES. Internal audit were currently in the middle of recruiting additional staff.

18. It was further noted that the field work was now complete on the Annual Corporate Review. The Exit meeting was currently being arranged and the audit report being prepared.

19. Moi Ali referred to paragraph 10 of the report. She was of the view that internal audit as a resource hasn't been used properly in the past. It was agreed that future reports to ARC would include a section detailing any advisory requests received and undertaken by audit (or lack of).

Certificates of Assurance

20. The Chair commended Gillian Howells on her Internal Control Checklist paper. Particular reference was made to section 3.5 of the report Benefits Realisation Process – Lessons Learned. The Committee agreed that the process was fine but there was room for improvement around the application. The Chair suggested that it would be helpful if one particular thread could be identified and reported which could be followed from start to conclusion.

21. Moi Ali was concerned that the report was viewed as a box ticking exercise. Where are the gaps? Could we have done it better?

22. The Chair raised an assurance question on how this exercise helped ES? Have we done anything differently as a result? It was noted that it underpins the Annual Accounts.

23. Roz McCracken confirmed that the process was subject to peer review and indeed that some strategic directors had challenged the contents.

24. Brian Taylor confirmed that the procurement and financial management processes need to be reviewed and recorded correctly.

Action – Certificates of Assurance - A number of learning points had arisen during the Certificates of Assurance process. These should be captured and documented to improve the system for next year.

Action – NXD suggestions which had been made on improving governance etc. were to be captured in a joint paper. Noted that this would be discussed by Brian Taylor and the ARC Interim Chair on 16 August.

Cyber Resilience

25. It was noted that having carried out a cyber-essentials assessment, the external contractor was comfortable that the Agency had no major issues with compliance although Patricia Dougan advised that there remained an issue around the resourcing of staff due to the salaries that cyber security staff can currently command.

26. There was discussion about what information that ARC members would like to see tabled in future in relation to Cyber Security and GDPR/Data Protection compliance. It was agreed that ARC should receive an overall annual report detailing the work and progress of the Agency in this area and that this needed to be supplemented with regular reporting about actual incidents.

27. A discussion took place around how often such breaches/incidents should be reported to ARC. It was noted that the amount of incidents were low so it was agreed that **all** incidents should be reported. Separately Secretariat should explore how other departments and Agencies report breaches and report back at the December meeting.

28. The Committee requested that in her next report Patricia also provide an assurance about whether resourcing was sufficient for the risk that Education Scotland could face in relation to cyber /GDPR and data protection issues.

Action: The Secretary to explore how other departments report breaches and report back to ARC in Dec.

Action: Patricia Dougan to assess and provide an assurance about whether resourcing is sufficient for the risk that Education Scotland could face for the next meeting.

Self-evaluation and Terms of Reference

29. The committee reviewed the updated Terms of Reference. It was noted that Kate Dunlop's name would be removed from the listed membership following this meeting.

30. The Head of Governance confirmed that the self-evaluation responses from Non-Executive's had been low and it was agreed that in terms of lessons learnt it would be a good idea next year to discuss the matter as a group rather than complete individual self-evaluation questionnaires.

31. A discussion took place around matters that had been raised previously by the Non-Executives. The Chair agreed to produce a paper listing the points she had raised with previous chief execs and to also detail her experience with the Registers of Scotland Buddy process.

32. Roz sought clarity on who should attend ARC and who did members want to hear from? It was agreed that this was for the Exec team to decide but that it should be based on what value attendees might offer the ARC. There were a variety of models that could be explored. It was agreed however that we should not simply duplicate the membership form the Management Board.

33. There was a discussion about how many members should be required to make meetings quorate. While best practice would suggest three, given the departure of the Chair, it was agreed that the Agency would continue with two.

Subject to that amendment, members agreed the TOR. Roz McCracken would email Mike Ewart to obtain his agreement.

34. Moi Ali also raised the issue about whether ARC members should get a separate appointment letter, independent of Management Board. She agreed to share an example of an ARC appointment letter that she had come across.

Action: Secretariat to publish agendas on website in advance of meetings and the approved Minutes should be uploaded within one week of being approved.

Health, safety and Sustainability Report (HSS)

35. The Committee reviewed the HSS report and agreed that they would like a better understanding of the environmental performance table – what does it mean? They noted that there were no targets in terms of assurance. It was agreed that Brian Taylor would review and revise the document for the next meeting.

Action - Health, Safety and Sustainability Report – The Committee would be interested in the development of targets for this wider approach to this area of work. Brian Taylor agreed to provide a response and some context at the next meeting.

Performance

36. It was noted that Maureen Gore had been unable to attend this re-scheduled meeting to discuss her Portfolio Board Dashboard and Risk Register paper. It was agreed to bring item back to a future meeting when Maureen would be available.

Risk management

37. Roz McCracken advised that the Corporate Risk Register would be revamped following the Strategic Risk Session which had challenged how Education Scotland currently approaches risk. It was important that the Assistant Directors heard the same message so a further session was planned for 14 May.

38. It was confirmed that Risk would appear as a standard item on every committee agenda going forward.

39. The new Risk Register would be available at the next meeting.

40. The Chair suggested that she carry out a vertical slice review of the risk register to obtain assurance that the topic was being discussed at meetings.

Any other business

41. It was agreed to include a brief meeting between the Non -Executives and external and internal audit (rotating) at every ARC meeting going forward.

Date of Next Meeting

42. The next meeting of the group to held on 27 June 2018, in the Boardroom, Denholm House.

Lesley Macaulay (Secretary)
April 2018