

Meeting	Audit and Risk Committee
Date	05/07/2023
Time	10:00-13:00

Minute

Members	
John Fyffe	Non-Executive Board Member (Chair)
David Gemmell	Non-Executive Board Member
Aileen Ponton	Non-Executive Board Member
Attendees	
Gillian Hamilton	Interim Chief Executive and Accountable Officer
Maureen Hamilton	Strategic Director, ES
Gill Ritchie	Strategic Director, ES
Janie McManus	Strategic Director, ES
Jim Montgomery	Internal Audit, SG
Gary Gibb	Internal Audit, SG
Mark Laird	Audit Scotland
David Meechan	Audit Scotland
Roz McCracken	Head of Governance, ES
Heather Robertson	Senior Regional Adviser, ES
Patricia Dougan	Head of Digital Services, ES
Avril Hamilton	Assurance Manager, ES
Erin Middlemass	Secretariat, ES
Andrew Duncan	Finance (items ??? only)
Apologies	
Gillian Howells	Head of Finance, ES
James Wallace	Independent Audit and Risk Committee Member
Ollie Bray	Strategic Director, ES
Patricia Watson	Strategic Director, ES

1. Welcome and apologies

1.1 The Chair welcomed Members and attendees to the meeting and reminded the committee that the meeting would proceed on the understanding that all papers have been read in advance of the meeting.

1.2 The Chair Welcomed Gillian Hamilton and Maureen Hamilton to the meeting in their new roles as well as Mark Laird as the new Senior Audit Manager.

1.3 Apologies were noted from Gillian Howells, James Wallace, Ollie Bray and Patricia Watson. It was noted that Patricia Dougan was attending on behalf of Ollie Bray and Heather Robertson was attending on behalf of Patricia Watson.

2. Previous meeting

2.1 The minutes of the previous meeting were amended to correct a small number of typing errors.

2.2 The Action log was reviewed and it was agreed that the only outstanding action was to be closed.

ARC 06/22-23 Avril Hamilton to review heatmap details with drop down menus rather than clips. - closed

3. Declarations or conflicts of interest

3.1 David Gemmell noted his appointment to a senior role with Nationwide Building Society.

4. Reform (Verbal update)

4.1 The members in attendance at the meeting had previously been advised about the changes to the timeline for Education Reform during an Advisory Board meeting. As a result, members discussed specific aspects of the Cabinet Secretary's announcement, including the implications of the planned review of Regional Collaboratives and the appointment of the Chief Inspector and noting risks about keeping momentum going.

4.2 Members welcomed the focus on communication with staff, noting that meetings were held with staff in advance of the announcement and that a further session for those who could not attend that session was ran in the early evening.

4.3 Members also noted that there may be a significant risk to consider around the budget and funding for Attainment and NIF advisors.

5. Internal Audit

5.1 Internal Auditors gave an overview of their Progress report paper. They highlighted that the 2022-23 Change and Reform review was completed with a Substantial assurance rating. Members commented on the significant amount of work going into the reform programme and commended the focus on staff engagement and governance.

5.2 A substantial Annual Assurance Opinion Report for 2022-23 was also presented. Members warmly welcomed this, recognising the hard work that had taken place across the Agency to achieve this, noting it was a major achievement given everything over the last year.

5.3 It was also noted that the 23/24 BCP and disaster recovery review were nearing completion and would be tabled at the next meeting.

5.4 The committee was updated on progress with the SG Corporate Systems Annual Report. Auditors also provided information about the launch plans of the HR shared services programme. Members discussed the implications of any delay with this programme on both existing systems and the development of the new organisations, agreeing that a close eye should be kept on the risks going forward.

5.5 The Interim Chief Executive agreed to formally write to the SG to record her concerns, referencing the ARC discussion.

5.6 The Chair thanked the Internal Auditors for all their work over the year.

ACTION ARC 01/23-24 – GH to write letter to the SG formally raise the concerns around shared services.

6. External Audit

6.1 External Audit provided an update on the audit of the 2022/23 Annual Report and Accounts and identified recent reports published by Audit Scotland in the period March - June 2023, inviting any comments or questions.

6.2 It was noted that the substantive work for the audit of the 2022/23 Annual Report and Accounts was complete with a proposed unmodified opinion.

6.3 External Auditors noted that following review at ARC, the Annual Report and Accounts would be presented to the Advisory Board meeting on 12 July. Final audit checks would then be undertaken prior to the auditor signing the independent auditor's report.

6.4 It was confirmed that the Agency had operated within budget, with sound financial and governance arrangements in place. Auditors also noted that the Cabinet Secretary's announcement had led to a post balance event although auditors noted that the Agency were well prepared to address the risks around reform.

6.5 Other highlighted areas highlighted by auditors included having climate change targets in place, adequate cyber security arrangements and the updated Corporate Plan setting out priority areas for the coming years. Auditors also noted the KPIs would provide more meaningful analysis going forward as long as data continued to be collected consistently.

6.6 The Chair asked Auditors about their experience of the first year of their new appointment. Auditors confirmed they had developed a good relationship with management throughout the audit process and noted that despite the tight timescales, the audit process had been very smooth. Members thanked auditors for all their support and hard work.

6.7 The Interim Chief Executive also reiterated her thanks to ES teams on a really impressive performance which had resulted in strong internal and external audit reports.

7. Certificates of Assurance

7.1 Key points from the paper were highlighted. The range of assurances helped inform both the Governance Statement and the ARC's recommendation on the signing the annual report and accounts.

7.2 Members queried whether the EQIA, DPIA and IA ownership which were referenced within some of the Certificates of Assurances were areas of significant risk. It was clarified that these are not areas for concern, rather they were areas where ES could do better in terms of awareness raising for all staff across all grades.

7.3 Thanks was given to the Governance and Information team on the good progress made with both the information governance and the EQIA arrangements, noting that they were now far more embedded as part of the organisation's work.

7.4 It was noted that staffing pressures in Scrutiny and Corporate Services have been significant, recognising that the time it takes to onboard staff having caused some issues. A new Business Partner had been appointed to work on specific areas with governance, in order to support the newer members of scrutiny leadership team.

7.5 Members were content to sign off the Certificates of Assurance and the Governance Statement.

8. Audit and Risk Committee Assurance

8.1 The Chair presented the Audit and Risk Committee Assurance paper highlighting that members were satisfied that the range of assurances and evidence on the effectiveness of internal controls supplied to the Committee over the year were sufficiently reliable to provide overall assurance and support to the Accountable Officer and to the Advisory Board in their financial stewardship responsibilities. The Committee was also satisfied with the quality and relevance of the reports it received from both the external and internal auditors and welcomed the substantial opinion received from Internal Audit.

8.2 The Committee therefore recommended that the Accountable Officer sign the Education Scotland Annual Report and Accounts.

9. Annual Report and Accounts

9.1 Andrew Duncan joined the meeting to present the Annual Report and Accounts to the committee, highlighting that the overall underspend against the budget was a significant figure but when broken down was less concerning.

9.2 It was also noted that portions of the overspend were ring fenced for specific pieces of work which could not be spent elsewhere. These included assets and future leases.

9.3 It was further highlighted that the VAT recovery issues previously highlighted to the Committee were now finalised, however this was confirmed so late in the year that there had been limited time to use this additional budget.

10. Finance Update

10.1 The Finance Update and Budgets papers were presented to the Committee highlighting that work had started in January 2023 to forecast spend for 23/24. This was currently projecting an overspend, with a pressure logged with Scottish Government for a portion of this overspend. It was also highlighted that a sizeable portion of the funding was dependent on budget transfers rather than core budget. Members agreed that this represented a significant risk for the Agency in such a tight fiscal position.

10.2 It was also noted that a significant portion of the budget was allocated to staffing and capital and that a recruitment freeze would not have a significant impact on that allocation.

10.3 Members encouraged ES not to pause recruitment of permanent staff as there was concerns already around retention and recruitment. It was also highlighted that permanent recruitment freezes could result in a need to rely on more expensive external options.

10.4 Members noted that SG had indicated that final confirmation of funding would not be forthcoming until after the Path to Balance exercise had successfully concluded. Members were informed that a timeline was not yet confirmed for this decision.

10.5 The Interim Chief Executive noted that ES was continuing to recruit business critical posts, however these were being reviewed by LT beforehand and not all were being recruited on a like-for-like basis. The no mandatory redundancies commitment also continued meaning staffing levels had to be managed cautiously, with pay rises requiring to be met from within a flat budget.

11. Risk Update

11.1 An overview was given of the risk papers. Due to the timing of the meeting, it has not been possible to reflect the Education Reform announcement or the outputs from the blind spot session. These would be included in the next iteration of the risk papers.

11.2 The Chair asked for clarification on the risk to ES credibility and the Interim Chief Executive gave additional detail, advising that this risk would be updated on the back of the Education Reform announcement.

11.3 Members conformed that they would like to have access to Directorate Risk registers on a quarterly basis but continue to review in more detail in the quarter four meeting only.

ACTION ARC 02/22-23 – embed risk registers in to heat maps going forward.

12. Digital Standard Beta assessment of the web channels service

12.1 This paper was presented for information and no comments were noted.

13. Health, Safety and Well-Being minutes

13.1 This paper was presented for information. The Chair noted how helpful he had found attending one of the meetings during 2022-23 and it was agreed that Aileen Ponton should be invited to attend a meeting during 2023-24 for assurance purposes.

ACTION 03/22-23 - Aileen Ponton to be invited to attend a future Health and Safety Committee meeting.

14. Information Security

14.1 This paper was presented for Information with members noting the risks around vacancies for critical staff. It was reported that there were difficulties in retaining cyber staff due to promotion opportunities across the wider SG family and the recent recruitment drive had been unsuccessful so would be repeated.

14.2 Members queried whether ES or any third-party suppliers were impacted by the recent breach of a third party system. It was confirmed that ES had not directly use the system however an action was taken to confirm if any suppliers had.

ACTION ARC 04/22-23 – to supply the committee with an update on third party use of Move IT.

15. AOB

15.1 There was no further business. Members agreed a number of key messages to staff:

- ARC support the organisational stance around reform and budgets and is keen to ensure they are keeping pressure on this.
- Importance of developing and understanding of information governance work, highlighting the importance to the health of the organisation.
- Thanks to staff across the Agency for all the hard work contributing to such positive Audit reports.

Date of next meeting:

15/09/2023

Name	Erin Middlemass
Role	Secretariat
Date	06/07/2022

DRAFT