Meeting	Audit and Risk Committee
Date	24/06/2019
Time	10.00 – 13.00
Venue	Denholm House

Minute

Members

Linn Phipps	NEBM (Chair)
Moi Ali	NEBM
Mike Ewart	NEBM
John Fyffe	NEBM

Attendees

Iain Burns	Internal Audit
Patricia Dougan	Head of Digital Services (item 11 only)
Gayle Gorman	Chief Executive (By VC)
Gillian Hamilton	Strategic Director
Andrew Kerr	Audit Scotland
Roz McCracken	Head of Governance
Michael Moynihan	Head of Information Security (item 11 only)
Dave Richardson	Audit Scotland
Dougie Shepherd	Internal Audit
Brian Taylor	Strategic Director
Julie Taylor	Internal Audit
Lesley Macaulay	Secretary

1. Welcome and apologies

1.1 The Chair welcomed everyone to the meeting and noted apologies from Alan Armstrong, Janie McManus, Maria Walker, James Wallace and Stuart Robinson and confirmed that the pre-meeting had taken place between the NEBMs and internal audit.

1.2 The Chair reminded the Committee that the meeting would proceed on the basis that everyone had read the papers and that presenters were only required to provide updates.

2. Minute of meeting 25 February 2019, action log and matters arising

2.1 The Minute of 25 February 2019 was agreed without amendment.

2.2 It was agreed that the following actions could be closed:

ARC 044/18-19	Certificate of Assurance SOP
ARC 058/18-19	KPIs/Performance Monitoring
ARC 060/18-19	Formally refer issue of NEBM role to Advisory Board
ARC 061/18-19	Wording of Portfolio Dashboard and Risk Register
ARC 062/18-19	Add additional column to deep dive template allowing lessons learned to be captured
ARC 063/18-19	CRR - More narrative around increased risk and clarification of

ARC 065/18-19   Audit terms of reference to be shared with NEBMs

ARC 067/18-19   Consider adding malign access to the Glow system on the CRR

2.3   The outstanding actions ARC 030/18-19 and ARC 066/18-19 were taken as part of item 11 on the agenda at which point they were closed.

2.4   Matters arising – ARC 057/2018. It was noted that ES was content that it had all the necessary SG policies in place for staff. The next step was to review the policy handling framework, a draft of which had been tabled for ARC's consideration. This action was closed.

2.5   Only two items remained outstanding: -

- ARC 059/18-19 – Assurance around the issue of Information Governance to be brought to ARC. It was noted that this was part of a broader piece of work around the Digital Team resources which would be addressed later in the year; and

- ARC 064/18-19 – Planning group to consider future deep-dives at ARC. This was carried forward to the September 2019 meeting at which point the planning group will table a suggested 18 month programme of deep-dives for the Committee's approval.

3.   Declarations/Register of Interest

3.1   No declarations/registrations of interest were noted.

4.   Governance Arrangements – Update

4.1   Roz McCracken provided members with a verbal update on how the recent re-structure had impacted on the governance framework. ES had moved from programme to directorate reporting. The Terms of Reference were still being drafted but each directorate should have a management board who would look at risk, resourcing, business planning etc. Each management board would report to LT with the SDs ultimately responsible for the work of their directorate. The regional teams would be working on a termly basis collating live data, allowing ES to report in a more fluid manner.

4.2   In due time, the Chair suggested that ARC would welcome assurance that the new governance arrangements are working well and the outcomes and impacts were being achieved, e.g. How well is regional working? Are we using a risk based approach in decision making? Simplified reporting was needed. This needs to be right at Directorate level first, and will then feed into ARC/AB/LT. Following discussion it was agreed that a case study/deep dive into the format, structure and work objectives of one of the new directorates would be useful. Gillian Hamilton agreed that her Directorate, Professional Learning and Leadership, would undertake this piece of work.

Action ARC 01/19-20 – Gillian Hamilton to provide a case study/deep dive into how her directorate was shaping up under the re-structure. By 18 September.

5.   Internal Audit

5.1   Iain Burns introduced Dougie Shepherd and Julie Taylor, Internal Audit, who were taking over responsibility for the ES audit going forward. A meeting had been scheduled between IA and ES management to pick up the changing relationship and to look to improve the clearance process. Stability was required and Iain Burns confirmed that he would provide support and continuity.

5.2   The Committee was pleased and encouraged to note the annual assurance had increased to reasonable from last year's limited assurance. The improved control culture was a significant improvement and a big step in the right direction.

5.3   The Committee noted the limited assurance around procurement and the positive response from management. There was insufficient delegated purchasing authority throughout the agency and it was suggested that the existing ES Procurement Policy should be reviewed to see if it was overly restrictive. It was noted that ES would be subject to Procurement and Commercial Improvement Programme Assessment during the summer, the results of which would be shared with ARC.

5.4   It was noted that there had been an issue with SCEL contracts not being compliant with Standards, however new contracts were being drawn up by the Business Partner.

5.5   The Chair asked that NEBMs be given the opportunity to comment on draft audit plans. It was accepted that – whist not unusual, this is not common practice, however, it could be considered going forward.

6.   External Audit

Interim Management Report
6.1   The interim management report set out the work carried out during the interim visit by Audit Scotland in February 2019. The key controls in the following systems were reviewed; i) General Ledger, ii) Accounts Payable; and iii) Payroll. The report dated March 2019 concluded that, generally, controls were operating satisfactorily. Suggestions were given for several areas where improvements could be made.

Draft Independent Auditor's Report and draft Letter of Representation
6.2   The work on the 2018/19 annual accounts was now substantially complete and Audit Scotland confirmed that they anticipated being able to issue an unqualified and unmodified independent auditor's report following approval of the annual accounts by the Audit and Risk Committee. The clear improvements in financial control environment, the action plan and the comprehensive management response were acknowledged.

6.3   External Audit also formally acknowledged the work of the finance team and the wider organisation, which had allowed the report to be issued in a timely manner and with no errors. It was recognised that a good partnership with Audit Scotland was developing.

6.4   The annual accounts for the year ended 31 March 2019 were approved for issue by the Accountable Officer.

Update report 2018/19

6.5   The Committee noted the progress on the 18/19 audit and the digest of Audit Scotland national reports, which was useful. It was noted that ES was feeding into the Educational Outcomes agenda via the SAC & NIF working groups.

7.   Annual certificates of Assurance

7.1   The Committee noted the control issues around procurement had been discussed earlier and they were content to place reliance on the Certificates of Assurance provided by the SDs and wider Scottish Government.

8.   ARC Annual Report to the Accountable Officer 18-19

8.1   It was agreed that the report presented a fair and accurate record of the work for the past year. The Committee was satisfied that the range of assurances and evidence on the effectiveness of internal controls supplied to the Committee, were sufficiently reliable to provide overall assurance and support to the Accountable Officer and to the Advisory Board in their financial stewardship responsibilities.

9.   Finance

ES Annual Accounts 2018/19

9.1   The Committee reviewed the content of the 2018/19 Annual Report and Accounts and commented that it was a substantial document. The "Demonstrating our Impact" sections were particularly helpful and illustrative. It was noted that the additional updated budget figure was 50% more than the original budget figure and that the payment performance for paid invoices had increase from 99% to 99.6%. No cases of fraud were reported during the year to 31 March 2019.

9.2   The Committee agreed to recommend that the Accountable Officer should sign the Annual Report and Accounts.

9.3   Recognition was given of the work of the finance team and staff in the wider organisation in getting ES to the position it was now in, during what was a time of personal change for everyone.

ES Finance Update 2019/20

9.4   It was noted that ES has been allocated a budget of £22.943m for 2019/20. Whilst this represents an increase of £2.5m over 2018/19 levels, significant pressures relating to the delivery of the enhanced remit remain. This will be the focus of continued scrutiny and management throughout the year. Work on the allocation of budgets is progressing and the Leadership Team are expected to conclude their review and challenge of budget bids for staff and non-staff costs by the end of June.

10. Corporate Risk Register & Risk Management Framework

Corporate Risk Register

10.1   The Committee reviewed the updated CRR and acknowledged that more narrative had been provided around the risks that had increased. It recommended that the controls in place for Risk No 7 – "Effective Financial Management is not embedded throughout the organisation…" should be revised to include the good practice example text from the Internal Audit report. Brian Taylor agreed to take this forward.

> **Action ARC 02/19-20 – Brian Taylor to update controls in place column for corporate risk No 7 to better reflect the comments made in the Internal Audit Report. By 18 September.**

Risk Management Framework

10.2   A general discussion took place about the draft risk management framework. It was agreed that ES must get the risk culture right. The framework shouldn't be too bureaucratic but should give better risk-based assurance for LT/ARC/Directorate Management Teams. It was recognised that you can't always mitigate risk; sometimes you had to hold risk.

10.3   Wider work around risk appetite would take place with the SDs and Business Partners at the workshop on 16 July before the final documents would be referred to AB/LT in August for sign-off.

11. Information Security Report

11.1   There were no major incidents noted during the last reporting period. There was a decrease in incidents reported by existing monitoring tools relating to suspect spam emails being sent. The figure decreased from 17 to 6.

11.2   Planned enhancements to the Glow environment would be purchased and delivered over the next month with a view to improved monitoring, prevention and reporting of potential security incidents and a clearer definition of "normal" against which to assess activities.

11.3   An experienced project manager had been appointed and assigned to the Information Security Remediation project. Initial focus was being given to secure configuration, user access management and anti-malware as they were the foundations to security.

11.4   The committee welcomed the inclusion of target/completion dates in the information security paper. It was agreed that officials should attend the September meeting to talk to the paper, thereafter the paper should be referred for information only unless there were any major incidents to report, or if ARC members pre-advised the Chair of any issues they wished to discuss at the following ARC

Outstanding action - ARC 66/18-19 could be closed but action 30/18-19 would remain open until the next meeting.

For information and AoB

12. KPI – update

12.1   It was reported that the KPIs were almost ready for Leadership Team (LT) approval as the definitive set which would be baselined in 2019/20. A narrative summarising the broad areas which the corporate KPIs would focus on was included in the Performance Report in the 2018/19 Annual Report and Accounts.

12.2   Once signed off by LT, the KPIs would be shared with Learning Directorate and DFM for final approval. Data collection would be undertaken in 2019/20 to baseline the KPIs which had already been developed. Either baseline or trend data against the KPIs would be presented in the ES Annual Report and Accounts for financial year 2019/20.

12.3   A number of additional KPI metrics would be developed in 2019/20 e.g. to report more fully on the work of the regional teams. It has been challenging to develop KPIs in this area due to the early stage of development of these teams.

13. Health, Safety and Sustainability Group – Quarterly update

13.1   The Committee reviewed achievements against the 2018/19 Action Plan and objectives for 2019/20. It noted that steady progress was being made. The appointment of a Facilities Manager, who had good H&S experience, had provided some additional capacity.

13.2   The Committee noted that the outstanding actions had short-term delivery dates and agreed to recommend that these should be re-visited and re-dated in terms of priority and capacity to deliver.

13.3   The Committee acknowledged the good work of Euan Couperwhite and his team in taking these matters forward.

13.4   The All Staff Conference on 5 September 2019 would look at Connectedness and Wellbeing.

> **Action ARC 03/19-20 - The Health, Safety and Sustainability Group should consider re-visiting and re-dating the actions planned in terms of priority and capacity to deliver. By 18 September 2019**

14. AOB

14.1   The Chief Executive formally marked the imminent departure of Linn Phipps, Moi Ali and Mike Ewart. She thanked them for their 6+ years of dedicated work to Scottish children and for the support and guidance they had given, both to her personally and to the wider organisation. Their contribution was hugely appreciated.

15.   Risk

The ongoing work to develop the agency's risk management strategy has been covered under item 10.

16.   Corporate Communications

16.1   It was agreed that the key messages from the meeting were around:
- Internal and external audit assurances – improving - increased from limited to reasonable. Appreciation of the work of all ES staff.
- Thanks given to retiring NEBMs for their contributions
- NEBMs – "never felt more confident about ES", "greater openness & listening ear", "Assured ideas and suggestions being listened to"
- Risk framework – not simply about the register, more about having conversations
- HS&S – excellent plan & progress update

17.   Date of next meeting

16.   The next meeting would take place at 10 am on the 18 September 2019 within the Boardroom, The Optima, Glasgow. Apologies were tabled in advance by Audit Scotland who would be unable to attend.

Lesley Macaulay
Governance Manager
01/07/2019