Board meeting minute

Meeting:	**Audit and Risk Committee**
Date:	**26 September 2018**
Time:	**10.00 am**
Venue:	**Boardroom, Optima**

Members:

Linn Phipps	Non-executive Board Member (Chair)
Moi Ali	Non-executive Board Member (by phone)

Attendees:

Iain Burns	Internal Audit
Euan Couperwhite	Acting Assistant Director
Patricia Dougan	Assistant Director (item 12 only)
Jodi Duffin	Internal Audit
Gayle Gorman	Chief Executive
Gillian Hamilton	Strategic Director
Maureen Mallon	Assistant Director
Roz McCracken	Head of Corporate Governance
Janie McManus	Strategic Director
Michael Moynihan	Head of Information Security (item 12 only)
Audrey Parfinowska	Interim Chief Financial Officer
Richard Smith	Audit Scotland
Brian Taylor	Strategic Director
Lesley Macaulay	Secretary

Apologies:

Mike Ewart	Non-executive Board Member
James Wallace	Independent Audit and Risk Member
Alan Armstrong	Strategic Director
Maureen Gore	Assistant Director
Kate Moffat	Internal Audit
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 Mike Ewart, James Wallace, Alan Armstrong, Maureen Gore, Dave Richardson and Kate Moffat.   The Chair welcomed Jodi Duffin, Internal audit Technician and Maureen Mallon, Assistant Director.

   1.2   The Chair advised that Moi Ali was joining the meeting by telephone. It was noted that the meeting was quorate as only two NEBMs required to be

present. The Chair requested that the pre-meeting with audit and TOR be added to the agenda as a standing item going forward.

New Action ARC 043/2018: The secretary to add the pre-meeting with audit and the TOR as a standing item to the Agenda.

2. **Minutes of meeting 27 June 2018 and Action Log**

2.1   The Minutes of 27 June 2018 were approved without amendment.

2.2   The Committee reviewed the Action Log and noted the following in particular: -

Action ARC 020/2018 – the NEBMs' Improving Governance suggestions would be reviewed in one year (Sept 2019). Agreed that LP would convert the NEBMs' paper into an Actions format.

Action ARC 025/2018 – Roz was currently comparing the skills matrix document produced by Internal Audit with the Scottish Government Competency Framework. The final document would be issued to the NEBMs by 5 October

Action ARC 03/2018 – the committee had a brief discussion around how it could be assured that risk discussions were happening throughout the organisation. It was noted that this was a standing item on most agendas. Internal Audit will incorporate risk management into future audit reports.

Action ARC 037/2018 – It was agreed that the Health, Sustainability and Wellbeing group would carry out a deep-dive into lone working and present a report at the next meeting on 3 December.

The following actions were closed: -
ARC 017/2018 – IT Resourcing
ARC 022/2018 – Arrange Planning Group meeting
ARC 024/2018 – Identify new date for Paul Johnston, DG, to attend ARC
ARC 026/2018 – External Audit feedback
ARC 027/2018 – Consult NEBMs will compiling KPIs
ARC 028/2018 – Amend Annual Report and submit to Chief Executive
ARC 029/2018 – Secretary to check every report submitted contains section on risk
ARC 031/2018 – Feedback comments on draft CRR
ARC 033/2018 – Planning group to consider deep-dive process
ARC 034/2018 – Internal Audit to record how risk management is working in practice across ES
ARC 038/2018 – Secretariat to provide NEBMs with calendar of events
ARC 039/2018 – Planning group to identify what assurance is needed in terms of cyber security report
ARC 040/2018 – Review cyber security scoring on CRR
ARC 041/2018 – Identify time for deep-dive into cyber security

ARC 042/2018 – Add Business Continuity Planning to CRR

Action ARC 019/2018 – The committee noted that the lessons learnt from the Certificates of Assurances process had been captured in the draft Standard Operating Procedure (SOP). Moi suggested a need to clarify the sentence at bullet 2 page 5 and suggested that it be amended to read: -

> "the issue, or its impact, has attracted significant *adverse* public interest, or has seriously damaged the reputation of the body."

It was also noted that while the Strategic Directors could delegate the internal Control Checklist to appropriate staff members it ultimately remained their responsibility. It was agreed that the draft SOP should be circulated organisation-wide to ensure that staff understood it before the final version being tabled at the February 2019 meeting.

New Action ARC 044/2018: Roz to circulate the draft SOP throughout the agency and table the final version at the February 2019 meeting.

3.   Declarations/Register of Interest

3.1   Roz MacCracken confirmed that Mike Ewart has advised of a new declaration of interest that had been recorded on the Register of Interests.

4.   Internal Audit

4.1   Iain Burns advised that Internal Audit (IA) now have indicative dates for the 18/19 audit reviews and that 2019/20 planning would start towards the end of the year. The Committee welcomed the inclusion in the report of a section containing advisory activities across ES and thanked IA for their continued assistance in this matter.

5.   External Audit

5.1   Richard Smith gave a brief overview of the digest of Audit Scotland (AS) national reports that had been tabled. He confirmed that it would be up to Education Scotland to identify areas that could have an impact. The Committee extended its thanks to AS for this useful document and agreed that this was a useful tool for future horizon scanning, and requested that the inclusion of national reports be continued.

New Action ARC 045/2018: Richard Smith to update the document with electronic links and document to then be shared with members and ET and SLT members.

6.   Finance

6.1   Brian Taylor advised the budget figures still needed more work to provide accurate forecasting and assurance for Executive Team scrutiny.   He agreed to provide the Committee with updated figures by correspondence before the next meeting.

6.2   It was noted that there remained pressures around the extended remit e.g. RICs. Additional funds had been requested from the Scottish Government to address this.

6.3   In response to the Chair's question about risks to budget accuracy, and whether VAT risks were fully resolved, it was explained that ES staff had recently undertaken VAT training which would enable them to use the right codes for VAT recovery. Financial Management would be embedded throughout the organisation and there had been a good level of engagement with budget holders.

New Action ARC 046/2018: Finance to send updated figures to the Committee by 31 October

7.   Corporate Risk Register (CRR)

7.1   It was noted that the agenda reflected the key strategic risks facing the Agency (as captured in the CRR).

7.2   After reviewing the "Insufficient Confidence" risks the Committee agreed to commission a deep-dive into (1) Corporate Risk 4 - Cyber Security for consideration at the February meeting; and (2) Corporate Risk 8 – Performance Monitoring and measuring Impact for consideration at the next meeting in December.

New Action ARC 047/2018: Patricia Dougan to undertake a deep-dive into Cyber Security and report back at the meeting on 25 February 2019.

New Action ARC 048/2018: Euan Couperwhite to undertake a deep-dive into Performance Monitoring and report back at the meeting on 3 December 2018.

8.   Portfolio Board Dashboard and Risk Register

8.1   Brian Taylor advised that there were two new programme risks linked to capacity and capability. The lack of success following the recent recruitment campaign meant that some of the key posts remained vacant.

8.2   Gillian Hamilton advised that recruitment was underway within the SCEL team. If this is unsuccessful then consideration would be given to bringing in short-term secondments. Morale was high despite these capacity issues. Gillian extended her thanks to the Performance and Planning Team for the support they had shown the SCEL team since their arrival.

8.3   The Committee agreed that its role, in terms of the Programme Dashboard and Risk register, was to concentrate on the extreme risks around performance and delivery and requested that going forward this report contained more clarity around timescales with specific dates being added for all future mitigating actions where possible. The key thing for risk owners to bear in mind was the need to focus on providing assurance.

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

9.1   The name of the group had been amended to reflect the focus on staff wellbeing. The group met for the first time on 12 September and identified several key areas of work.

9.2   The Chair asked for clarity around what the new KPIs were actually telling ARC and how the data would be collected. It was confirmed that this would be from a variety of sources including attendance at training courses, absentee data and health and safety incidents. It was noted that individual line managers had a vital role to play in ensuring that absenteeism was being recorded correctly. This required a change to the culture to take it beyond compliance into wellbeing.

9.3   The Committee requested an update at the next meeting on how this thinking had progressed and how it would link back to strategic objectives. A deep-dive into lone working was currently being undertaken and a report would be submitted at the next meeting.

New Action ARC 049/2018: Maureen Mallon to undertake a deep-dive into Lone Working and report back at the meeting on 3 December 2018.

New Action ARC 050/2018: Euan Couperwhite to confirm in his next report how thinking on the most appropriate KPIs and measures had progressed and how this linked to strategic objectives.

10.   **Deep Dive – Staff Wellbeing**

10.1   The Committee welcomed the deep dive report into staff wellbeing and the key focus on sickness absence which gave assurance that this work was moving forward during this period of change.

10.2   It was noted that absence issues were not being recorded correctly and that this should improve following the practical reminder that had been issued to line managers.

10.3   In discussion around how to capture wellbeing outcomes, it was noted that the next staff survey would provide helpful evidence.

10.4   Maureen Mallon was due to meet with Scottish Government colleagues in October who are developing new approaches to Wellbeing Strategies.

Education Scotland will offer to pilot new approaches as appropriate and consider how what is being developed links with the specific needs of ES staff.

11. Performance Management Strategy: Update

11.1   Euan Couperwhite advised that the table submitted was in the process of being further refined with contextual detail being added.   The Knowledge Management team had met with each AD to set the KPIs and there would be a final run-through to check everyone was content.   The measures would be baselined this year and targets set next year.

11.2   Further work needed to be done around follow up and attrition issues. Participants at the recent Scottish Leaning Festival would be sent an evaluation questionnaire with a follow-up questionnaire in 6 months

11.3   The Chair had discussed the draft KPIs in a separate prior meeting and arising from this it was noted that most of the KPIs related to input rather than output or outcome measures, and that the type of measure would be added to the matrix. It was suggested that the performance management system would want to capture some individual stories detailing, for example, learner benefits which could ultimately be added to the ES Annual Report and Accounts. A pilot evaluation looking at the impact of inspection (six months down the line) had recently been carried out with positive responses. These could also be used to create impact stories for the Annual Report and Accounts.

12. Cyber Security Report

12.1   Patricia Dougan advised the Committee that there had been no success in recruiting a Head of Information Security. This was a problem for most of the public sector and the pay supplements were currently being looked at. There was a possibility that the vacancy could be offered as a development opportunity.

12.2   Michael Moynihan guided the Committee through his PowerPoint presentation. It was noted that there were 14 key security domains and our performance against each would be recorded on a RAG basis. In his opinion aiming for an assessed maturity level of 3 was proportionate. The Chief Executive drew attention to the need for balance between security compliance and information accessibility for users.

12.3   It was agreed that ARC's role in gathering assurance was to look at the key risks and processes for measuring progress. Internal Audit's overview of the system would be helpful.

12.4   The Committee thanked Michael for his presentation and requested that going forward the report should contain evidence that IT were concentrating on the right priorities. Clear timescales should be provided and clear narrative supplied.

New Action ARC 051/2018: Going forward the IT/Cyber Security Report should contain evidence that IT were concentrating on the right priorities. Clear timescales should be provided and clear narrative supplied.

13.   Any Other Business

13.1   There was no other business.

14.   New Risks

14.1   No new risks were identified.

15.   Corporate Communications

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

1. Health & wellbeing
2. Lone working deep dive
3. KPIs
4. Cyber Security
5. External Audit Report – for the wider issues.

16.   The next meeting will take place at 1 pm 3 December 2018 within the Boardroom, Denholm House. There will be a pre-meeting between the NEBMs and Paul Johnston, Director General commencing at 12.15.

Lesley Macaulay
Secretary
28 September 2018