

Meeting of the Audit and Risk Committee

A meeting of the Audit and Risk Committee was held on Wednesday 17 September 2014 at 10:30 am in the Boardroom, Denholm House, Livingston.

In advance of the meeting, the Committee members had a non-minuted private session with the Internal and External Auditors, in accordance with what is now being established as routine practice.

1. Apologies/welcome*

Members present:

Kate Dunlop (Chair)
Linn Phipps
Mike Ewart

Education Scotland attendees:

Bill Maxwell
Alan Armstrong
Alastair Delaney
Stuart Robinson
Gillian Howells
Linda Rae
Andrew Duncan

Audit attendees:

Alasdair Craik	(External Auditor)
Laura Nelson	(External Auditor)
Les Henderson	(Internal Auditor)
Myra Binnie	(Internal Auditor)

Apologies:

Moi Ali
Graeme Logan

2. Update from Bill Maxwell

Bill provided an overview of the organisational changes that have taken place following the review of the agency's organisational design undertaken before the summer. Alastair Delaney has now taken up the post of Chief Operating Officer. Stephen Coulter has completed his secondment and thanks were expressed for Stephen's work at Education Scotland.

Bill explained that he intends to continue to engage the consultant involved in the review, Paul Walker, on an occasional basis to provide an element of external challenge feeding into monitoring of the efficacy of the new arrangements over the next year.

The first exam diet of the new SQA qualifications had been concluded and Bill noted the success of the process of the management of the delivery and the publication of the results. He indicated that it had been a successful year and a successful outcome for the organisation, achieved through strong partnership working with SQA and SG, in particular.

3. Minute of previous meeting and action log*: 13 June 2014

Agreed: The Minute of the previous meeting was approved.

Noted 1: Action 1: External Audit report had been on agenda but it was decided to run this as a separate workshop to give it more time.

Action 1: Workshop to be arranged with External Audit colleagues. Linda Rae.

4. Matters arising*

Noted 1: There were no matters arising.

5. Declarations of interest*

Noted 1: Mike Ewart provided an update to the Declarations of Interest.

Items for discussion

6. Internal Audit

6.1 Progress Update

Noted 1: Les Henderson gave an update and the following was noted:

- Progress against 2014-15 planned activity is on track
- Review of Grants halted to align with wider Scottish Government Review of Grant Funding

Noted 2: Les advised that he felt significant and tangible progress had been made by Management towards implementing the recommendations made in the 2013-14 report on Governance and the Ed Scot IT platform.

Noted 3: Les felt that the introduction of the Change Board was a very positive improvement to the governance framework and he would be looking for full scrutiny and challenge of change projects going forward.

6.2 Management Response to Review of Governance, Risk and Financial Frameworks

Noted 1: A paper was tabled which sets out the management response and progress towards the review of agency governance, risk and financial frameworks.

Noted 2: Alastair explained that he will chair all the Boards, including the new Change Board. This ensures consistency and allows linkages across all the Boards to be made. Action Plans and monthly up-dates will be tabled at Change Board monthly meetings which ensures that projects can be tracked from beginning to end.

Noted 3: A central planning and performance team from business and programme managers has been brought together to assist the monitoring of the delivery of programmes and projects.

Noted 4: Four 'imperatives' have been identified along with 6 additional change projects. Up-dates are provided to the Executive Team every 2 weeks on progress with the imperatives.

Noted 5: A Strategic Budgeting exercise will take place at CMG in September.

Noted 6: A new group, the Leadership Forum, comprising the Executive Team and Assistant Directors has been added to the Governance structure.

7. External Audit*

Noted 1: Alasdair Craik noted the sense of positive change in the organisation and advised that they will continue to monitor progress and developments.

7.2 Annual Report on the 2013/14 Audit

Noted 1: Laura Nelson tabled the final paper which includes final sign off. She advised that the final accounts were signed off in June.

8. Imperatives Action Plan and Updates

Noted 1: Alastair Delaney provided an overview of the Four Imperatives and the following was noted:

- IT Platform – decision was taken to move to SCOTS and staff are keen to move forward. Positive progress is being made.
- Review of Business Planning – development of an improved tool with appropriate guidance on track.
- Internal Comms – this is a bigger change project considering how we use different mechanisms for different types of information. Good work in the short term to communicate with staff on progress with the imperatives.
- Performance Report and Financial Framework – see below.

9. Performance Report and Financial Framework

- Noted 1: Alastair noted the huge amount of work which had resulted in a new and revised approach to performance reporting. The new planning and performance team will monitor performance on a monthly basis.
- Noted 2: Previously, there had been no consistency in the way that financial budgets were monitored. A new approach had been developed which was consistent across directorates and provided more in-depth analysis.
- Noted 3: A recent examination of all budgets gave a projected overspend of £4.1 million. The overspend is attributed to unfunded budget pressures of £3.6m which are clearly accepted as pressures on the DG Learning & Justice portfolio budget, plus a contingency of £0.5m to reflect a potential new pressure caused by a change of the way in which VAT may be charged to us by local authorities. Options are being identified to identify further efficiencies which we can deploy to alleviate the agreed pressures. Options will be discussed at CMG on 22 September.

10. Update on Measures from Strategic Impact Board

- Noted 1: Work had been undertaken with the Knowledge Management Team to look at performance measures. These have been mapped against the Strategic Objectives.
- Noted 2: The following actions are underway:
- Further quality assurance of the package being undertaken
 - A package of measures for each Strategic Objective Steering Group will be produced
 - A dashboard for each Strategic Objective to be produced
 - The first mid-year report will be produced in mid to late October from all programme areas

11. Review of Inspection Strategy

- Noted 1: Alastair, in his role as Director responsible for inspection and review strategy, tabled a paper which explores how he is taking forward a review of the long-term direction of travel for the development of inspection and review.

Action: Once we have feedback from initial stakeholder consultation Alastair will bring back outline proposals for taking forward the review for early discussion at the Management Board and Audit and Risk Committee, as appropriate.

12. Corporate Risk

Noted 1: Alastair explained that a new approach to Corporate Risk was being considered: the three lines of defence model. It is hoped to have this in place by 1 April 2015.

Noted 2: Following the workshop in June, which used a Pestle analysis of corporate risk, some changes had been made to how we are presenting risks.

Agreed 1: Alastair asked the Committee to accept what was produced in the short term, bearing in mind the planned move to a different model. This was agreed.

Noted 3: Suggestions to how the risk register can be improved in the short term were discussed and the following were suggested:

- ARC could interrogate different risks at each meeting
- Agenda items could be connected to risks
- A deeper analysis of critical risks could be undertaken
- A column could be added for 'sources of assurance'
- A cover sheet could explain the key movements in risks
- Programme risks could be included to give a practical version

Action: Alastair and Linda to give consideration to suggestions for the next meeting.

Items for noting

13. Quarterly Health and Safety Report

Noted 1: John Walter provided a Health and Safety Report

13.1 Climate Change Adaptation

Noted 1: A paper was provided which notes Education Scotland's progress toward meeting their obligations under the Scottish Climate Change Adaptation Programme.

14. Any other business

Action 1: Implications of the outcome of the referendum to be added as an agenda item for the next meeting.

15. Date of next meeting*

Kate closed the meeting by thanking all of those present.

The next meeting is scheduled to take place on Friday 5 December 2014 at 10:30 am, in the Boardroom, Optima, Glasgow.