

Meeting of the Audit and Risk Committee

A meeting of the Audit and Risk Committee was held on Friday 13 June 2014 at 10:30 am in the Boardroom, Denholm House, Livingston.

An 'in camera' meeting was held with the Internal Auditors, the External Auditors and the Non-Executives. There are no Minutes but this meeting will become a regular occurrence.

1. Apologies/welcome*

Members present:

Kate Dunlop (Chair)
Moi Ali
Linn Phipps

Education Scotland attendees:

Bill Maxwell
Alan Armstrong
Stephen Coulter
Alastair Delaney
Graeme Logan
Stuart Robinson
Gillian Howells
Linda Rae
Gayle Reilly

Audit attendees:

Patricia Fraser (External Auditor)
Laura Nelson (External Auditor)
Les Henderson (Internal Auditor)
Jennifer Inglis-Jones (Internal Auditor)

Apologies:

Alasdair Craik (External Auditor)
Iain Nisbet

Bill noted that Iain Nisbet's tenure as Non-Executive Director was ending. Kate expressed her thanks to Iain (in absentium) for his support of the Audit and Risk Committee and to the work of the Agency.

Kate welcomed Patricia Fraser, External Auditor to her first meeting.

2. Update from Bill Maxwell

Bill provided an overview of some of the organisation wide activities that have taken place. The first exam diet of the new qualifications has been an area of priority and focus. Overall organisational progress is in good health, with four new Assistant Directors now in post (one in an acting capacity) as well as Graeme Logan being made permanent in the role of Strategic Director, School Years.

A consultant, Paul Walker, was recently contracted to undertake a 'taking stock' internal review. An away day with the consultant is scheduled for Friday 20 June with members of CMG to discuss results.

Action: Bill to update the committee at the next meeting on changes that have been made following the taking stock review.

3. Minute of previous meeting and action log*: 21 February 2014

Agreed: The Minute of the previous meeting was approved.

Noted 1: All actions on the action log are either complete or have been updated to reflect discussion.

Action 1: The Review of Future Inspection Strategy to be discussed at the next meeting. Alastair Delaney.

Action 2: Colleagues from External Audit to be invited to the next meeting to discuss the performance audit on best value in Education. Patricia Fraser.

Action 3: Horizon scanning paper to be brought for discussion at a future meeting. Stephen Coulter.

4. Matters arising*

Noted 1: There were no matters arising.

5. Declarations of interest*

Noted 1: No changes to the current declarations were made.

Items for discussion

6. Annual Accounts

Noted 1: Gillian Howells asked the Audit and Risk Committee members to approve the Annual Accounts subject to the Department of Work and Pensions (DWP) information being added once available. These will then be agreed by the Management Board on 25 June 2014 and signed off by both Bill Maxwell, Chief Executive, Education Scotland and Alasdair Craik, Senior Audit Manager, Audit Scotland.

Noted 2: The final resource out-turn for 2013/14 was £34.9m. This represented an underspend against a budget of £1.3m.

Noted 3: It was noted that Bill Maxwell, as Accountable Officer, was assured by the accounts as presented.

Agreed: It was agreed that, pending further adjustments as discussed, the Audit & Risk Committee was content to approve and recommend that the Education Scotland Management Board sign off the Annual Accounts.

7. Internal Audit*

- 7.1 Annual Assurance 2013-14:
- Review of EdScot IT Platform
 - Annual Governance Review 2013-14

Noted 1: Les Henderson informed the committee that he recognised that this had been a hugely challenging year for Education Scotland in terms of resources, capacity and constraints and there were lots of positives, most notably inspection, CfE and policy work. However, he noted that there were a number of areas where controls should be strengthened.

- Noted 2: Key issues overall are:
- The new Governance framework and the risk framework are still bedding in.
 - The performance framework needs more clarity and improvement in the area of producing accurate information.
 - The financial framework, whilst content with the central control, there are issues around forecasting in directorates but cognisance was taken of the need for improved budgeting and control, especially on projects.
 - Lack of a sufficiently well-defined ICT strategy.

Les noted that the agency is still in transition and he offered to support the organisation in moving forward in whatever way he can.

The Non-Executives expressed support but made it clear to the management team that they were concerned by some of the statements in the audit committee and confirmed the need for improvements in project management protocols and improved timeliness of responses.

Noted 3: It was noted that the 'taking stock' review by Paul Walker would include the governance structure and would provide further information and guidance on the areas which need strengthening. Paul Walker will report to CMG in June.

Action 1: Kate, as chair of ARC, to have a telephone conversation with Paul Walker.

Noted 4: The Review of the EdScot IT Platform had an overall assurance of 'limited' and urgent consideration is required in this area.

Noted 5: In order to provide reassurance a taking stock of IT review is currently underway and progress is being made. A first draft of the taking stock of IT review paper will be discussed at CMG on Thursday 19 June. The Non-Executives regard this as critical.

Action 2: Recommendations and an action plan to be tabled at the next Audit and Risk Committee Meeting. Stephen Coulter.

7.2 Draft Plan 2014-15

Agreed: Members agreed the Annual Internal Audit Plan for 2014/15 which would include:

- Governance, Risk and Financial Management
- Controls over the Awarding, Monitoring and Assessment of Outcomes for Grants across the Agency
- Education Scotland's Role in Promoting Learning and Leadership across Practitioners. (Strategic Objective 2)

7.3 Management response to Internal Audit Reports

Noted 1: Stephen led the discussion on management's response to the recent internal audit report on the Review of Agency Governance, Risk and Financial Frameworks.

Actions have been put in place to address the 13 recommendations that were made which include:

- Stuart Robinson leading on the Agency's business planning practices looking at planning methodology, the development of the business planning tool and a review of admin support.
- A new corporate risk register is being re-developed.
- A new programme of organisational development called 'Changing to Improve' is being led by Maureen Gore which will review, amongst other things, corporate policies.

Action 3: An up-date on the Review of Governance, Risk and Financial Frameworks to be provided at the September meeting. Stephen Coulter.

8. External Audit*

Noted 1: Patricia Fraser presented the papers, noting that the audit of the financial statement had gone well and thanked Gillian Howells and her team for their work.

9. Update from Strategic Impact Board

Noted 1: Alistair Delaney provided an overview of the Strategic Impact Board. This is a work in progress but it is intended that information will be refined and brought together to produce a balanced scorecard that will be updated on a quarterly basis.

Noted 2: The committee commented positively on the model and congratulated Alastair on the progress made thus far.

Action: A mid-year report to be provided at the next committee meeting in September. Alastair Delaney.

10. Performance report

Noted 1: Stephen updated members on the revised 2013/14 Performance report. Projects are now contained within the main programmes of work which provides a fuller report with more clarity.

Noted 2: Members were happy with the direction of travel in the development of this type of overall report but asked that the previous/current RAG status columns are shown next to each other to show clearly any changes and to highlight trending at an earlier stage.

Action: Previous/current RAG status columns should be brought beside each other to show quarterly changes as this report format develops further. Stephen Coulter.

11. Corporate risk*

Noted 1: Stephen Coulter informed the committee that a risk workshop for members of CMG had taken place on Friday 30 May 2014 and that a revised risk register will be taken forward for discussion at the CMG meeting on Thursday 19 June 2014.

Noted 2: Following the CMG meeting arrangements will be made to have individual discussions with Non-Executives should they find this useful.

Action: Individual discussions to be arranged with Non-Executives as appropriate to discuss the revised risk register, following the next risk workshop. Strategic Directors.

Items for noting

12. Memorandum of Understanding with SPSO

Noted 1: The committee were asked to note the Memorandum of Understanding with the Scottish Public Services Ombudsmen. It was noted that the Complaints Handling Procedures had already been discussed at a previous meeting.

13. Quarterly Health and Safety Report

Noted 1: Stuart gave an up-date on the quarterly Health and Safety report and informed the committee that a Facilities Manager had now taken up post on 27 May 2014.

Noted 2: The defibrillators have now been installed in both Denholm House and The Optima and are available for all staff to use them.

14. Any other business

14.1 Complaint

Noted 1: Linn Phipps updated the Committee on a complaint she had been copied into recently. She informed the committee that she had met with the Complaints Manager and was content that the appropriate processes were in place and that procedures had been correctly followed..

Noted 2: Linn expressed her thanks to Gayle, Moi and Kate for their input.

15. Date of next meeting*

Kate closed the meeting by thanking all of those present.

The next meeting is scheduled to take place on Wednesday 17 September 2014 at 10:30 am, Denholm House, Livingston.