



**MINUTES OF AUDIT SCOTLAND AUDIT COMMITTEE  
MEETINGS 2011**

Minutes of meeting of the **Audit Committee**  
of Audit Scotland held in the offices of  
Audit Scotland, 110 George Street,  
Edinburgh on **Thursday, 27 January 2011** at  
10am.

PRESENT: J Maclean (Chair)  
J Baillie

IN ATTENDANCE: R W Black, Auditor General for Scotland / Accountable Officer  
R Cleland, Chair of Audit Scotland Board  
R Frith, Assistant Auditor General  
D McGiffen, Chief Operating Officer  
D Hanlon, Finance Manager  
A Devlin, Corporate Planning and Data Protection Officer  
M Gallacher, Corporate Portfolio Manager  
P Wood (RSM Tenon)  
A McBean (Alexander Sloan)

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declaration of Interest
3.	Minutes
4.	Internal audit progress update
5.	Risk register update
6.	Information governance and risk information
7.	Personal data incident/loss
8.	Audit Committee effectiveness
9.	Terms of reference annual review
10.	Procurement of internal auditors
11.	Any Other Business
12.	Date of Next Meeting

1. Apologies

There were no apologies.

The Chair of the Audit Committee informed the meeting of changes to the membership of the Audit Committee since the last meeting, following on from Ronnie Cleland's appointment as Chair of the Audit Scotland Board.

The Chair welcomed John Baillie as a member of the Audit Committee and thanked Ronnie Cleland for his work on the Audit Committee over the past few years.

The Chair also welcomed Andrew McBean from Alexander Sloan, who had been appointed by the Scottish Commission for Public Audit (SCPA) as Audit Scotland's external auditor.

2. Declaration of Interest

Peter Wood expressed an interest in item 10 and it was agreed that he would leave the meeting for that item.

3. Minutes

The minutes of the meeting of the 23 September 2010 were agreed as an accurate record.

Matters arising from the minutes of 23 September

- 3.1 The Audit Committee noted the progress from the Finance Manager on work to establish VAT liabilities on non-audit work. The Audit Committee was informed that RSM Tenon had been engaged to assist with this work.

The Audit Committee noted the further update and requested a progress report at the next meeting.

- 3.2 Peter Wood, RSM Tenon updated the Audit Committee on discussions with the Chief Operating Officer on the Carbon Management advisory work. The Audit Committee was advised that the advisory work was nearing a conclusion and that a draft report had been submitted. The duration of the work would be approx 1.5 days lower than the initial allocation of 6 days as shown in the annual work plan.

- 3.3 The Chief Operating Officer reminded the Audit Committee that, following the decision at the previous Audit Committee, approved minutes would be published on the Audit Scotland website.

The Audit Committee welcomed this further step towards transparency of the Audit Committee's work and Audit Scotland's governance.

- 3.4 The Chief Operating Officer informed the Audit Committee that Audit Scotland had received no data matches in the latest NFI data matching exercise. The Audit Committee agreed that the internal audit review of data matches was not required.

- 3.5 The Chair of the Audit Committee requested an update on arrangements for complying with the Bribery Act which comes into force on 1 April 2011. The Audit Committee was informed that actions had been taken to comply with the Act and would be included in the internal audit plan.

The Audit Committee noted the update.

**Action(s):**

- ***The Finance Manager to report progress on establishing any VAT liabilities to the next meeting.***
- ***The Chief Operating Officer is to arrange publication of the Audit Committee minutes on the Audit Scotland website.***

4. Internal audit progress update

Peter Wood, RSM Tenon, updated the Audit Committee on the progress of internal audits against the annual audit plan. The Audit Committee were informed that all outstanding work would be finished by March and reports submitted to the Audit Committee meeting on 28 April 2011.

The Audit Committee discussed the IT Security audit report. The Auditor General queried the 'reasonable' assurance given in the IT Security report compared to the assurance descriptions in the progress report. Peter Wood acknowledged the error and would rectify and reissue the report.

A general discussion took place on the scope and limitations of the audits in the internal annual audit plan. The Audit Committee agreed to consider this when approving the annual audit plan.

The Audit Committee noted the reports.

**Action(s):**

- ***RSM Tenon to reissue the IT Security report showing the audit opinion as substantial assurance.***

5. Risk register update

The Assistant Auditor General introduced the updated risk register, which contained several significant changes and a number of minor amendments.

It was agreed that the Chair of the Audit Scotland Board should be included as a joint risk owner with the Auditor General and the Chair of the Accounts Commission for Risk 3.

The Audit Committee were informed of the addition of a new risk, number 19, which reflected the risk of downsizing the organisation.

The Audit Committee noted the changes.

6. Information governance and risk information

***Mandy Gallacher, Corporate Portfolio Manager joined the meeting***

The Corporate Portfolio Manager updated the Audit Committee on legislative developments on information governance and actions to strengthen Audit Scotland's information risk management and governance. An overview of the priorities for 2011 was also given.

The Audit Committee discussed the possible impact on Audit Scotland, the Accounts Commission and the Auditor General of the Public Records Bill should it be enacted. It was noted that there may be staffing resource or training/development issues should the Bill be enacted.

The Audit Committee noted the report.

***Mandy Gallacher left the meeting***

7. Personal data incident/loss report

The Audit Committee considered a report by the Chief Operating Officer on a personal data incident. The Audit Committee were informed that the incident did not lead to a loss of information, and advised of the steps taken to prevent an incident in the future.

The Audit Committee noted the report.

8. Audit Committee effectiveness

The Chair of the Audit Committee introduced a report updating members on the work done to evaluate the effectiveness of the Audit Committee.

The Audit Committee discussed the potential for co-opting additional members to strengthen the Audit Committee's skills and expertise. It was agreed that this could be done if required but had not been done to date.

The Chair advised the members that the outcomes from the evaluation would now inform an action plan for 2011.

The Audit Committee noted the report.

9. Terms of reference annual review

There was submitted a report by the Chief Operating Officer proposing draft amendments to the Audit Committee's Terms of Reference, as part of the annual cycle of the Audit Committee's work. The draft included a number of minor changes.

The Audit Committee discussed the draft and requested a further amendment to include the potential to co-opt members as required.

The Audit Committee approved the draft Terms of Reference subject to the above amendment.

**Action(s):**

- ***The Chief Operating Officer to amend and publish the updated Audit Committee's Terms of Reference.***

10. Procurement of internal auditors

***Peter Wood, RSM Tenon left the meeting***

There was submitted a report setting out a timetable for procuring internal audit services by the Chief Operating Officer.

The Audit Committee agreed that the Board had a role in the appointment and that this was reflected in the Scheme of Delegation. The procurement plan will now be amended to reflect the Board's role.

**Action(s):**

- ***The Chief Operating Officer is to amend the procurement plan and prepare a report for the Board on the procurement process.***

11. Any Other Business

**Peter Wood, RSM Tenon rejoined the meeting**

Peter Wood, RSM Tenon informed the Audit Committee that CIPFA had published a statement on the Role of the Head of Internal Audit in Public Organisations and that he had forwarded a RSM Tenon client brief on the statement. The Audit Committee asked for an update on this development at its next meeting.

**Action(s):**

- ***The briefing from RSM Tenon will be considered at the next meeting.***

12. Date of Next Meeting

The Chair of the Audit Committee closed the meeting by thanking the attendees for their time and effort. The next Audit Committee meeting will be held on **Thursday 28 April at 10.00hrs** and will be held in the offices of Audit Scotland, 110 George Street, Edinburgh.

Minutes of meeting of the **Audit Committee**  
of Audit Scotland held in the offices of  
Audit Scotland, 110 George Street,  
Edinburgh on **Thursday, 28 April 2011** at  
10am.

PRESENT: J Maclean (Chair)  
J Baillie  
K Bryan

IN ATTENDANCE: R W Black, Auditor General for Scotland / Accountable Officer  
R Cleland, Chair of Audit Scotland Board  
R Frith, Assistant Auditor General  
D McGiffen, Chief Operating Officer  
L Bradley, Director of Corporate Programmes  
D Hanlon, Finance Manager  
A Devlin, Corporate Planning and Data Protection Officer  
M Gallacher, Corporate Portfolio Manager  
J Gilchrist, Manager (Audit Strategy)  
T Day (RSM Tenon)  
A McBean (Alexander Sloan)  
D Jeffcoat (Alexander Sloan)

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declaration of Interest
3.	Minutes
4.	Matters arising
5.	Interim Management Letter
6.	Audit Plan for the year ended 31 March 2011
7.	Risk Register Update
8.	Annual Assurance on Information Security
9.	Internal Audit Annual Report
10.	Internal Audit – 2010/11
11.	CIPFA Statement on Head of Internal Audit
12.	Audit Committee's Effectiveness
13.	Procurement of Internal Auditors
14.	Any Other Business
15.	Date of Next Meeting

## **Welcome**

The Chair welcomed and introduced Katharine Bryan, Non-Executive member of the Audit Scotland Board as a new member of the Audit Committee. The Chair also welcomed Terry Day, RSM Tenon and David Jeffcoat, Alexander Sloan to the meeting.

### 1. Apologies

There were no apologies.

### 2. Declaration of Interest

Terry Day, RSM Tenon declared an interest in item 13.

### 3. Minutes

The minutes of the meeting of 27 January 2011 were agreed as an accurate record and will be published, after amending a typing error on page 3, on the Audit Scotland website.

### 4. Matters arising from the minutes of 27 January 2011

#### **4.1 VAT Liabilities**

The Finance Manager updated the Audit Committee on progress towards establishing Audit Scotland's VAT liabilities for non-statutory work. RSM Tenon, who are advising on this work, have provisionally registered Audit Scotland with HM Revenue & Customs with an effective date of 2009. Work is underway to calculate the value of VAT liabilities.

The Audit Committee noted the update and requested a progress report at the next meeting.

#### **4.2 Audit Committee Minutes – Published on Audit Scotland Website**

The Chief Operating Officer confirmed that the Audit Committee minutes are now published on the Audit Scotland website once approved by the Committee.

#### **4.3 IT Security Report**

RSM Tenon confirmed that the IT Security report had been amended and re-issued.

#### **4.4 Audit Committee – Terms of Reference**

The Chief Operating Officer confirmed that the changes had been made to the Audit Committee's terms of reference as requested and published to the intranet.

#### **4.5 Procurement Plan**

The Chief Operating Officer confirmed that the internal audit procurement plan had been amended to include the role of the Board and a report will be submitted to the Board in June.

#### **4.6 CIPFA Statement from RSM Tenon**

This item was discussed at Item 11.

#### **Action(s):**

- ***The Finance Manager to report progress on establishing any VAT liabilities to the next meeting.***
- ***The Chief Operating Officer to prepare a paper for the June Board on internal audit procurement.***

### 5. Interim Management Letter

There was a report submitted by the Chief Operating Officer which provided the Audit Committee with the Interim Management Letter, prepared by Alexander Sloan for the Scottish Commission for Public Audit. The external auditors informed the Committee that no issues arose during their interim work and that an interim management letter would be issued annually.

The Audit Committee noted the Interim Management Letter.

6. Audit Plan for the year ended 31 March 2011

The audit plan for the year ended 31 March 2011 was submitted by the External Auditors. Andrew McBean of Alexander Sloan informed the Audit Committee of their approach to the audit and areas of particular focus such as the new international standards (ISAs) and areas of risk including provisions, work in progress, VAT registration, the general fund and pension fund.

Following discussion, the Audit Committee noted the contents of the plan.

7. Risk Register Update

***John Gilchrist, Manager (Audit Strategy) joined the meeting for this item***

The Assistant Auditor General introduced the updated risk register. The Audit Committee was informed that the number of risks had been reduced from 26 to 24, to reflect progress in some areas and the merger of some risks. The Committee discussed the register and whether risk ownership should change over time.

Following discussion, the Audit Committee welcomed the reduction in the number of identified risks and noted the revised risk register and requested that the Assistant Auditor General to provide a fuller explanation of changes in future risk register update reports.

**Action(s):**

- ***The Assistant Auditor General is to provide a fuller explanation in his report on future changes to the risk register.***

***John Gilchrist left the meeting.***

8. Annual Report of Information Security and Risk Management

***Lynn Bradley, Director of Corporate Programmes and Mandy Gallacher, Corporate Portfolio Manager joined the meeting.***

The Director of Corporate Programmes introduced the Annual Report on Information Security and Risk Management, which had been previously circulated. The Audit Committee was informed that further improvements had been made during the year to Audit Scotland's arrangements for managing information security and that further improvements identified from the Your Business at Risk information security survey would be taken forward this year.

The Director of Corporate Programmes provided assurance to the Committee that there was adequate resourcing in place to manage the workload in this area.

Following discussion, the Audit Committee noted the report.

The Chair noted that this would be Mandy Gallacher's last attendance at the Audit Committee. He thanked Mandy Gallacher for her contribution to Audit Scotland's work on information security and the Committee wished Mandy well in her new role.

9. Internal Audit Annual Report

Terry Day, RSM Tenon introduced the Internal Audit Annual Report, which had been previously circulated. He informed the Committee that the report was positive and that he was satisfied that the internal audit work conducted during the period enabled him to provide assurance on the adequacy and effectiveness of Audit Scotland's arrangements on governance, risk management and control.

The Audit Committee discussed the report and asked for clarification on whether there were any limitations or resource constraints imposed on RSM Tenon when forming the Internal Audit opinion in section 2.3 of their report.

Terry Day, RSM Tenon informed the Audit Committee that the assurance wording was standard, but that he would discuss the matter further with his firm and re-issue a revised report if necessary.

The Committee noted the report.

**Action(s):**

- ***RSM Tenon to investigate the wording on limitations or constraints and re-issue the report if necessary to make clearer whether limitations or constraints were imposed when arriving at their opinion.***

10. **Internal Audit – 2010/11**

There was submitted a report by the Chief Operating Officer on the Internal Audit – 2010/11 programme of work. The report was accompanied by five assurance and four advisory reports. The Chief Operating Officer informed the Committee that the advisory reports from RSM Tenon had been helpful in developing thinking about areas for corporate development and continuous improvement.

Following discussion, the Audit Committee requested:

- that a further report be provided by Audit Scotland on the efficiency savings from the implementation of the Electronic Working Papers (EWP) software when the review takes place in the autumn.
- clarification on the wording of the conclusion in the follow-up report.

The Chair of the Audit Committee and Audit Scotland's Accountable Officer thanked everyone for completing the work in time for the April meeting of the Audit Committee. Terry Day, RSM Tenon thanked the Committee and Audit Scotland for their co-operation.

The Audit Committee noted each of the reports.

***Lynn Bradley and Mandy Gallacher left the meeting.***

**Action(s):**

- ***The Director of Audit Services is to submit a report on the efficiency savings from the implementation of the EWP in the autumn***
- ***RSM Tenon to provide clarification on the meaning of the wording of the conclusion in their follow-up report***

11. **CIPFA Statement on the Role of the Head of Internal Audit**

The Chief Operating Officer introduced her report on the role of the Head of Internal Audit, which had been previously circulated. She outlined how the CIPFA statement on the role correlates to the internal audit arrangements at Audit Scotland.

The Audit Committee noted the report and the arrangements within Audit Scotland.

12. **Audit Committee Effectiveness**

The Chair of the Audit Committee submitted a report on the plan of work for 2011/12 to increase the effectiveness of the Audit Committee.

The members of the Audit Committee discussed the report and agreed to take action on the work plan over the coming year.

13. Procurement of Internal Auditors

***Terry Day, RSM Tenon declared an interest in this item and left the meeting.***

The Chief Operating Officer gave the Audit Committee a verbal update on the procurement of internal audit services for Audit Scotland. The Committee were informed that all prospective suppliers had submitted their tenders in time and that they were currently being evaluated prior to the organisations presenting them on 4 May.

The Audit Committee welcomed the update and noted that they hoped to be in a position for recommending a supplier of internal audit services to Audit Scotland to the Board meeting in June.

14. Any Other Business

***Terry Day re-joined the meeting.***

There was no further business.

15. Date of Next Meeting

The Chair of the Audit Committee closed the meeting by thanking the attendees for their time and effort.

The next Audit Committee meeting will be held on **Thursday, 9 June 2011** at **10.00hrs** and will be held in the offices of Audit Scotland, 110 George Street, Edinburgh.

Minutes of meeting of the **Audit Committee** of  
Audit Scotland held in the offices of  
Audit Scotland, 110 George Street, Edinburgh  
on **Thursday, 9 June 2011** at **10.00hrs**.

PRESENT: J Maclean (Chair)  
J Baillie

APOLOGIES: K Bryan

IN ATTENDANCE: R W Black, Auditor General for Scotland / Accountable Officer  
R Cleland, Chair of Audit Scotland Board  
R Frith, Assistant Auditor General  
D McGiffen, Chief Operating Officer  
D Hanlon, Corporate Finance Manager  
D Blattman, HR & OD Manager  
J Gilchrist, Manager (Audit Strategy)  
A Devlin, Corporate Planning and Data Protection Officer  
A McBean (Alexander Sloan)  
D Jeffcoat (Alexander Sloan)

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declaration of Interest
3.	Minutes
4.	Matters arising
5.	Annual Report on Fraud 2010/11
6.	Annual Report on the Quality Report 2010/11
7.	Annual Report on Health & Safety 2010/11
8.	Annual Review of the Register of Hospitality & Gifts
9.	Draft Statutory Accounts
10.	Draft Management Letter
11.	Annual Report from the Audit Committee
12.	Risk Register Update
13.	Procurement of Internal Audit in Audit Scotland
14.	Update to Counter Fraud Policy
15.	Audit Committee's Effectiveness
16.	Personal Data Incident/Loss
17.	Any Other Business
18.	Date of Next Meeting

1. **Apologies**

Apologies were received from Katharine Bryan.

2. **Declaration of Interest**

There were no declarations of interest.

3. **Minutes**

The minutes of the meeting of 28 April 2011 were agreed as an accurate record and will be published on the Audit Scotland website.

4. **Matters arising from the minutes of 28 April 2011**

**4.1 VAT Liabilities**

The Corporate Finance Manager updated the Audit Committee on progress since its April meeting and reported that Audit Scotland is registered with HM Revenue and Customs with an effective date of February 2009. It was noted that VAT invoices would be raised where appropriate and that a provision of £143,000 had been made in the annual accounts for VAT liabilities.

**4.2 Internal Audit Procurement**

This item was discussed at Item 13.

**4.3 Risk Register**

This item was discussed at Item 12.

**4.6 Internal audit annual report and follow-up report**

The Chief Operating Officer updated the Audit Committee on RSM Tenon's actions to clarify the wording in the above reports. The Audit Committee noted the proposals which would be considered further by John Baillie.

**4.5 EWP efficiency savings**

A report on EWP benefits would be considered.

**Action(s):**

- *John Baillie to consider the proposed changes as submitted by RSM Tenon.*
- *The Director of Audit Services is to submit a report on the efficiency savings from the implementation of the EWP to the autumn/winter meeting.*

5. **Annual Report on Fraud 2010/11**

The Chief Operating Officer introduced the annual report on fraud. The report highlighted the arrangements in place to reduce the likelihood of fraud and that there had been no identified or reported incidents during 2010/11.

Following discussion, the Audit Committee noted the report.

6. **Annual Quality Report 2010/11**

***John Gilchrist, Manager (Audit Strategy) joined the meeting for this item***

The Assistant Auditor General submitted to the Audit Committee the second annual Quality Report 2010/11. The report summarised the arrangements in place to maintain the quality of work, both by Audit Scotland and appointed firms, for the services provided to the Auditor General and the Accounts Commission.

The Chair welcomed the report and the assurance it gave on quality. Following discussion, including questions submitted by Katharine Bryan, the Audit Committee noted the report.

The Chair requested that the Assistant Auditor General follow-up with a reply to the questions outwith the meeting.

**Action(s):**

- ***The Assistant Auditor General to reply to the questions raised by Katharine Bryan***

***John Gilchrist, Manager (Audit Strategy) left the meeting.***

**7. Annual Report on Health & Safety 2010/11**

***David Blattman, HR& OD Manager joined the meeting for this item***

There was submitted a report by the Chief Operating Officer detailing the work of the Health & Safety Committee during 2010/11 and the progress made on strengthening health and safety arrangements. David Blattman gave an overview of the highlights in the report.

The Audit Committee requested further information on the absence chart and the category, "other absences".

The Audit Committee welcomed the progress that had been made on health and safety and, in particular, on supporting staff who were absent due to sickness and the subsequent reduction in sickness levels from 8.8 days on average in 2009/10 to 4.8 days in 2010/11.

The Audit Committee noted the report and the assurance provided on health and safety arrangements.

**Action(s):**

- ***David Blattman to provide detailed information on the 'other absences' category.***

***David Blattman, HR & OD Manager left the meeting***

**8. Annual Review of the Register of Hospitality and Gifts**

The Chief Operating Officer submitted the Annual Review of the Register of Hospitality and Gifts for 2010/11.

Following discussion, the Audit Committee noted and approved the content of the report.

**9. Draft Statutory Accounts**

The draft Statutory Accounts for 2010/11 were submitted for approval to the Audit Committee by the Corporate Finance Manager.

Following discussion, the Audit Committee requested a more detailed description of the Cash Equivalent Transfer Value and an amendment to the Chair's introduction.

The Audit Committee welcomed the report and agreed to recommend that the Board approve the Statutory Accounts subject to the amendments and that they be signed by the Auditor General.

**Action(s):**

- ***The Corporate Finance Manager to draft a more detailed description of the Cash Equivalent Transfer Value and amend the Chair's introduction.***

**10. Draft Management Letter**

The external auditor, Andrew McBean from Alexander Sloan Chartered Accountant, introduced the draft Audit Management Letter for the year ended 31 March 2011. The draft letter provided an unqualified audit opinion of Audit Scotland's statutory accounts, with two minor recommendations.

The Audit Committee raised a point for clarification in section 5.3 of the report and after discussion the external auditors agreed to make an amendment and would prepare a final version of the letter when they receive Audit Scotland's management responses to the recommendations.

The Audit Committee noted the draft Audit Management Letter.

The Chair thanked everyone involved in the preparation of the accounts for their contribution.

**Action(s):**

- *Andrew McBean, Alexander Sloan to amend 5.3 of the draft Management Letter.*
- *The Corporate Finance Manager to respond to the draft Management Letter.*

**11. Annual Report from the Audit Committee**

There was submitted by the Chair a draft annual report on the work of the Audit Committee during 2010/11.

Following discussion, the Audit Committee approved the report and recommended that it be submitted to the Board.

**12. Risk Register Update**

***John Gilchrist, Manager (Audit Strategy) re-joined the meeting***

There was submitted by the Assistant Auditor General an updated risk register. The Audit Committee noted that there had been very few changes since the meeting in April. However, the new risk register contained one main change at Risk 24 and two minor changes at Risk 9 and 23.

Following discussion the Audit Committee requested that the Assistant Auditor General consider revised descriptions for risks and present them at the next meeting.

Following discussion, the Audit Committee agreed that the net risk score for corporate risk number one should be reduced due to the controls in place.

The Audit Committee noted the updated risk register.

**Action(s):**

- *The Assistant Auditor General to prepare a report for the next meeting on the revised risk register descriptions and amend the net score for Risk 1.*

**13. Procurement of Internal Audit in Audit Scotland**

There was submitted a report by the Chair of the Audit Committee on the procurement of internal audit services for Audit Scotland. The report concluded that BDO LLP should be recommended to the Board for approval as the preferred supplier of audit services to Audit Scotland.

The Audit Committee noted the report and agreed that BDO LLP be recommended to the Board for approval.

**Action(s):**

- ***The Chair of the Audit Committee to submit a report to the Board recommending approval of BDO LLP as preferred supplier of internal audit services to Audit Scotland.***

**14. Update to Counter Fraud Policy**

There was submitted a report by the Assistant Auditor General recommending changes to Audit Scotland's Counter Fraud Policy as a result of the Bribery Act 2010 and internal restructuring.

The Audit Committee approved the updated Counter Fraud Policy.

***John Gilchrist, Manager (Audit Strategy) left the meeting***

**15. Audit Committee's Effectiveness**

The Chair of the Audit Committee introduced a discussion paper on the Audit Committee's effectiveness. The paper invited a discussion on the quorate numbers in the Audit Committee's terms of reference.

Following discussion, the Audit Committee agreed that the current rules on quorate numbers were adequate and that no change was required.

**16. Personal Data Incident/Loss**

There was submitted a report by the Chief Operating Officer on two personal data incidents/losses.

Following discussion, the Audit Committee noted the report.

**17. Any Other Business**

There was no further business.

**18. Date of Next Meeting**

The next meeting will be held on **Thursday, 22 September 2011\*** at **10.00hrs** and will be held in the offices of Audit Scotland, 110 George Street, Edinburgh.

**\*Please note: date subsequently moved to 29 September 2011 at 10.00hrs**

Minutes of meeting of the **Audit Committee** of  
Audit Scotland held in the offices of  
Audit Scotland, 110 George Street, Edinburgh  
on **Thursday, 29 September 2011** at **10.00hrs.**

PRESENT: J Maclean (Chair)  
J Baillie  
K Bryan

APOLOGIES: None

IN ATTENDANCE: R W Black, Auditor General for Scotland / Accountable Officer  
R Cleland, Chair of Audit Scotland Board  
R Frith, Assistant Auditor General  
D McGiffen, Chief Operating Officer  
A Devlin, Corporate Planning and Data Protection Officer  
A McBean (Alexander Sloan)  
C Wright (BDO LLP)  
A Hewitson (BDO LLP)

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declaration of Interest
3.	Minutes
4.	Matters arising
5.	Audit Committee's Terms of Reference Review
6.	Audit Committee' Effectiveness
7.	Corporate Risk Register
8.	Internal Audit Recommendations – Progress Report
9.	Internal Audit Recommendations – Assurance Map
10.	Internal Audit Plan 2011/12
11.	Personal Data Incident/Loss
12.	Scheme of Delegation
13.	External Auditor Management Letter (Final)
14.	Any Other Business
15.	Date of Next Meeting

1. **Apologies**

No apologies were given.

The Chair of the Audit Committee welcomed Craig Wright and Alastair Hewitson from BDO LLP, to their first meeting as Audit Scotland's internal auditors.

2. **Declaration of Interest**

There were no declarations of interest.

3. **Minutes**

The minutes of the meeting of 9 June 2011 were agreed as an accurate record and will be published on the Audit Scotland website.

4. **Matters arising from the minutes of 28 April 2011**

4.1 **Internal Audit Annual Report and follow-up report**

John Baillie had considered the proposed changes as submitted by RSM Tenon.

4.2 **EWP Savings**

The Chief Operating Officer advised the Audit Committee that this work was now included in the draft internal audit and the revised timescale is January 2012.

**Action(s):**

- ***The Director of Audit Services is to submit a report on the efficiency savings from the implementation of the EWP in January 2012.***

4.3 **Questions submitted by Katharine Bryan**

The Assistant Auditor General confirmed that he would reply to Katharine Bryan's questions over the next few days.

4.7 **Annual Report on Health & Safety 2010/11**

The Chief Operating Officer provided examples of the types of absences which fell into the "other absences" category in the absence chart which was included in the report. She also confirmed that the recorded accidents had taken place on Audit Scotland premises.

4.5 **Draft Statutory Accounts**

The Chief Operating Officer confirmed that the Corporate Finance Manager had provided a more detailed description of the Cash Equivalent Transfer Value and had amended the Chair's introduced.

4.6 **Draft Management Letter**

Andrew McBean, Alexander Sloan confirmed that the Management Letter had been amended at 5.3 as requested and that the final version would be discussed at item 13.

4.7 **Corporate Risk Register**

This item was discussed at Item 7.

4.8 **BDO LLP**

The Chair confirmed that a report had been submitted to the Board at its August meeting recommending BDO LLP as preferred supplier of internal audit services to Audit Scotland.

5. **Audit Committee's Terms of Reference**

There was submitted a report by the Chief Operating Officer on the Audit Committee's Terms of Reference, which had been previously circulated.

The Chair reminded the Audit Committee that the Terms of Reference would be included in each agenda for noting.

The Audit Committee discussed the changes and approved them subject to an inclusion on the rule from the Standing Orders concerning the Chair of the Board not being eligible to be an Audit Committee member.

Craig Wright indicated that he had some suggestions for revising the Terms of Reference that he would take forward in discussion with the Chief Operating Officer.

**Action(s):**

- ***The Chief Operating Officer to amend the Audit Committee's Terms of Reference to include the non-eligibility of the Chair of the Board being a member of the Audit Committee.***
- ***Craig Wright and the Chief Operating Officer to discuss further revisions.***

**6. Audit Committee Effectiveness**

There was submitted a report by the Chief Operating Officer on Audit Committee Effectiveness, which had been previously circulated.

Following discussion, the Audit Committee agreed the following:

- To include in the Standing Orders a general statement on the termination of Board members and the applicable legislation.
- To receive copies of the draft annual accounts at the same time as the external auditors and raise any concerns with the Chair of the Audit Committee who can then determine whether an additional meeting is required before the accounts are presented for approval.
- To review the draft letter of representation and non-standard issues.
- To retain flexibility with Any Other Business items.

**Action(s):**

- ***The Chief Operating Officer to include in the next review of Audit Scotland's Standing Orders a general statement on the termination of Board membership.***
- ***Audit Scotland's Finance Manager to provide a copy of the draft annual accounts to the Audit Committee members at the same time as these are sent to the external auditors.***

**7. Corporate Risk Register**

There was submitted a report by the Assistant Auditor General on the Corporate Risk Register, which had been previously circulated. The Assistant Auditor General informed the Audit Committee that the Risk register was due its formal three yearly review.

Following discussion, it was agreed to hold a joint Audit Committee and Board meeting, facilitated by BDO LLP, to review and refresh the Corporate Risk Register.

**Action(s):**

- ***The Assistant Auditor General is to co-ordinate an event to review and refresh the Corporate Risk Register***

**8. Internal Audit Recommendations – Progress Report**

There was submitted a report by the Chief Operating Officer on the Internal Audit Recommendations Progress Report, which had been previously circulated.

Following discussion, the Audit Committee noted the progress on the implementation of the audit recommendations.

**9. Internal Audit Recommendations – Assurance Map**

There was submitted a report by the Chief Operating Officer on the Internal Audit Recommendations Assurance Map report, which had been previously circulated.

Craig Wright indicated that he would consider the forthcoming assurances that the Audit Committee would receive in support of the statement of internal control and, subject to further discussion with the Chief Operating Officer, report back to the Audit Committee at its next meeting. The Audit Committee also agreed that a more formal approach should be established between internal and external auditors.

The Audit Committee noted the actions taken by the Management Team within the report.

**Action(s):**

- ***The Chief Operating Officer to discuss with BDO LLP the forthcoming assurances the Audit Committee will receive in line with the Audit Committee's Terms of Reference and report back to the Audit Committee at its next meeting.***

**10. Internal Audit Plan 2011/12**

Craig Wright, BDO, LLP submitted the Draft Internal Audit Plan 2011-12 report, which had been previously circulated.

The Audit Committee discussed the draft plan and requested that the internal audit of the IT strategy should be brought forward by a year to 2012-13.

The Audit Committee approved the Internal Audit Plan.

**Action(s):**

- ***BDO LLP to bring forward by one year the IT strategy audit within the internal audit plan.***

**11. Personal Data Incident**

The Audit Committee considered a report by the Chief Operating Officer on two personal data incidents. The Audit Committee was informed that the incidents had not led to a loss of information and advised of the actions taken.

The Audit Committee noted the report.

**12. Scheme of Delegation**

There was submitted a report by the Chief Operating Officer on the annual review of Audit Scotland's Scheme of Delegation.

Following discussion, the Audit Committee agreed to recommend approval of the Scheme of Delegation to the Board.

**Action(s):**

- ***The Scheme of Delegation to be recommended to the Board for approval.***

**13. External Auditor Management Letter**

Andrew McBean, Alexander Sloan introduced the External Audit Management Letter, which had been submitted to the Scottish Commission for Public Audit. The Audit Committee were informed that the change had been made to the letter as requested at the previous Audit Committee meeting and that Audit Scotland's management response had been received.

The Audit Committee noted the letter.

14. **Any Other Business**

There was no further business.

15. **Date of Next Meeting**

The next meeting will be held on **Thursday, 26 January 2011** at **10.00hrs** and will be held in the offices of Audit Scotland, 110 George Street, Edinburgh.