



**MINUTES OF AUDIT SCOTLAND AUDIT COMMITTEE**

**MEETINGS 2014**

Minutes of meeting of the **Audit Committee** of  
Audit Scotland held in the offices of  
Audit Scotland, 110 George Street, Edinburgh  
on **Thursday, 23 January 2014** at 10.00hrs.

**PRESENT:** J Maclean (Chair)  
K Bryan  
D Sinclair  
H Logan

**APOLOGIES:** None

**IN ATTENDANCE:** R Cleland, Chair of Audit Scotland Board  
C Gardner, Auditor General for Scotland / Accountable Officer  
D McGiffen, Chief Operating Officer  
D Hanlon, Corporate Finance Manager  
L Bradley, Director of Corporate Programmes and Performance  
A McBean, Alexander Sloan, External Auditors  
C Robertson, BDO LLP, Internal Auditors  
C Wright, BDO LLP, Internal Auditors

<b><u>Item No</u></b>	<b><u>Subject</u></b>
1.	Apologies
2.	Declarations of Interest
3.	Introduction
4.	Minutes
5.	Matters arising
6.	Audit Committee Terms of Reference
7.	Standing Orders Annual Review
8.	Internal Audit Plan – Proposed Amendment
9.	Internal Audit Recommendations – Progress Report
10.	Internal Audit 2013-14
11.	Internal Audit Plan – Progress Report 2013-14
12.	2013-14 Statutory Accounts Timetable
13.	Biennial Review of the Risk Policy and Strategy
14.	Corporate Risk Register
15.	Data/Incident Loss
16.	Internal Audit Procurement
17.	AOB
18.	Date of Next Meeting

1. **Apologies**

There were no apologies received.

2. **Declaration of Interest**

It was noted that BDO LLP had an interest in item 16, Internal Audit Procurement, and so would not be present for that item.

3. **Introduction**

The Chair of the Board welcomed Douglas Sinclair and Heather Logan to their first formal meeting at Audit Scotland.

4. **Minutes**

The minutes of the meeting of 24 October 2013 were approved.

5. **Matters arising from the minutes of 24 October 2013**

5.1 **Annual Review of Members' Code of Conduct (Item 6)**

The Chair reported that the Members' Code of Conduct had been approved by the Board.

5.2 **Internal Audit Procurement Report (Item 12)**

The Chief Operating Officer has prepared a further procurement paper at **item 16**.

6. **Audit Committee Terms of Reference**

The Chair invited comments from members on the Audit Committee's Terms of Reference, which had been previously circulated. There was discussion about the indicative checklist of items and it was agreed that the Chief Operating Officer would revisit the agenda content for future meetings to reflect the expanded Audit Committee membership. In particular, it was agreed that financial reporting arrangements would be revised so that financial information is presented to the Audit Committee before being presented to the Board.

**Action(s)**

- ***The Chief Operating Officer to review the agenda content for future Audit Committee meetings and report back to the April 2014 meeting of the Committee.***

7. **Standing Orders Annual Review**

The Chief Operating Officer introduced a report on the annual review of Standing Orders, which had previously been circulated. The Chief Operating Officer invited the Audit Committee to review the changes and recommend that the Board approve the Standing Orders for the next 12 months.

Following discussion, the Audit Committee agreed to recommend that the Board approve the Standing Orders for the next 12 months.

**Action(s)**

- ***The Chair to recommend the revised Standing Orders to the Board at its February 2014 meeting.***

## **8. Internal Audit Plan - Proposed Amendment**

The Chief Operating Officer introduced a report on the Internal Audit Plan, which had been previously circulated. The Chief Operating Officer invited the Audit Committee to approve the proposal to defer the ISO 27001 review from the 2013/14 annual audit plan.

Following discussion, the Audit Committee approved the proposed amendment to the Internal Audit Plan.

## **9. Internal Audit Recommendations – Progress Report**

The Chief Operating Officer introduced the Internal Audit Recommendations - Progress Report, which had been previously circulated. The Chief Operating Officer invited the Audit Committee to note progress in implementing 2012/13 and 2013/14 internal audit report recommendations.

Following discussion, the Audit Committee noted the report and the progress made.

## **10. Internal Audit 2013/14**

Three internal audit assurance reports, which had previously been circulated, were submitted by the Chief Operating Officer on:

- Performance Management Framework – substantial assurance.
- Financial Planning – substantial assurance.
- Cost of Audit – substantial assurance.

BDO LLP provided an overview of the audits and the assurance provided.

Following discussion the Audit Committee noted the reports and the assurance these provided.

## **11. Internal Audit Progress Report – 2013/14**

There was submitted a report by BDO LLP on their progress in conducting the 2013/14 internal audits against the audit plan, which had been previously circulated.

BDO LLP advised the Audit Committee that the work on Risk Management had been completed during the quarter but that the report would be submitted to the Audit Committee in April 2014.

Following discussion, the Audit Committee noted the progress on the programme of internal audits for 2013/14 and that the remaining audit reports would be submitted to the April 2014 Audit Committee meeting.

## **12. Statutory Accounts 2013/14 Timetable**

The Chief Operating Officer introduced a report on the proposed timetable to complete the Statutory Accounts for the year ended 31 March 2014, which had been previously circulated.

Following discussion, the Audit Committee noted and approved the proposed timetable for completion of the 2013/14 Statutory Accounts.

**13. Biennial Review of the Risk Policy and Strategy**

**L Bradley, Director of Corporate Programmes and Performance, joined the meeting.**

There was submitted a report by the Director of Corporate Programmes and Performance on the review of Risk Management Policy and Strategy, which had been previously circulated.

The Director set out the background to a wider review of risk management she was leading and invited the Audit Committee to approve the minor changes to the Risk Management Policy and Strategy in the interim.

Following discussion, the Audit Committee approved the amended Risk Management Policy and Strategy.

It was agreed that the Director of Corporate Programmes and Performance would meet with Heather Logan and Craig Wright, BDO LLP, to discuss the internal audit review of risk management and the approaches being developed.

**Action(s)**

- ***The Director of Corporate Programmes and Performance to discuss risk management arrangements with Heather Logan and Craig Wright.***

**14. Corporate Risk Register**

There was submitted a report by the Director of Corporate Programmes and Performance on the Corporate Risk Register, which had been previously circulated.

The Director of Corporate Programmes and Performance advised the Audit Committee that no amendments have been made to the overall net risk scores.

Following discussion, the Audit Committee noted the report.

**L Bradley, Director of Corporate Programmes and Performance, left the meeting.**

**15. Data/Incident Loss**

There was submitted a report by the Chief Operating Officer on Data/Incident Loss, which had been previously circulated.

The Chief Operating Officer informed the members that the two incidents in the report were minor in nature.

The Audit Committee noted the report.

**16. Internal Audit Procurement Report**

**C Wright and C Robertson, BDO LLP left the meeting.**

There was submitted a report by the Chief Operating Officer on the procurement of future internal audit services, which had been previously circulated.

The Chief Operating Officer invited the members to approve the proposed internal audit procurement arrangements and recommend them to the Board.

Following discussion, the Audit Committee agreed to recommend the tender specification and procurement plan to the Board, subject to amendment to be agreed with the Chair. The Audit Committee discussed conflicts of interest, and the Chief Operating Officer reported that she had requested advice from the Assistant Auditor General, who had submitted apologies for today's meeting. The Chief Operating Officer advised that the Assistant Auditor General would prepare a briefing note for the Chair.

**Action(s)**

- ***The Assistant Auditor General to prepare a briefing note for the Chair.***
- ***The Chair to recommend the Internal Audit Procurement Specification and Plan to the Board.***

**17. Any Other Business**

There was no other business.

**18. Date of Next Meeting**

The next meeting will be held on **Thursday, 24 April 2014** 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, 24 April 2014** at 10.00hrs.

**PRESENT:** J Maclean (Chair)  
I Leitch  
D Sinclair  
H Logan

**APOLOGIES:** None

**IN ATTENDANCE:** R Cleland, Chair of Audit Scotland Board  
C Gardner, Auditor General for Scotland / Accountable Officer  
D McGiffen, Chief Operating Officer  
D Hanlon, Corporate Finance Manager  
R Frith, Assistant Auditor General (from item 5)  
A Devlin, Corporate Governance Manager  
L Bradley, Director of Corporate Programmes and Performance  
P O'Brien, Senior Manager (Technical) Audit Strategy  
A McBean, Alexander Sloan, External Auditors  
D Jeffcoat, Alexander Sloan, External Auditors  
C Robertson, BDO LLP, Internal Auditors

<b><u>Item No</u></b>	<b><u>Subject</u></b>
1.	Apologies
2.	Declarations of Interest
3.	Minutes
4.	Matters arising
5.	Audit Committee Terms of Reference
6.	External Audit Plan for year ended 31 March 2014
7.	2013/14 Internal Audit Reports
8.	2013/14 Internal Audit Annual Report
9.	Risk Management Review
10.	Corporate Risk Register
11.	Auditing Developments
12.	2013/14 Annual Assurance Report on Information Security and Data Incident Report
13.	Internal Audit Procurement
14.	AOB
15.	Date of Next Meeting

## 1. **Apologies**

There were no apologies received.

Introduction - The Chair of the Audit Scotland Board welcomed Ian Leitch to his first formal meeting at Audit Scotland.

Tabled documents – An updated agenda, covering paper for the corporate risk register and the annual assurance report on information governance and security were tabled at the meeting due to drafting errors in the previously distributed documents.

## 2. **Declaration of Interest**

There were no declarations of interests.

## 3. **Minutes**

The minutes of the meeting of 23 January 2014, which had been previously circulated, were approved as an accurate record.

## 4. **Matters arising from the minutes of 23 January 2014**

### 4.1 **Audit Committee Terms of Reference (Item 6)**

The Chief Operating Officer updated the Audit Committee on the review of the Audit Committee's terms of reference and had prepared a report for **item 5**.

A point was raised about the number of members who could be co-opted to the Audit Committee and whether the number should be limited. Following discussion, the point was noted for future review of the Terms of Reference.

### 4.2 **Standing Orders Annual Review (Item 7)**

The Chair reported that the revised Standing Orders had been approved by the Board at its February 2014 meeting.

### 4.3 **Biennial Review of the Risk Policy and Strategy (Item 13)**

It was confirmed that Heather Logan, Lynn Bradley and representatives from BDO LLP had met to discuss risk management. It was noted that a further report would be discussed at **item 9**.

### 4.4 **Internal Audit Procurement Report (Item 16)**

The Chair reported that he had received a briefing paper from the Assistant Auditor General on conflicts of interest.

## 5. **Audit Committee Terms of Reference**

**The Assistant Auditor General joined the meeting.**

The Chair invited comments from members on the Audit Committee's Terms of Reference, which had been previously circulated.

The Chief Operating Officer advised the Audit Committee the quarterly financial reports would be presented to the Audit Committee from the Q4 report that would be on the 5 June 2014 agenda and that reporting and Audit Committee meeting dates would be reviewed to ensure financial reports are submitted to the Audit Committee before being considered by the Board.

**Action(s)**



- **The Chief Operating Officer to review financial reporting dates and Audit Committee dates.**

## **6. External Audit Plan for year ended 31 March 2014**

There was submitted a report by Alexander Sloan on the External Audit Plan for the year ended 31 March 2014, which had been previously circulated.

Andy McBean, Alexander Sloan, provided an overview of the key areas of the audit and advised the Audit Committee that the plan had been submitted to the Scottish Commission for Public Audit. Andy McBean informed members that although the audit fee had remained unchanged for the past three years, it had been increased this year in line with the retail price index (RPI).

Following discussion of the report, clarification on VAT discussions with HMRC and an amendment to paragraph 2.7 (change Auditor General to Accountable Officer), the Audit Committee noted the Plan.

David Hanlon provided a verbal update to the Committee on VAT.

### **Action(s)**

- **Alexander Sloan to amend paragraph 2.7 of the external audit plan. (June 2014)**

## **7. 2013/14 Internal Audit Reports**

The Chief Operating Officer introduced a report on the remaining internal audit reports for 2013/14. Four reports had been circulated on:

- Data Security
- IT Procurement
- CPP
- Follow-up Review.

Claire Robertson, BDO LLP provided an overview of the audit work undertaken by BDO and the assurance provided.

A discussion took place on a number of points from the reports:

- The Chief Operating Officer highlighted the assurance given for the Data Security audit should read reasonable assurance rather than moderate assurance.
- Clarification was sought by the members on progress on the Data Security recommendations. The Chief Operating Officer agreed to report back to the Audit Committee on this in June 2014.
- The Audit Committee requested information on the process of providing assurances for the background information leading to the Accountable Officer's governance statement in June 2014.
- The Audit Committee discussed progress on the remaining recommendation in the follow-up report on the Agency Staff Value for Money review. The Chief Operating Officer clarified the work underway on resourcing and provided assurance that this was actively managed by the business group. It was agreed that the explicit deadlines should be set in reports.
- A number of drafting errors were found by the members in the reports. It was agreed, BDO LLP would amend and reissue the reports by June 2014.

The Audit Committee members expressed their satisfaction with the CPP report and the Chair of the Accounts Commission requested that it be circulated to Accounts Commission members.

Following discussion, the Audit Committee noted the reports and the excellent progress on implementation of recommendations by Audit Scotland staff.

**Action(s)**

- **BDO LLP to amend drafting errors in the reports and amend the assurance given for the Data Security report to reasonable assurance. (June 2014)**
- **The Chief Operating Officer to report back to the Audit Committee on progress of the Data Security recommendations. (June 2014)**
- **The Chief Operating Officer to provide background information leading to the Accountable Officer's governance statement for the next meeting. (June 2014)**
- **The Chief Operating Officer to provide the Community Planning Partnership report for distribution to the Accounts Commission's Business Manager. (May 2014)**

**8. 2013/14 Internal Audit Annual Report**

Claire Robertson, BDO LLP introduced the Internal Audit Annual Report, which had been previously circulated.

Following discussion and clarification on amendments to the annual audit plan of work, the Audit Committee noted the report and the progress made.

**9. Risk Management Review**

**L Bradley, Director of Corporate Programmes and Performance, joined the meeting.**

There was submitted a report by the Director of Corporate Programmes and Performance on the Risk Management Review, conducted by BDO LLP, which had been previously circulated.

The Chair of the Audit Committee asked that the latest good practice guide for Audit Committees be circulated to members before the next meeting and for a more detailed examination of one of the corporate risks to take place.

The Director of Corporate Programmes and Performance provided an overview of the improvement work underway to develop a new risk management policy and strategy.

Claire Robertson, BDO LLP also provided an overview of the risk management report, which has been circulated and which assessed how Audit Scotland's risk management approach compared to BDO's risk maturity model.

A discussion took place on what other maturity models were available and if they differed from BDO LLP's and what is or would be considered the appropriate and proportionate approach to risk management for Audit Scotland.

Members asked if Audit Committee reports are published on the website. Members were advised that agendas and minutes are published on our website and reports are listed in the Audit Scotland publication scheme and would be available if requested.

Following discussion the Audit Committee noted the report.

**Action(s)**

- **The Chief Operating Officer is to distribute the latest good practice guide for Audit Committees prior to the next meeting. (May 2014)**

## **10. Corporate Risk Register**

There was submitted a report by the Director of Corporate Programmes and Performance on the Corporate Risk Register, which had been previously circulated.

The Director of Corporate Programmes and Performance advised the Audit Committee that no amendments had been made to the overall net risk scores. Members were also advised that a paper on a new risk strategy would be submitted to the next meeting.

Members discussed the current register and requested consideration be given, for the next version of the register, to monitoring and controls, the level of detail in the register and the language used. It was also agreed to reflect more fully the Management Team discussion on risks in the quarterly covering report on the risk register.

Following discussion, the Audit Committee noted the report.

### **Action(s)**

- **The Director of Corporate Programmes and Performance to ensure that issues raised by Audit Committee members are addressed in the new draft risk strategy and format of the next risk register in June 2014. (June 2014)**

## **12(a). 2013/14 Annual Assurance Report on Information Governance and Security**

The Chair, with the agreement of the members took agenda item 12(a) at this time due to the presence of the Director of Corporate Programmes and Performance at the meeting.

The Director of Corporate Programmes and Performance introduced the annual assurance report on information governance and security, which has been previously circulated.

The Audit Committee were given an overview of the report and work undertaken during 2013/14 to mitigate information security risks. The Audit Committee were informed that a number of areas had been highlighted for focused work in 2014/15.

Following discussion, the Audit Committee noted the report.

**L Bradley, Director of Corporate Programmes and Performance, left the meeting.**

## **11. Auditing Developments**

**Paul O'Brien, Senior Manager (Technical) Audit Strategy joined the meeting.**

There was submitted a report by the Assistant Auditor General on Audit Developments, which had been previously circulated. Paul O'Brien, Senior Manager, provided an overview of the report.

The Audit Committee members asked for clarification on the hierarchy and role of the standard setting bodies in the report. Clarification and guidance was provided by the Auditor General and Assistant Auditor General.

Following discussion, the Audit Committee noted the report and requested a yearly update paper.

**Paul O'Brien, Senior Manager (Technical) Audit Strategy left the meeting.**

**Action(s)**

- **The Assistant Auditor General to provide an annual update to the Audit Committee on Audit Developments. (April 2015)**

**12(b). Data Incidents**

There was submitted a report by the Chief Operating Officer, which had been previously circulated, on a data incident.

The Chief Operating Officer informed the Audit Committee members that the incident in the report was minor in nature.

The Audit Committee noted the report.

**14. Any Other Business**

Due to the confidential nature of agenda item 13, the Chair re-ordered the agenda and took any other business before item 13.

There was no other business.

**Claire Robertson, BDO LLP left the meeting due to a conflict of interest with item 13.**

**13. Internal Audit Procurement Report**

There was submitted a report by the Chair of the Audit Committee on the procurement of internal audit services, which had been previously circulated.

The Chair updated Audit Committee members on the process and outcome and invited the members to recommend TIAA as the supplier of internal audit services to Audit Scotland, to the Board for approval.

Following discussion, the Audit Committee agreed to recommend TIAA to the Board for approval.

**Action(s)**

- **The Chair of the Audit Committee is to recommend to the Board that they approve TIAA as internal auditors until 31 March 2017.**

**15. Date of Next Meeting**

The next meeting will be held on **Thursday, 5 June 2014 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, 5 June 2014** at 10.00hrs.

**PRESENT:** J Maclean (Chair)  
I Leitch  
D Sinclair  
H Logan

**APOLOGIES:** None

**IN ATTENDANCE:** R Cleland, Chair of Audit Scotland Board  
C Gardner, Auditor General for Scotland/Accountable Officer  
D McGiffen, Chief Operating Officer  
D Hanlon, Corporate Finance Manager  
R Frith, Assistant Auditor General  
A Devlin, Corporate Governance Manager  
F Kordiak, Director of Audit Services  
F McKinlay, Director of PABV and Controller of Audit  
L Bradley, Director of Corporate Programmes and Performance  
J Stevenson, Audit Manager, Audit Strategy  
D Blattman, HR&OD Manager  
A McBean, Alexander Sloan, External Auditors  
D Jeffcoat, Alexander Sloan, External Auditors  
A Fife, TIAA, Internal Auditors

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1.	Apologies
2.	Declarations of Interest
3.	Minutes
4.	Matters arising
5.	Audit Committee Terms of Reference
6.	Update on Internal Audit Plan
7.	Review of Corporate Risk Register
8.	Transparency and Quality Report 2013/14
9.	2013/14 Annual Report on Bribery and Fraud
10.	2013/14 Annual Report on Health and Safety
11.	2013/14 Annual Review of the Register of Hospitality and Gifts
12.	2013/14 Annual Report on Whistleblowing
13.	2013/14 Governance statement on Internal Control and Certificate of Assurance
14.	Q4 Financial Performance Results 2013/14
15.	Audit Management Letter
16.	2013/14 Draft Annual Report and Accounts
17.	2013/14 Annual Report from the Chair of the Audit Committee to the Board
18.	Financial Regulations and Scheme of Delegation
19.	AOB
20.	Date of Next Meeting

## 1. Apologies

There were no apologies received.

Tabled documents – The final versions of the follow-up and data security reports from BDO LLP were tabled and made available for Audit Committee members.

## 2. Declaration of Interest

There were no declarations of interests.

## 3. Minutes

The minutes of the meeting of 24 April 2014, which had been previously circulated, were approved as an accurate record subject to a minor amendment on page 3 replacing the word 'assumptions' with 'assurances'.

## 4. Matters arising from the minutes of 24 April 2014

### 4.1 **Audit Committee Terms of Reference (Item 5)**

The Chief Operating Officer informed the Audit Committee that the review of the Audit Committee's meeting dates and financial report dates would be considered under agenda **item 5**.

### 4.2 **External Audit Plan for year ended 31 March 2014 (Item 6)**

Andy McBean confirmed that paragraph 2.7 in the external audit plan had been amended and resubmitted to Audit Scotland.

### 4.3 **2013/14 Internal Audit Reports (Item 7)**

- **BDO LLP to amend drafting errors in the follow-up report and amend the assurance given for the Data Security report to reasonable assurance.**  
It was noted that the revised reports had been issued to Audit Scotland. The reports were tabled at the meeting.
- **The Chief Operating Officer to report back to the Audit Committee on progress of the Data Security recommendations.**  
The Chief Operating Officer informed the Audit Committee that the Data Security recommendations had been implemented and would be reported under agenda **item 6**.
- **The Chief Operating Officer to provide background information leading to the Accountable Officer's governance statement for the next meeting.**  
It was noted that the Chief Operating Officer had provided Audit Committee members with a flow chart showing the assurances leading to the Accountable Officer's governance statement and that the Governance Statement would be discussed further under agenda **item 13**.
- **The Chief Operating Officer to provide the Community Planning Partnership report for distribution to the Accounts Commission's Business Manager.**  
The Chief Operating Officer confirmed that the Community Planning Partnership report had been sent to the Secretary to the Accounts Commission for distribution to the Accounts Commission Members.

#### **4.4 Risk Management Review (Item 9)**

It was noted that the latest good practice guides had been distributed to members of the Audit Committee and that there would be further discussion at the risk workshop on 20 August 2014.

#### **4.5 Corporate Risk Register (Item 10)**

It was noted that the Corporate Risk Register would be discussed at agenda item 7.

#### **4.6 Internal Audit Procurement Report (Item 13)**

The Chair of the Audit Committee reported that at its meeting in May 2014, the Board had approved TIAA as internal auditors to 31 March 2017.

### **5. Audit Committee Terms of Reference**

The Chair invited comments from members on the Audit Committee's Terms of Reference and on the paper submitted by the Chief Operating Officer, which had been previously circulated.

The Chief Operating Officer advised the Audit Committee that to align financial reporting to Audit Committee meetings there would have to be an additional two meetings in 2014 and one in 2015. If approved, this would result in five Audit Committee meetings a year from 2015 rather than the current four.

The Audit Committee members requested a review of the Committee's terms of reference under sections two and twelve regarding approval of co-optees and voting rights. The Chief Operating Officer agreed to incorporate the review of the terms of reference along with work underway on other governance documents which would be considered in September.

Following discussion, the Audit Committee agreed to the additional meetings and realignment of Audit Committee meeting dates.

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

- **The Chief Operating Officer to review the Audit Committee's terms of reference. (18 September 2014)**

### **6. Update on Internal Audit Recommendations**

There was submitted a report by the Chief Operating Officer, which had been previously circulated, on progress made implementing Audit Scotland's internal audit recommendations.

The Chief Operating Officer informed the Audit Committee that good progress was being made on the 2013/14 audit recommendations.

Following discussion, the Audit Committee noted the report and the progress made.

## 7. Review of Corporate Risk Register

**Lynn Bradley, Director of Corporate Programmes and Performance, Fiona Kordiak, Director of Audit Services and Fraser McKinlay, Director of PABV and Controller of Audit joined the meeting.**

There was submitted a report by the Director of Corporate Programmes and Performance on the Corporate Risk Register, which had been previously circulated.

The Director of Corporate Programmes and Performance advised the Audit Committee that the internal auditors still had to be consulted on the draft risk policy and strategy and it would be presented at a future meeting. However, changes had been made to improve the register pending the outcome of the risk review later in the year.

Audit Committee members requested further work be undertaken on the register and risk process including:

- Clearer explanations when risk scores are reduced
- The level of risk appetite, for example whether more risk be taken to help with innovation
- Reputational risk
- Clarity on stakeholders roles in supporting public audit.

The Audit Committee members discussed the next risk for interrogation. Following discussion the members agreed risk two – independence and impartiality. The Audit Committee members also requested that the risks be put in order for review. The members were informed this would be done as part of the general review of risk that will be taking place over the summer and report back to the Audit Committee in the autumn,

### **Action(s)**

- **The Director of Corporate Programmes and Performance to address the issues above during the continued risk review and forthcoming risk workshop and report back in the autumn. (18 September 2014)**

**L Bradley, Director of Corporate Programmes and Performance, left the meeting.**

## 8. Transparency and Quality Report

**Joanna Stevenson, Audit Manager joined the meeting.**

There was submitted a report by the Assistant Auditor General on Transparency and Quality for 2013/14, which had been previously circulated.

The Assistant Auditor General introduced the report and informed the Audit Committee that this type of reporting is required by large audit firms and has been adopted by some other national agencies.

The Audit Committee discussed, sought and received clarification from the Assistant Auditor General and Joanna Stevenson, Audit Manager on a number of points in the report including contract management and terms for the firms undertaking audits on behalf of the Auditor General and Accounts Commission and the development of new terms for the next appointment process.

Following discussion, the Audit Committee noted the report and the assurance that it provided.



**Action(s)**

- **The Assistant Auditor General to revise the Transparency & Quality Report to reflect the discussion. (June 2014)**

**Joanna Stevenson, Audit Manager left the meeting.**

**9. 2013/14 Annual Report on Bribery and Fraud**

There was submitted the 2013/14 Annual Report on Bribery and Fraud by the Chief Operating Officer, which had been previously circulated.

Following discussion, the Audit Committee noted the arrangements in place during the year to prevent and detect fraud, and that there had been no instances of bribery or fraud identified in Audit Scotland during 2013/14.

**10. 2013/14 annual Report on Health and Safety**

**David Blattman, HR&OD Manager joined the meeting.**

There was submitted the 2013/14 Annual Report on Health and Safety by the Chief Operating Officer, which had been circulated.

The Chief Operating Officer and the HR&OD Manager introduced the report and informed the Audit Committee that there had been no significant issues during the year to bring to the Audit Committee's attention. The Audit Committee welcomed the report and the work done in relation to staff wellbeing. A suggestion was made to consider renaming the Health and Safety Committee to the Health and Wellbeing Committee to reflect the wider remit of the work done. The members were informed that the Health and Safety Committee would consider this later in the year.

Following further discussion, the Audit Committee noted the report.

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

**11. 2013/14 Annual Review of the Register of Hospitality and Gifts**

There was a report submitted by the Chief Operating Officer on the 2013/14 annual report on Hospitality and Gifts, which had been previously circulated.

Following discussion, the Audit Committee noted the assurance provided by the report on the governance arrangements for hospitality and gifts.

**12. 2013/14 Annual Report on Whistleblowing**

There was submitted the Annual Report on Whistleblowing 2013/14 by the Chief Operating Officer, which had been previously circulated.

Following discussion, the Audit Committee noted the report.

The Audit Committee also noted that information on whistleblowing about audited bodies is captured and reported separately to Management Team.

**13. 2013/14 Governance Statement on Internal Control and Certificate of Assurance**

There was submitted a report by the Chief Operating Officer on the 2013/14 Governance Statement and Certificate of Assurance, which had been previously circulated.

The Chief Operating Officer provided a brief overview of the work undertaken to complete the Certificate of Assurance process and advised that no significant matters had arisen which required the Accountable Officer's attention.

Members of the Audit Committee discussed the assurance process and were provided with more detail by the business group Directors on the approach taken to signing business group assurance certificates prior to the final certificate of assurance being signed by the Chief Operating Officer.

The Audit Committee noted the report.

**Fiona Kordiak, Director of Audit Services and Fraser McKinlay, Director of PABV and Controller of Audit left the meeting.**

**14. Q4 Financial Performance Results 2013/14**

There was submitted a report by the Corporate Finance Manager on Audit Scotland's Q4 Financial Performance, which had been previously circulated.

The Corporate Finance Manager provided a brief overview of Q4's Financial Performance and clarified Audit Committee member's questions regarding:

- the budgeting, monitoring and reporting process
- billing and income
- interim audit flexibility for the firms
- bank interest and investment
- IAS 19 pension accounting.

Following further discussion the Audit Committee noted the report.

**15. Audit Management Letter**

Alexander Sloan submitted the external audit Management Letter for the year ended 31 March 2014, which had been previously circulated.

Andy McBean informed the Audit Committee that he had provided an unqualified audit opinion on Audit Scotland's 2013/14 accounts and that the Management Letter would be submitted to the Scottish Commission for Public Audit.

Following discussion, the Audit Committee noted the report and thanked the external auditors for completing the audit against a tight timescale.

**16. 2013/14 Draft Annual Report and Accounts**

There was submitted a report by the Corporate Finance Manager on the draft annual Report and Accounts for 2013/14, which had been previously circulated.

The Corporate Finance Manager briefly introduced the report and the 2013/14 draft annual Report and Accounts. A few minor amendments were requested by the Chair of the Board to the introduction to the annual report.

Following discussion, the Audit Committee agreed to recommend the draft annual Report and Accounts for 2013/14 to the Board for approval at its meeting on 5 June 2014.

**Action(s)**

- **The Chair of the Audit Committee to recommend the draft Annual Report and Accounts to the Board for approval at its meeting on 5 June 2014. (June 2014)**

**17. 2013/14 Annual Report from the Chair of the Audit Committee to the Board**

There was submitted a report by the Chair of the Audit Committee on the Annual Report from the Audit Committee to the Board, which had been previously circulated.

The Chair also advised that the Committee had met in private with the external auditors prior to the meeting and that there were no issues to report.

Following discussion, the Audit Committee approved the report for consideration by the Board at its meeting on 5 June 2014.

**Action(s)**

- **The Chair of the Audit Committee to present the Annual Report from the Audit Committee to the Board at its meeting on 5 June 2014. (June 2014)**

**18. Financial Regulations and Scheme of Delegation**

There was submitted a report by the Chief Operating Officer on the 2013/14 annual review of the Financial Regulations and Scheme of Delegation, which had been previously circulated. The Chief Operating Officer informed the members that all the governance documents were being reviewed by our new legal advisors to ensure they meet current best practice and are consistent.

Following discussion, the Audit Committee agreed to note the changes and the further review to the Financial Regulations and Scheme of Delegation, and recommended that they be presented to the Audit Scotland Board for interim approval at its next meeting.

**19. Any Other Business**

There was no other business.

**20. Date of Next Meeting**

The next meeting will be held on **Wednesday, 20 August 2014** at **10.00hrs** and will be held in the offices of Audit Scotland, Glasgow.

Minutes of meeting of the **Audit Committee** of Audit Scotland held in the offices of Audit Scotland, at 8 Nelson Mandela Place, Glasgow on **Wednesday, 20 August 2014** at 10.00hrs.

**PRESENT:** J Maclean (Chair)  
I Leitch  
D Sinclair  
H Logan

**APOLOGIES:** None

**IN ATTENDANCE:** R Cleland, Chair of Audit Scotland Board  
C Gardner, Auditor General for Scotland/Accountable Officer  
D McGiffen, Chief Operating Officer  
D Hanlon, Corporate Finance Manager  
R Frith, Assistant Auditor General  
A Devlin, Corporate Governance Manager  
M Walker, Assistant Director, Corporate Performance and Risk  
A Fife, TIAA, Internal Auditors  
C Quinn, TIAA Internal Auditors

<b><u>Item No</u></b>	<b><u>Subject</u></b>
1.	Apologies
2.	Declarations of Interest
3.	Minutes
4.	Matters arising
5.	Audit Committee Terms of Reference
6.	Q1 Financial Performance Results 2013/14
7.	Policy on the Provision of non-audit services by Audit Scotland's External Auditor
8.	Internal Audit Recommendations – Progress Report
9.	Data Incident/Loss Report
10.	Business Continuity Arrangements – Update Report
11.	Proposed Audit Committee Dates for 2015
12.	AOB
13.	Date of Next Meeting

1. **Apologies**

There were no apologies received.

2. **Declaration of Interest**

There were no declarations of interests.

3. **Minutes**

The minutes of the meeting of 5 June 2014, which had been previously circulated, were approved as an accurate record.

4. **Matters arising from the minutes of 5 June 2014**

It was noted that the action arising from item 5 on reviewing the Audit Committee's Terms of Reference was missing from the agenda. The Chief Operating Officer provided an update on the action, which would be reported on 18 September 2014 as part of the wider review of governance documents.

**4.1 Review of Corporate Risk Register (Item 7)**

It was noted that TIAA would facilitate a risk workshop at the conclusion of the Audit Committee meeting, the terms of reference for which had been previously circulated. The Audit Committee were advised that a revised Corporate Risk Register would be submitted to the September Audit Committee meeting.

**4.2 Transparency and Quality Report (Item 8)**

The Assistant Auditor General confirmed that the Transparency and Quality report had been published in June 2014.

**4.3 2013/14 Draft Annual Report and Accounts (Item 16)**

The Chair of the Audit Committee confirmed that, on recommendation of the Audit Committee, the 2013/14 Draft Annual Report and Accounts had been submitted to and approved by the Board at its meeting on 5 June 2014.

**4.4 2013/14 Annual Report from the Chair of the Audit Committee to the Board (Item 17)**

The Chair of the Audit Committee confirmed that the Committee's annual report to the Board had been submitted to the Board at its meeting on 5 June 2014.

5. **Audit Committee Terms of Reference**

The Chair invited comments from members on the Audit Committee's Terms of Reference and on the paper submitted by the Chief Operating Officer, which had been previously circulated.

The Chief Operating Officer advised the Audit Committee that the Terms of Reference had been updated following the decision taken at the June meeting on aligning dates with the financial reporting cycle.

The Chief Operating Officer provided an update on the wider review of governance documents which would be reported in September 2014.

Audit Committee members discussed the following sections of the TOR:

- Section 10 – assessing the value for money of the external auditors, given the appointment is made by the SCPA;
- Section 12 – the budgetary implications of co-opting additional members;

- Section 16 – including the Corporate Risk Register as a standing item at each meeting to reflect current practice.

Following discussion, the Audit Committee noted the realignment of the Audit Committee's indicative work plan.

**Action(s)**

- **Chief Operating Officer to move the Corporate Risk Register report to section 15 in the TOR. (September 2014)**

**6. Q1 Financial Performance Results 2014/15**

There was submitted a report by the Corporate Finance Manager on Audit Scotland's Financial Performance for the first three months of 2014/15, which had been previously circulated.

The Corporate Finance Manager provided a brief overview of Q1's Financial Performance Results for 2014/15 and the Committee discussed:

- The negotiation of audit fees.
- The likely impact of cost underspends being a recurring feature in the run rate for remainder of the year.
- Reporting of income variances.

The Corporate Finance Manager agreed to incorporate into the report:

- An additional column reporting variances in percentage terms.
- An additional table to help explain the prices and volume elements of fee income variances for audits carried out in-house and by external firms and to provide summaries by audit sector.

**7. Policy on the Provision of non-audit services by Audit Scotland's External Auditor**

There was submitted a report by the Assistant Auditor General on the policy on the provision of non-audit services by Audit Scotland's external auditor, which had been previously circulated.

The Assistant Auditor General advised the Audit Committee of the origins for this policy and gave examples of it being applied in practice.

Following discussion, the Audit Committee agreed to recommend the policy to the Board for approval.

**Action(s)**

- **The Assistant Auditor General to submit the policy to the Board for approval. (20 August 2014)**

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

The Chief Operating Officer introduced the Internal Audit Recommendations - Progress Report, which had been previously circulated. The Chief Operating Officer invited the Audit Committee to note progress in implementing 2012/13 and 2013/14 internal audit report recommendations.

Members of the Audit Committee discussed the progress on implementing the outstanding recommendations and received verbal updates on the review of banking and on the use of induction checklists.

The Chief Operating Officer offered to include a fuller explanation in the next outstanding recommendations report on the induction actions.

Following discussion the Audit Committee noted the report.

**Action(s)**

- **The Chief Operating Officer to provide a fuller explanation on the implementation of outstanding recommendations for the next report. (18 September 2014)**

*(Post meeting note: the Audit Committee's summer work was distributed over five rather than four meetings, this report will not be due until the next complete Audit Committee meeting in November 2014 rather than September as shown.)*

**9. Data Incident/Loss Report**

There was submitted a Data Incident/Loss report by the Chief Operating Officer, which had been previously circulated.

Following discussion, the Audit Committee noted the report.

**10. Business Continuity Arrangements - Update**

There was submitted a Business Continuity arrangements update report by the Chief Operating Officer, which had been circulated.

The Chief Operating Officer provided a brief overview of the exercises that had taken place in Glasgow and Edinburgh. The Audit Committee were informed that lessons learned would be addressed in the next revision of the business continuity plans which would be considered by the Audit Committee and Board later in the year.

The Chair of the Audit Committee suggested that over the next 12 months the Audit Committee and the Board should simulate the absence of the Chairs to ensure that business can still be conducted in their absence.

The Chair of the Accounts Commission enquired if there were arrangements in the plans to support the Accounts Commission during a major incident and if there were could they be circulated to Commission members via the Secretary to the Accounts Commission. The Chief Operating Officer confirmed that such arrangements were in place and that the Secretary to the Accounts Commission would be included in business continuity planning.

Following further discussion, the Audit Committee noted the report.

**Action(s)**

- **The Chief Operating Officer to include the Secretary to the Accounts Commission in the arrangements for supporting the Commission during a major incident.**
- **The Chair of the Audit Committee and the Chair of the Board to arrange a simulation during to next 12 months to test that business can still be undertaken in the absence of the Chair.**

**11. Proposed Audit Committee Dates for 2015**

There was a report submitted by the Chief Operating Officer on proposed Audit Committee dates for 2015, which had been previously circulated.

Following discussion, the Audit Committee requested that members confirm their availability for the proposed dates to the Chief Operating Officer by the end of August in order that next year's dates can be approved at the next Audit Committee Meeting on 18 September.

**Action(s)**

- **Audit Committee members to confirm their availability for the proposed dates to the Chief Operating Officer by the end of August.**
- **The Chief Operating Officer to prepare and submit a final paper on the Audit Committee's meeting dates for 2015 to the meeting on 18 September.**

**12. Any Other Business**

There was no other business.

**13. Date of Next Meeting**

The next meeting will be held on **Thursday, 18 September 2014** at **10.00hrs** and will be held in the offices of Audit Scotland, Edinburgh.



Minutes of meeting of the **Audit Committee** of  
Audit Scotland held in the offices of  
Audit Scotland, at 110 George Street,  
Edinburgh on **Thursday 18 September 2014** at  
10.00hrs.

**PRESENT:** J Maclean (Chair)  
I Leitch  
D Sinclair  
H Logan

**APOLOGIES:** A Fife, tiaa, Internal Auditors

**IN ATTENDANCE:** R Cleland, Chair of Audit Scotland Board  
C Gardner, Auditor General for Scotland/Accountable Officer  
D McGiffen, Chief Operating Officer  
R Frith, Assistant Auditor General  
M Walker, Assistant Director, Corporate Performance and Risk  
C Quinn, tiaa Internal Auditors

<b><u>Item No</u></b>	<b><u>Subject</u></b>
1.	Apologies
2.	Declarations of Interest
3.	Minutes
4.	Matters arising
5.	Audit Committee Terms of Reference
6.	Review of Corporate Risk Register
7.	Risk Interrogations
8.	Internal Audit Plan 2014-17
9.	Cooperation between Internal and External Auditors
10.	AOB
11.	Date of Next Meeting

1. **Apologies**

Apologies were received from Andrew Fife of tiaa.

2. **Declaration of Interest**

There were no declarations of interests.

3. **Minutes**

The minutes of the meeting of 20 August 2014, which had been previously circulated, were approved as an accurate record, subject to the following observations:

- Ian Leitch noted that the style of minute taking did not allow for the content of the discussion to be fully reflected.
- Heather Logan noted that item 6 contained an action that was not highlighted as such in the minute.

4. **Matters arising from the minutes of 20 August 2014**

**4.1 Audit Committee Terms of Reference**

It was noted that the Chief Operating Officer had moved the Corporate Risk Register report to section 15 in the Terms of Reference. See **Item 5**.

**4.2 Policy on the Provision of non-audit services by Audit Scotland's External Auditor**

It was noted that the Assistant Auditor General submitted the policy to the Board for approval at its meeting on 20 August 2014.

**4.3 Internal Audit Recommendations – Progress Report**

It was noted that the Chief Operating Officer would provide an update on the implementation of outstanding recommendations to the 20 November 2014 meeting of the Audit Committee **(by November 2014)**.

**4.4 Business Continuity Arrangements – Update**

The Chief Operating Officer advised that the Secretary to the Accounts Commission would be included in the arrangements to support the Accounts Commission during a major incident. It was noted that the Chair of the Audit Committee and the Chair of the Board would arrange a simulation during the next 12 months to test that business can still be undertaken in the absence of the Chair. **(by August 2015)**

**4.5 Proposed Audit Committee Dates for 2015**

Audit Committee members confirmed their availability for the proposed dates to the Chief Operating Officer with the exception of the August date. It was noted that the Chief Operating Officer would identify an alternative date and liaise with Audit Committee members to confirm their respective availability. **(October 2014)**

It was noted the date of the next Audit Committee meeting would be 20 November 2014.

## 5. Audit Committee Terms of Reference

The Chair invited comments from members on the Audit Committee's Terms of Reference and on the paper submitted by the Chief Operating Officer, which had been previously circulated.

The Chief Operating Officer advised the Audit Committee that the Terms of Reference had been updated following the decision taken at the August meeting to move the Corporate Risk Register to section 15.

The Chief Operating Officer also invited members to note the suggested amendments proposed by Brechin Tindal Oats (bto) following their review of Audit Scotland's governance documents which would be considered by the Board in the first instance at its October meeting.

Following discussion, the Audit Committee noted and approved the proposed amendments under sections 1, 2, 4, 5, 6, 8, 9, 10, 11, 12 and 15 of the Terms of Reference.

### **Action(s)**

- **The Chief Operating Officer to submit revised Terms of Reference to the next meeting of the Audit Committee. (November 2014)**

## 6. Review of Corporate Risk Register

There was submitted a report by the Assistant Director, Corporate Performance and Risk on the Review of the Corporate Risk Register, which had been previously circulated.

The Assistant Director invited members to review and comment on the revised Corporate Risk Register. In discussion the members considered:

- how best to ensure that the Audit Committee is complying with best practice in fulfilling its duties and monitoring risk
- other risks which do not currently feature on the risk register (for example; a failure of the public audit model or the risk that the Accounts Commission and the Auditor General Audit Scotland do not have a shared vision)
- whether the Accounts Commission, Auditor General, and Audit Scotland need to each maintain a specific risk register
- the importance of a streamlined process to ensure performance issues and audit and business risks are escalated in a timely manner.

Following discussion, the Audit Committee welcomed the updated format and language of the revised Corporate Risk Register and the further planned improvements.

### **Action(s)**

- **The Assistant Director, Corporate Performance and Risk, to reflect the Audit Committee observations in the next update of the risk register and a report on the Risk Framework. (November 2015)**

## 7. Risk Interrogations

There was submitted a report by the Assistant Director, Corporate Performance and Risk on a risk interrogation on impartiality carried out by Management Team on 9 September 2014 and a proposed programme of future risk interrogations, a copy of which had been previously circulated.

The Assistant Director invited members to review the risk interrogation on impartiality and to approve the proposed risk interrogation programme.

The Audit Committee sought clarification on a range of issues including; the relationship between the controls and the impact on the net risk score, quality assurance arrangements and the survey of stakeholders.

Following discussion, the Audit Committee noted the active and monitoring controls for the risk, but highlighted that the risk interrogation reports should be more explicit in articulating the effect of the controls. The Audit Committee agreed the programme of planned risk interrogations.

### **Action(s)**

- **The Assistant Director – Corporate Performance and Risk to resubmit an expanded version of risk interrogation report on impartiality to the next Audit Committee. (November 2014)**
- **The Assistant Director – Corporate Performance and Risk to submit a risk interrogation report on ‘failure of focus and scope’ to the next Audit Committee. (November 2014)**

## 8. Internal Audit Plan 2014-17

The Chief Operating Officer introduced the Internal Audit Plan 2014-17 report, which had been previously circulated. The Chief Operating Officer invited the Audit Committee to approve the internal audit plan for 2014-17 prepared by tiaa.

The Audit Committee sought clarification on a range of issues including the level of assurance tiaa would gain from the programme of planned work, the nature of consultation between internal and external auditors and the audit methodology for specific areas of planned work.

Following discussion, members of the Audit Committee approved the proposed internal audit plan for 2014-17.

## 9. Co-operation between Internal and External Audit

There was submitted a report on Co-operation between Internal and External Audit by the Chief Operating Officer, which had been previously circulated.

Following discussion, the Audit Committee noted the report.

## 10. Any Other Business

There was no other business.

**11. Date of Next Meeting**

The next meeting will be held on **Thursday, 20 November 2014** at **10.00hrs** and will be held in the offices of Audit Scotland, Glasgow.

**Concluding Remarks**

In closing the meeting the Chair noted that this would be his last meeting in that role and expressed his thanks to the members of the committee and to the Audit Scotland Executive Team. The Chair also welcomed his successor Heather Logan to the role, when she takes up her appointment to the Audit Scotland Board on 1 October 2014.

Members of the committee paid tribute to the Chair and thanked him for his leadership of the committee.

DRAFT

Minutes of meeting of the **Audit Committee** of Audit Scotland held in the offices of Audit Scotland, at 8 Nelson Mandela Place, Glasgow on **Thursday 20 November 2014** at 10:00hrs.

**PRESENT:** H Logan (Chair)  
I Leitch  
D Sinclair

**APOLOGIES:** None

**IN ATTENDANCE:** J Maclean, Chair of Audit Scotland Board  
C Gardner, Auditor General for Scotland/Accountable Officer  
D McGiffen, Chief Operating Officer  
R Frith, Assistant Auditor General  
D Hanlon, Corporate Finance Manager  
M Walker, Assistant Director, Corporate Performance and Risk  
A Devlin, Corporate Governance Manager  
A Fife, tiaa Internal Auditors  
C Quinn, tiaa Internal Auditors  
A Cameron, tiaa Internal Auditors  
A McBean, Alexander Sloan External Auditors

<b><u>Item No</u></b>	<b><u>Subject</u></b>
1.	Apologies
2.	Declarations of Interest
3.	Minutes
4.	Matters arising
5.	Audit Committee Terms of Reference
6.	Q2 Financial Performance Report 2014/15
7.	Review of Corporate Risk Register
8.	Risk Management Policy, Strategy and Assurance Framework
9.	Risk Interrogations
10.	Update on Internal Audit Recommendations
11.	Summary Internal Controls Assurance Report
12.	Business Continuity Plan
13.	Review of Corporate Governance Documents
14.	External Auditor's Independence, Objectivity and Value for Money
15.	Audit Committee Meeting Dates 2015
16.	AOB
17.	Date of Next Meeting

1. **Apologies**

There were no apologies.

The Chair expressed her thanks on behalf of the Audit Committee to John Maclean for his time on the Audit Committee.

2. **Declaration of Interest**

There were no declarations of interests.

3. **Minutes**

The Chair informed the attendees to the meeting that the papers were to be taken as read by the Audit Committee members, and therefore an introduction would not be required unless there was supplementary information to the paper.

The Chair indicated that she would raise a point from matters arising at 4.4 under agenda item 12 - Business Continuity Plan.

The minutes of the meeting of 18 September 2014, which had been previously circulated, were approved as an accurate record.

4. **Matters arising from the minutes of 18 September 2014**

**4.1 Audit Committee Terms of Reference**

The Chief Operating Officer submitted a revised Terms of Reference. See **Item 5**.

**4.2 Review of Corporate Risk Register**

The Assistant Director, Corporate Performance and Risk incorporated members' observations into the update of the risk register and risk framework. See **Items 7 & 8**.

**4.3 Risk Interrogations**

The Assistant Director, Corporate Performance and Risk resubmitted an expanded version of the risk interrogation report on impartiality. See **Item 9**.

The Chair requested the Chief Operating Officer develop an actions tracker for future meetings.

**Action(s)**

- **The Chief Operating Officer to develop an actions tracker for future meetings. (February 2015)**

5. **Audit Committee Terms of Reference**

The Chair invited comments from members on the Audit Committee's Terms of Reference and on the paper submitted by the Chief Operating Officer, which had been previously circulated.

The Chair requested that the wording in paragraph eight be reworded to make the Audit Committee's role in the appointment of other appropriate advisers clearer.

Following discussions the Audit Committee approved the updated Terms of Reference subject to the change above.

**Action(s)**

- **The Chief Operating Officer to amend the wording in paragraph eight, bullet point nine with ‘The selection and terms of appointment of advisers and consultants as appropriate to the operation’. (February 2015)**

**6. Q2 Financial Performance Report 2014/15**

There was submitted a report by the Corporate Finance Manager on the Q2 financial performance for 2014/15, which had been previously circulated.

The chair invited comments and questions from the members on the report. Members raised the following:

- The review of the fee setting arrangements. The Assistant Auditor General informed the members that this will be reported to the Board in January 2015.
- The adverse variance in section two of the report on agency and secondment costs. The members asked if a cost effectiveness exercise comparing agency staff against permanent staff had been conducted. The Corporate Finance Manager informed the members that the greater use of agency staff was a short-term issue whilst permanent staff were being recruited for the EFAA audit and to cover vacancies and maternity leave. The members were also informed that there would be a continuing need for agency staff to support peak auditing periods and that the use of agency staff was the most economical method for these limited periods.

The Chair asked if a value for money exercise was undertaken when employing temporary staff and how the process was managed to ensure audit income would cover the costs. Following discussion the Chair requested a value for money paper from management on the use of agency and seconded staff.

- The use of support staff to assist frontline staff with secretarial services for report writing type activities. Andy McBean from Alexander Sloan informed the members that they had looked at this area and that it was just as efficient to allow auditors to produce the reports. The Chief Operating Officer also informed the members that Audit Scotland had amalgamated our support services into one group and that they continually looked at ways of supporting audit staff effectively.
- Clarification on schedule 6 was sought by the Chair but agreed to discuss it with the Corporate Finance Manager outwith the meeting.

Post meeting note: The Chair of the Audit Committee subsequently noted in writing to the Committee her satisfaction with the detail.

- The Chair of the Board enquired how Audit Scotland ensured temporary staff complied with the organisation’s policies and procedures. The Chief Operating Officer informed the meeting that processes were in place to deal with this and induction checklists recorded the actions taken.
- Clarification that the line titled ‘Commission in schedule 2’ covered all the spend for the Accounts Commission. It was confirmed that it does.

The Audit Committee noted the report.



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

- **The Chief Operating Officer to prepare a value for money paper on the use of agency and seconded staff. (February 2015)**

### **7. Review of Corporate Risk Register**

There was submitted a report by the Assistant Director, Corporate Performance and Risk on the Review of the Corporate Risk Register, which had been previously circulated.

The Chair invited comments and questions from the members. Members discussed and received clarification from Audit Scotland Officers on:

- the risk register covering concerns about the EAFA audits
- risk 9 on the register with an 'amber' risk assessment and what it would take to change this to a 'green' assessment
- the definition of 'Corporate' in the heading of the risk register paper. The Committee requested that the heading be changed to Audit Scotland Risk Register in future for clarity
- the Accounts Commission and Auditor General as active controls in the register
- further development of the risk register to include a column recording the date a risk had been/would be interrogated and some form of indicator to show whether the planned action to mitigate a risk achieves the target risk score
- how the compiling and review of the register was progressing.

Following discussion, the Audit Committee noted the latest update of the Corporate Risk Register.

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

- **The Assistant Director, Corporate Performance and Risk to include a column recording the date a risk had been/ would be reviewed and some form of indicator to show that the planned action on a risk is adequate. (February 2015) wording as above**

### **8. Risk Management Policy, Strategy and Assurance Framework**

There was submitted a report by the Assistant Director, Corporate Performance and Risk on the Risk Management Policy, Strategy and Assurance Framework, which had been previously circulated.

The Chair invited comments and questions from the members on the report.

The members welcomed the comprehensive nature of the policy, strategy and assurance framework. The Chair of the Accounts Commission informed the members that the Commission promoted 'being risk aware' rather than 'risk adverse' in councils and that our policy should reflect this. The Assistant Director, Corporate Performance and Risk assured the Committee that this was promoted within the policy and strategy.

Following a discussion the Audit Committee agreed to recommend the policy, strategy and assurance framework to the Board for approval. The members also suggested that Audit Scotland should consider publishing the document on the website.

## 9. Risk Interrogations

There was submitted a report by the Assistant Director, Corporate Performance and Risk on interrogations of Risk 2 – Failure of Independence/Impartiality and Risk 4 – Failure of Focus and Scope, which had been previously circulated.

The Chair of the Audit Committee welcomed the report which was much improved from previous reports and invited members to review and comment on the risk interrogations.

The Audit Committee:

- recommended that a fuller explanation of how the gross risk scores were arrived at would be helpful
- felt that Audit Scotland was underselling itself when describing the monitoring controls for the risks; again a fuller explanation would help here
- asked if there was an independent feedback group similar to those engaged in reviewing performance audit reports to challenge and feedback on the interrogations. The Assistant Director, Corporate Performance and Risk said there wasn't at present and will discuss this with the Performance and Risk Management Group
- commented on the marked increase in the number of statutory reports and whether the nature of the issues had been apparent from the audited bodies' risk registers. On further discussion the members thought that closer scrutiny of audited bodies' risk registers may be required. The Assistant Auditor General suggested that this may be an area for inclusion in the Audit Code of Practice which was currently being reviewed.

Following discussion, the Audit Committee noted the active and monitoring controls for the risks.

### **Action(s)**

- **The Assistant Director – Corporate Performance and Risk to discuss independent challenge of risk interrogations with the Performance and Risk Management Group. (February 2015)**
- **The Assistant Auditor General to consider closer scrutiny of audited bodies' risk registers being included in the next edition of the Audit Code of Practice. (February 2015)**

## 10. Update on Internal Audit Recommendations

There was submitted the Internal Audit Recommendations - Progress Report, which had been previously circulated.

The Chair requested and received an update on the review of Audit Scotland's banking arrangements from the Corporate Finance Manager.

Members of the Audit Committee noted the progress on implementing the outstanding recommendations.

## 11. Summary Internal Controls Assurance Report

There was submitted an internal controls assurance report from Audit Scotland's internal audit service provider TIAA, which had been previously circulated.

Andrew Fife informed the Audit Committee members that the first audit was nearly complete with the draft report with management for comment; there were no areas of concern. Advance planning memoranda for all audits had been circulated and agreed as had the audit dates.

The Audit Committee members discussed the report including:

- The audits are all grouped during the last five months of the year and this raised a possible resourcing issue as reported in the Q2 performance report.
- Section four of the report on Fraud/Irregularities reads 'we have not been advised of any frauds or irregularities...'. Should this not read 'we have not been advised of nor found any frauds or irregularities....'? TIAA have agreed to amend this section.
- Section five 'the disclaimer' is potentially incompatible with Audit Scotland's Freedom of Information requirements. TIAA agreed to discuss this with Audit Scotland outwith the meeting and report back to the Committee.

Following discussion, the Audit Committee noted the report.

### Action(s)

- **TIAA agreed to amend section four of the report to include the words 'nor found' (February 2015).**
- **TIAA and the Chief Operating Officer to discuss section five in the context of Audit Scotland's FOI responsibilities and report back to the Committee. (February 2015.)**

## 12. Business Continuity Plan – Annual Review

There was submitted a report on the annual review of Audit Scotland's Business Continuity Plan by the Chief Operating Officer, which had been previously circulated.

The Audit Committee members welcomed the comprehensive and clear set of business continuity plans.

The members discussed and sought clarification on:

- how dependent the arrangements relied on the availability of Audit Scotland's intranet. The Committee were assured that the plans were available in hard copy at each office and most BCP team members had copies securely stored on portable tablets.
- the arrangements made with the Caledonian hotel during an incident at both Edinburgh office locations. The Committee were informed that no formal

arrangements had been made and this would be revisited during the review of the arrangements for the office move.

The Chair revisited matter arising 4.4 from the Audit Committee meeting of 20 August 2014 in which the Committee agreed to simulate an interruption to the Board as a business continuity exercise. Due to the comprehensive set of business continuity arrangements and the arrangements already in place should the Chair be absent from a meeting, the Chair proposed that the action be changed to test how the Board would/should be contacted during an incident. The Audit Committee members agreed the change.

Following discussion the Audit Committee noted the report.

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

- **The Chief Operating Officer to arrange a test during the next 12 months on the effectiveness of informing the Board of an incident that requires the implementation of Audit Scotland's business continuity arrangements. (August 2015)**

### **13. Review of Corporate Governance Documents**

There was submitted a report on the review of our corporate governance documents by the Chief Operating Officer, which had been previously circulated.

The Chair invited comments and queries on the documents from the members.

#### **13.1 Audit Scotland's Standing Orders**

Members discussed and/or requested clarification on:

- The definition of 'the Management Team' in Appendix 1, section 36. The members were informed that the Management Team consisted of the Accountable Officer and the four Audit Scotland Directors.
- The membership of the Appeals Committee as described in Appendix 3. In discussion it was agreed that membership of this Committee will be dependent on the nature of the issue being raised and that Audit Scotland management would discuss the need for an Appeals Committee with the Board members as required. The Committee members requested that reference to the Appeals Committee be included in the Scheme of Delegation.
- The use of the term 'sub-committees of the Board' in Appendix 4. Appendix 4 is to be amended to remove the term 'sub-committee' and replace it with 'committee'.

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

- **The Chief Operating Officer to arrange a reference to the Appeals Committee to be inserted in the Scheme of Delegation and the change of wording to Appendix 4. (February 2015)**

#### **13.2 Scheme of Delegation**

Members discussed and/or requested clarification on:

- The need to reflect the Accounts Commission's input to the appointment of the Secretary to the Accounts Commission. The Chief Operating Officer informed the members that this could be reflected in section 1.3 of the schedule in the Scheme

of Delegation.

- Delegation from the Board to the Management Team rather than a named individual. The Committee queried whether this was permissible. The Chief Operating Officer informed the members that Audit Scotland had moved away from naming individuals such as the Accountable Officer to the collective term and responsibility of the Management Team, which included the Accountable Officer and the Chief Operating Officer, one of which had to be present for Management Team to be deemed quorate. In addition, the legal review of the document by bto, our lawyers, did not raise the delegation of responsibility to Management Team as an issue.
- Virement in section 3 of the schedule including the amounts/limits and frequency of the use of virement. During the discussion the Corporate Finance Manager confirmed that the incidence of virement was low.

The Audit Committee, as part of their financial scrutiny responsibilities, requested a report on how often virement occurs to establish if more controls are required. The Committee requested the Corporate Finance Manager include a report on virement in excess of £20,000 in the quarterly financial report.

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

- **The Chief Operating Officer to reflect in 1.3 of the schedule the Accounts Commission's input to the appointment of the Secretary. (February 2015)**
- **The Corporate Finance Manager to include a section on virement in the quarterly financial reports. (February 2015)**

### **13.3 Financial Regulations**

Members discussed and/or requested clarification on the approval and limit for miscellaneous expenses. The Chief Operating Officer informed the members that the delegated authority of approval was in the Scheme of Delegation and that approval limits for authorisers were held by the Finance Team. Any variations from the delegated limit would require reporting to Management Team.

### **13.4 Members' Code of Conduct**

The Chair of the Accounts Commission asked if the Members' Code differed from the Accounts Commission Code. The Corporate Governance Manager advised the members that the Members' Code of Conduct went further as it contained more information in relation to Bribery and Hospitality and Gifts.

Following discussion, the Audit Committee noted the review of the Corporate Governance Documents and will recommend them to the Board for approval subject to the actions above.

## **14. External Auditor's Independence, Objectivity and Value for Money**

There was submitted a report on the external auditor's independence, objectivity and value for money by the Chief Operating Officer, which had been previously circulated.

The Chief Operating Officer informed the members that the Scottish Commission for Public Audit was going to look at the next appointment of Audit Scotland's external auditor next February/March. At this point the SCPA and the procurement group would be discussing performance with us. The new appointment would be for financial year

2015/16 onwards. The members were also informed that Alexander Sloan had been appointed for a further year to conduct Audit Scotland's 2014/15 external audit.

The Audit Committee noted the report.

**15. Audit Committee Meeting Dates 2015**

There was submitted a report by the Chief Operating Officer on Audit Committee meeting dates for 2015, which had been previously circulated.

The Audit Committee noted the report and approved the dates.

**16. Any Other Business**

The Chair expressed her appreciation that the papers submitted to the Audit Committee were excellent. However, could Audit Scotland consider distribution of the paper copies of the reports in black and white rather than colour to reduce costs?

The Chair informed the members of the Audit Committee that she had had a private meeting with the internal and external auditors and that there were no issues which needed to be raised at the meeting.

The Chair confirmed with both the AGS and Chair of the Accounts Commission that their responsibilities in those roles were being met by the service provided by Audit Scotland.

There was no further business and the meeting closed at 11:53.

**17. Date of Next Meeting**

The next meeting will be held on **Friday, 27 February 2015** at **10:00hrs** and will be held in the offices of Audit Scotland, 18 George Street, Edinburgh.