



**MINUTES OF AUDIT SCOTLAND AUDIT COMMITTEE
MEETINGS 2015**

Minutes of meeting of the **Audit Committee** of
Audit Scotland held in the offices of
Audit Scotland, at 110 George Street,
Edinburgh on **Friday 8 May 2015** 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
M Walker, Assistant Director, Corporate Performance and Risk
C Quinn, tiaa Internal Auditors
I Wallace, tiaa Internal Auditors
P Simpson, tiaa Internal Auditors
A McBean, Alexander Sloan External Auditors
J Webber, Senior Executive Assistant

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1. **Private Meeting of the Audit Committee and tiaa**

The private meeting of the Audit Committee members and tiaa was not minuted.

2. **Apologies**

There were no apologies.

3. **Declaration of Interest**

Heather Logan and Douglas Sinclair advised that they were both members of the Scottish Public Services Ombudsman audit advisory committee.

4. **Minutes**

The minutes of the meeting of 27 February 2015, which had been previously circulated, were approved as an accurate record.

5. **Review of Actions Tracker**

The Audit Committee reviewed progress made on outstanding actions.

The Chair commented that in several papers to be discussed references had been made to future reviews and she thought it might be helpful to members that they be captured in the tracker in future. The Chief Operating Officer agreed to consider how best to implement this.

Action(s)

- **The Chief Operating Officer to consider how to capture future reviews in the tracker. (August 2015)**

6. **Audit Committee Terms of Reference**

The Chair requested that indicative work list item for April on feedback from the Board and accountable officer and the November Audit Committee effectiveness is combined into one item.

The Audit Committee noted the Terms of Reference.

7. **Internal Audit Annual Report**

There was tabled an Internal Audit Annual Report from Audit Scotland's internal audit service provider tiaa. Caron Quinn apologised for the lateness of the report, providing an overview of an administrative issue with their office in Gosport, advising all future reports would be managed by the team in Scotland.

The Chair asked whether a similar administrative issue was the cause for the late issue of the Summary Internal Controls Assurance Report at item 8, to which Caron Quinn confirmed it was.

The Chair invited comments from Audit Committee members on the report.

Ian Leitch queried whether Management Team had received the report prior to the Audit Committee. The Chief Operating Officer confirmed Management Team had considered a draft of the report which they had reviewed in the normal course of the process, feeding back comments and points of clarification. Tiaa also provided assurance they had been able to access information and meet with relevant individuals during the course of their work to prepare the report.

The Chair queried the attainment figure of 75% in respect of the speed of delivery of final reports and was reassured the item represented a single report.

The Audit Committee noted the report.

8. Summary Internal Controls Assurance Report 2014/15

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

Caron Quinn from tiaa informed the Audit Committee members that all 2014/15 audits were completed by the 31 March 2015.

The Audit Committee noted the report.

Caron Quinn from tiaa introduced the four completed internal audit reports and the Internal Audit Annual Plan 2015/16, which had been previously circulated.

(a) Internal Audit Annual Plan 2015/16

The Chair invited comments from Audit Committee members.

The Chair requested clarification on whether Management Team had agreed the scope of the plan. The Chief Operating Officer confirmed Management Team had agreed the high level scope with tiaa, with further detail and specification to be developed.

There was discussion around the detailed scope and the possible impact on the number of days required. The Audit Committee members noted there was contingency of ten days built into the plan, and if further days were required these could come by substituting one project for another.

The Chair invited a further discussion to shape the reviews around Board Effectiveness and income management and the Chief Operating Officer agreed a draft scope would be presented to the Audit Committee to seek their input.

The Audit Committee noted the report.

Action(s)

- **The Chief Operating Officer to prepare a draft scope for comment on Board Effectiveness and income management. (August 2015)**

(b) Assurance Review of the QA Framework 2014/15

The Chair invited comments from Audit Committee members.

There was discussion around the different levels of management QA review within each audit and the QA arrangements in terms of 'hot' reviews and the metric based reviews across audit. The Committee noted that the Professional

Standards and Quality Improvement Group was developing a data led targeted approach to reviews but hot reviews continued in the meantime.

The Audit Committee noted the assurance the report provided.

(c) **Follow-Up Review**

The Chair queried whether the revised implementation dates in the report had now been met. The Assistant Director, Corporate Performance Risk, confirmed all the scheduled actions had been completed.

The Audit Committee noted the report.

(d) **Assurance Review of the Payments and Payroll Arrangements**

The Chair acknowledged the substantial assurance provided on the Payments and Payroll Arrangements.

The Audit Committee noted the report.

(e) **ICT Review of the ISO 27001 Arrangements**

David Henning, IT Manager, and Philippa Salvesen, Corporate Projects Officer, joined the meeting.

The Chair sought clarity that the review related primarily to the documentation of processes rather than the robustness and security of our IT systems.

The IT Manager confirmed that was the case and advised the amended deadline of April 2016 to review policies and have these documented and implemented was achievable with resource allocated to undertake the work.

Peter Simpson, Internal Auditor, ttaa, advised the Audit Committee that in his opinion using ISO27001 as the basis of all reviews showed Audit Scotland's commitment to work to the highest standards and confirmed that the recommended areas related only to documentation processes which would help Audit Scotland to exemplar status.

In response to a question by the Chair the Chief Operating Officer confirmed that this review work is not carried out by Audit Scotland on public sector bodies as part of the audit process.

The Audit Committee noted the report.

9. Findings of the Internal Audit on ISO 27001 Arrangements

There was submitted a report by the Assistant Director, Corporate Performance and Risk, of the findings of the internal audit on ISO 27001 arrangements, which had been previously circulated.

The Chair referred members to the discussion at item 8 (e).

David Henning, IT Manager, and Philippa Salvesen, Corporate Projects Officer, left the meeting.

10. Update on Internal Audit Recommendations

The Assistant Director, Corporate Performance and Risk, introduced a report by the Corporate Governance Manager on an update on internal audit recommendations, which had been previously circulated.

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

Following discussion, the Audit Committee noted the progress reported.

11. Review of Risk Register

There was submitted a report by the Assistant Director, Corporate Performance and Risk, on the review of Audit Scotland's risk register, which had been previously circulated.

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

The Chair commented on the risk scores for the two new risks relating to the office move and the Assistant Director, Corporate Performance and Risk, provided assurance around the active monitoring and risk management by the project steering group.

The Audit Committee noted the report.

12. Risk Interrogation: Failure of Capacity

There was submitted a report by the Assistant Director, Corporate Performance and Risk on interrogation of Risk 4 – Failure of Capacity, which had been previously circulated.

The Chair of the Audit Committee welcomed the report recognising the value of risk interrogation.

The Chair invited comments or questions from the members.

There followed a discussion around the impact on capacity with a greater number of Section 22 and 102 reports. The Audit Committee members took assurance from the ability to reschedule non statutory deadlines and, together with a monthly review of key audit risks by Management Team which highlighted any cross sector thematic issues arising, the ability to access resource needs in such circumstances.

Following discussion, the Audit Committee welcomed the enhanced risk interrogation reporting and noted the report.

13. Data Incident/Loss

The Assistant Director, Corporate Performance and Risk, introduced a report by the Corporate Governance Manager on Data Incident/Loss, which had been previously circulated.

The Chair invited members to comment on the incidents reported.

The Assistant Director, Corporate Performance and Risk, advised members of the reduction from three to two incidents to be reported.

There were no comments from the Audit Committee members and the report was noted.

14. 2014/15 Annual Report on Bribery and Fraud

The Assistant Director, Corporate Performance and Risk, introduced the 2014/15 Annual Report on Bribery and Fraud, which had been previously circulated.

The Chair invited members to note the assurance that no instances of bribery or fraud had been identified or detected and queried how the sale of furniture items for the forthcoming office move would be managed. The Chief Operating Officer clarified the process would be managed by our project manager with support from the finance team.

Following discussion, members welcomed the assurance provided and noted the report.

15. 2014/15 Annual Report on Whistleblowing

The Assistant Director, Corporate Performance and Risk, introduced the 2014/15 Annual Report on Whistleblowing, which had been previously circulated.

It was noted that a review of the policy and arrangements had been undertaken and a small number of amendments were due to be in place by July 2015.

The Chair invited members to note the assurance provided by the report in that no instances of whistleblowing have been raised with Audit Scotland by staff under our whistleblowing arrangements.

Following discussion, members welcomed the assurance provided and noted the report.

16. 2014/15 Annual Report on Information Governance and Security

The Assistant Director, Corporate Performance and Risk, introduced the 2014/15 Annual Report on Information Governance and Security, which had been previously circulated.

The Chair invited members to note there were no significant issues arising but requested that the documentation in relation to ISO arrangements should set out more clearly the checks and monitoring in place.

Following discussion, members welcomed the assurance provided and noted the report.

Action(s)

- **The IT Manager to review documentation as part of preparing for the ISO certification. (April 2016)**

17. 2014/15 Annual Report on the Register of Hospitality and Gifts

The Assistant Director, Corporate Performance and Risk, introduced the 2014/15 Annual Report on the Register of Hospitality and Gifts, which had been previously circulated.

The Chair invited members to note the assurance that after review, our governance arrangements are fit for purpose.

Following discussion, members welcomed the assurance provided and noted the report.

18. Comparison of Indicative and Agreed Fees 2014/15 Audits

Owen Smith, Senior Manager, Audit Strategy, joined the meeting.

There was submitted a report by the Assistant Auditor General on a Comparison of Indicative and Agreed Fees 2014/15 Audits, which had been previously circulated.

The Chair invited comments or questions from members on the analysis or conclusions in the report.

The Committee had a detailed discussion and sought clarification on a number of issues including the basis on which cost reductions were measured, the reporting of budgeted versus actual figures, the relationship between the financial year and the budget year, variations between the sectors, variations at the level of individual audited bodies and the process for dealing with instances where expenditure is above or below the planned budget.

The Committee also sought clarification on the process for dealing with instances where an audited body disagreed with the audit fee and on the quality assurance arrangements, including for the audit appointments where audit firms had submitted discounted bids.

The members agreed to consider the issues further in the context of the Board's consideration of the budget at its meetings in August and September 2015.

Action(s)

- **The Assistant Auditor General to supply end of year outturn information to Committee members after the conclusion of 2014/15 audits. (February 2016)**

Owen Smith, Senior Manager, Audit Strategy, left the meeting.

19. Audit Committee Effectiveness

The Chair thanked members for completing the self assessment forms which she had reviewed. The Chair invited members to note there were differing responses to some of the questions which indicated that some follow up work was required by her. She proposed to return to the June meeting of the Committee with the consolidated return and proposed actions, which would include tailoring the checklist specifically to Audit Scotland's Audit Committee to enhance the standard NAO guidance.

Following discussion, members welcomed the update.

Action(s)

- **The Chair of the Audit Committee to prepare a report on Audit Committee effectiveness for consideration by the Board. (June 2015)**
- **The Chair of the Audit Committee to produce a checklist for induction and training. (August 2015)**

20. Any Other Business

The Chair welcomed an update in relation to the proposed co-option of a new member. The Chief Operating Officer advised the Board were scheduled to discuss this at its meeting in June 2015 once the outcome of the SCPA recruitment was known.

21. Confidential Item

This item is covered by a separate confidential minute.

22. Date of Next Meeting

The next meeting will be held on **Thursday 4 June 2015** 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, at 110 George Street,
Edinburgh on **Thursday 4 June 2015** 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
F McKinlay, Director of Performance Audit and Best Value
A Canning, Assistant Director of Performance Audit and Best Value
M Walker, Assistant Director, Corporate Performance and Risk
J Gilchrist, Audit Strategy Manager
D Blattman, HR & OD Manager
D Hanlon, Corporate Finance Manager
A Devlin, Corporate Governance Manager
A McBean, Alexander Sloan External Auditors
D Jeffcoat, Alexander Sloan External Auditors

| <u>Item No</u> | <u>Subject</u> |
|-----------------------|---|
| 1. | Apologies |
| 2. | Declarations of Interest |
| 3. | Minutes |
| 4. | Review of Actions Tracker |
| 5. | Audit Committee Terms of Reference |
| 6. | Corporate Quality Framework |
| 7. | 2014/15 Annual Report on Transparency and Quality |
| 8. | 2014/15 Annual Report on Health and Safety |
| 9. | 2014/15 Annual Report on Correspondence |
| 10. | 2014/15 Governance Statement on Internal Control and Certificate of Assurance |
| 11. | Q4 Financial Performance Report |
| 12. | Audit Management Letter |
| 13. | Draft annual Accounts |
| 14. | Audit Committee Effectiveness Update |
| 15. | 2014/15 Annual Report to the Board |
| 16. | Procurement of Internal Audit |
| 17. | AOB |
| 18. | Date of Next Meeting |

1. Apologies

There were no apologies. It was noted that although there was no representation from internal auditors, tiaa had submitted their final report to the meeting on 8 May 2015 and since resigned.

2. Declaration of Interest

Heather Logan and Douglas Sinclair advised that they were both members of the Scottish Public Services Ombudsman audit advisory committee.

3. Minutes

The Audit Committee members reviewed the minutes of the meeting of 8 May 2015, which had been previously circulated. After discussion a number of amendments were identified. The minutes were approved as an accurate record subject to the following amendments:

Page 1, item 5 to be amended to - Actions Tracker

Page 1, item 6 to be amended to – Audit Committee Terms of Reference

Page 2, item 5 – action to be inserted on the Chief Operating Officer

Page 6, item 17 second paragraph to read – The Chair invited members to note the assurance that after review, our governance arrangements are fit for purpose.

The confidential minute, which had previously been circulated to the members, was approved as an accurate record.

Action(s):

- **The Chief Operating Officer to arrange the amendments to the minutes of the meeting of 8 May 2015. (June 2015)**

4. Review of Actions Tracker

The Audit Committee reviewed progress made on outstanding actions. The members requested that the internal audit plan 2015/16 action on the Chief Operating Officer be removed from the tracker as this was no longer required.

The members requested that future action trackers have text suitably sized for viewing and review.

Action(s):

- **The Chief Operating Officer is to ensure that future action trackers are suitably sized for members' review. (August 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 Corporate Governance Manager, which had been previously circulated.

Following discussion the Audit Committee approved the amendments to the Audit Committee's Terms of Reference.

6. Corporate Quality Framework

John Gilchrist, Audit Strategy Manager joined the meeting.

The Assistant Auditor General submitted a report on the review of the Corporate Quality Framework, which had been previously circulated.

John Gilchrist apologised to the members for the slight delay in submitting the draft quality framework for approval. The members were informed that the draft quality framework had not changed substantially from the previous version. The Chair of the Audit Committee requested that it would be helpful in future if track changes were applied to the document to aid the discussion and subsequent approval.

The Chair enquired if, in taking account of the initiatives and publications highlighted in paragraph 4, any aspects had been considered and discounted as inappropriate for the framework. The Assistant Auditor General informed the Chair and members that the Corporate Quality Framework had drawn all its principles from the documents listed in paragraph four. The Committee was also informed that there would be no changes to the framework principles should the decision be taken later in the meeting to change the model of appointed firms.

The Chair of the Accounts Commission commented that the report did not refer to the Controller of Audit at paragraphs 47-48 of the report, and that this should be included. The Assistant Auditor General agreed to include this reference.

The Chair of the Board asked if there was a Human Resource dimension to the audits conducted on public bodies. The Auditor General noted that this would be covered by the Best Value audits, which had been the subject of recent discussion with the Accounts Commission.

The Audit Committee noted and approved the revised Corporate Quality Framework subject to the changes discussed.

Action(s):

- **The Assistant Auditor General to initiate track changes to the next submission of the Corporate Quality Framework. (June 2017)**
- **The Assistant Auditor General to include reference to the Controller of Audit in the report at paragraphs 47-48. (June 2015)**

7. 2014/15 Annual Report on Transparency and Quality

There was submitted a report by the Assistant Auditor General on Transparency and Quality for 2014/15, which had been previously circulated.

The Chair of the Accounts Commission noted that paragraph 73 was incorrect regarding the nature of the meetings with the audited bodies. He requested that it be amended to reflect the fact that primary purpose was to discuss the audit findings with the bodies and the actions to be taken on the findings.

The Chair commented that the basic issues in paragraph 65 of the report did not appear to be addressed in paragraph 84. The Chief Operating Officer advised that paragraph 65 was intended to show how PABV benchmarked itself against the IAASB framework and that they were improving quality and transparency across the business group. The Chair

asked the Assistant Auditor General about the value for money statistics in the report and how this will be addressed. The Assistant Auditor General informed the Chair and members that this will be addressed through the Code of Audit practice and the Becoming World Class improvement programme.

Following discussion the Audit Committee noted and approved the report subject to the amendment.

John Gilchrist, Audit Strategy Manager left the meeting.

Action(s):

- **The Assistant Auditor General to amend paragraph 73 of the report. (June 2015)**

8. 2014/15 Annual Report on Health and Safety

David Blattman, HR & OD Manager joined the meeting.

There was submitted the 2014/15 Annual Report on Health and Safety by the Chief Operating Officer, which had been circulated.

The HR and OD Manager informed the Audit Committee members that the report contained a positive overall picture of performance on health, safety and wellbeing.

The Chair asked how the issue of staff with excessive amounts of outstanding leave was being addressed. The HR & OD Manager informed the members that the leave surpluses would reduce further over time and support a better work/life balance. The Chair also sought clarification on the term 'operational matter and future priorities' in paragraph 19 of the report. The Chair and members were informed that this was to reflect the balance between the wellbeing initiatives and the statutory compliance with health and safety legislation.

The Chair of the Accounts Commission asked if the ratio between support staff and professional staff had been looked at as part of the wider aspects of wellbeing. The members were informed that we had previously benchmarked ourselves regarding this but the opportunity to continue to do this was limited. It was agreed that benchmarking would be looked at again going forward.

Following the discussion the Audit Committee noted the report.

David Blattman, HR & OD Manager left the meeting.

Action(s):

- **The Chief Operating Officer to look at benchmarking for support to professional staff. (June 2016)**

9. 2014/15 Annual Report on Correspondence

Fraser McKinlay, Director of PABV, Angela Canning, Assistant Director of PABV joined the meeting.

There was submitted a report by the Director of PABV, on the performance of the correspondence handling function for 2014/15, which had been previously circulated.

The Director of PABV informed the members that he recognised that correspondence handling performance had not matched the standards aspired to during the year. He advised that PABV had recently completed a comprehensive review of the function and that some actions had been implemented and further actions were planned to address the issues going forward.

The Chair invited comments and questions and the members sought clarification on paragraph 13 regarding trends and 'anecdotal evidence' in the report. The members were informed that the correspondence team were looking at how they could better codify the categories of correspondence received. The members requested that para 13 be amended to clarify this.

The Chair asked who owned the targets for handling correspondence and how often Audit Scotland referred people on to other bodies better placed to deal with the issues raised. The Director of PABV informed the members he owned the targets. He also advised that often people write to us as a last resort and that it not always clear whether they had already pursued other channels. As a result, the 'triage' part of the process can be time consuming and can impact on our response times.

The members asked how the views of the Auditor General and the Accounts Commission were sought when responding to the correspondent. The members were informed that this assessment also takes place at the 'triage' stage, but that the review had highlighted that this was an area we can improve upon.

The Chair of the Board asked how the correspondence was received and distributed internally so that it can all been accounted for. The members were informed that most of the correspondence came in through the dedicated correspondence email address and that staff across the business knew to forward correspondence to the central team if it came into any other part of the organisation.

The Chair of the Audit Committee asked whether correspondents were also contacted by telephone. The committee were informed that this was increasingly the case as it allowed for a much more effective dialogue, aided expectations management and is one of the areas for further action going forward.

Following discussion the members noted the report.

Fraser McKinlay, Director of PABV, Angela Canning, Assistant Director of PABV left the meeting.

Action(s):

- **The Director of PABV to amend paragraph 13 of the report to improve clarity. (June 2015)**

10. 2014/15 Governance Statement on Internal Control and Certificate of Assurance

There was submitted a report by the Chief Operating Officer on the 2014/15 Governance Statement and Certificate of Assurance, which had been previously circulated.

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

The Audit Committee noted the report and agreed to recommend it to the Board and Accountable Officer.

Action(s):

- **The Chair of the Audit Committee to recommend the Internal Control Report and Certificate of Assurance to the Board and Accountable Officer at its meeting on 4 June 2015. (June 2015)**

11. Q4 Financial Performance Report

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

The Chair invited comments and questions from the members on the report. Ian Leitch noted that Audit Scotland had run a surplus for the last five years and that this should be discussed at the Board.

The Audit Committee noted the report.

12. Audit Management Letter

Alexander Sloan submitted the draft external audit Management Letter for the year ended 31 March 2015, which had been previously circulated.

Andy McBean informed the Audit Committee that the process had gone smoothly and that there was nothing significant to bring to the attention of the Audit Committee. He told the members that he had provided an unqualified audit opinion on Audit Scotland's 2014/15 accounts and that the draft Management Letter would be submitted to the Scottish Commission for Public Audit.

The Audit Committee noted the draft Management Letter.

13. Draft Annual Accounts

The Corporate Finance Manager, introduced the draft Audit Scotland annual report and accounts for 2014/15, which had been previously circulated.

The Corporate Finance Manager thanked everyone for their helpful comments on the draft. The Chair asked the members if there were any final questions or comments; there were none.

The Audit Committee agreed to recommend the draft annual Report and Accounts for 2014/15 to the Board for approval at its meeting on 4 June 2015.

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 4 June 2015. (June 2015)**

14. Audit Committee Effectiveness Update

The Chair of the Audit Committee introduced a report on the Audit Committee Effectiveness Update, which had been previously circulated. The report outlined a number of actions to be undertaken, together with proposed timetable.

The Chair also informed the members that in an earlier private meeting with the members, the external auditors had expressed their satisfaction with effectiveness of the Audit Committee meetings.

Following discussion, members approved the report.

15. 2014/15 Annual Report to the Board

The Chair of the Audit Committee introduced the 2014/15 Audit Committee Annual Report to the Board, which had been previously circulated.

The members discussed the report and the positive assurance that it provided to the Board and Accountable Officer. The Chair informed the members that internal and external audit had completed their responsibilities for the year and that while there were no significant matters which needed to be brought to the attention of the Board, it was noted that four items within the statement of control process (FOI, complaints, carbon and international) were within the jurisdiction of the Board rather than the Audit Committee.

The Chair of the Board requested the report be amended to reflect that he had been the Chair of the Audit Committee until September 2014 and he informed the Audit Committee members that the review of members' performance would be undertaken in September this year.

Following discussion, the members welcomed the assurance provided by the report and approved its submission to the Board.

Action(s)

- **The Chair of the Audit Committee to amend the report to reflect that John Maclean had been the Chair of the Audit Committee (June 2015)**

16. Procurement of Internal Audit

The Corporate Governance Manager provided an update report on progress of the procurement of internal audit, which had been previously circulated.

The Corporate Governance Manager updated the members on the number of interested parties in the contract and expected tender submissions.

Following discussion, members welcomed the progress and noted the report.

17. Any Other Business

There was no other business.

18. Date of Next Meeting

The next meeting will be held on **Wednesday 19 August 2015 at 10:00hrs** and will be held in the offices of Audit Scotland, 8 Nelson Mandela Place, Glasgow.

Minutes of meeting of the **Audit Committee** of
Audit Scotland held in the offices of
Audit Scotland, at 102 West Port, Edinburgh on
3 December 2015 at 10:00hrs.

PRESENT: H Logan (Chair)
D Sinclair

APOLOGIES: Russel Griggs

IN ATTENDANCE: I Leitch
C Gardner, Auditor General for Scotland/Accountable Officer
D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
F McKinlay, Director, Performance Audit and Best Value
M Walker, Assistant Director, Corporate Performance and Risk
S Murray, Corporate Accountant
C Robertson, BDO LLP Internal Auditors
A McBean, Alexander Sloan External Auditors

| <u>Item No</u> | <u>Subject</u> |
|-----------------------|--|
| 1. | Welcome and apologies |
| 2. | Declarations of Interest |
| 3. | Minutes |
| 4. | Review of Actions Tracker |
| 5. | Audit Committee Terms of Reference |
| 6. | Internal Audit Plan, Progress and Reports |
| 7. | Update on Internal Audit Recommendations |
| 8. | Review of Risk Register |
| 9. | Risk Interrogation – Failure of Impact and Influence |
| 10. | Risk Interrogation 2016 Programme |
| 11. | Q2 Financial Performance Report 2015/16 |
| 12. | Business Continuity Arrangements Annual Review |
| 13. | Whistleblowing and Data Incident/Loss |
| 14. | Review the External Auditor's Independence and Objectivity |
| 15. | AOB |
| 16. | Date of next meeting |

1. Welcome and apologies

A private meeting between the Audit Committee and BDO, internal auditors was held prior to the start of the meeting.

Russel Griggs had offered his apologies in advance of the meeting.

2. Declarations of Interest

Heather Logan advised that she is a member of the Scottish Public Services Ombudsman Audit and Advisory Committee. Douglas Sinclair advised that he is no longer a member of that committee.

3. Minutes

The Audit Committee members reviewed the minutes of the meeting of 19 August 2015, which had been previously circulated.

The minutes were approved as an accurate record.

Action(s):

- **Assistant Director, Corporate Performance and Risk to provide an update on HR implementation of records management in HR and references to resources in the risk interrogation. (February 2016)**

4. Review of Actions Tracker

The Audit Committee reviewed progress made on outstanding actions and sought clarification on:

- (9) Review of audited body risk registers – Russell Frith advised that this would feature in the supplementary guidance to the Code of Audit Practice.
- (12) Business continuity re the Board – Diane McGiffen advised that the arrangements to cover the absence of a Chair had been tested in practice at a previous meeting and that a process for advising Board members of a business continuity incident would be incorporated into the revisions to the business continuity plans.
- (11) Format of risk register – Martin Walker advised that the format had been amended in August and would be revised on an ongoing basis as appropriate.
- (18) Co-option to the Audit Committee – this had been discussed by members at a previous meeting and agreement reached that co-option was not required at present.
- (8) Health and safety benchmarking – it was noted that the dates had been transposed incorrectly on the action tracker and the due date was April 2016.
- (7) Internal Audit Plan – the comparison had been completed as part of the process of developing the plan (item 6 on the agenda).

The Audit Committee members noted progress on outstanding actions.

Action(s):

- **Assistant Director, Corporate Performance and Risk to update the actions tracker. (February 2016)**

5. Audit Committee Terms of Reference

The Chair invited comments from members on the paper submitted by the Corporate Governance Manager, which had been previously circulated, which advised that there had been no changes to the Terms of Reference.

The Audit Committee noted the report.

6. Internal Audit Plan, Progress and Reports

Claire Robertson, BDO introduced two reports which had been previously circulated.

Internal audit plan

The Committee noted the amendments made to the previous draft and the underlying logic for this.

The Committee also discussed the broad scope and timing of the audit on staff development and succession planning. Claire advised that the audit could be included in 2016/17, that she would discuss substituting this with one of the other 2016/17 audits with management and reflect the outcome in the 2016/17 internal audit plan and the terms of reference.

The Committee approved the internal audit plan.

Internal Audit Report – Corporate governance

Claire introduced the report, which offered substantial assurance and included three recommendations.

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

The Audit Committee noted the report.

7. Update on Internal Audit Recommendations

The Corporate Governance Manager submitted an update report on the implementation of Internal Audit Recommendations, which had been previously circulated.

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

Following the discussion the Audit Committee noted the report and agreed that updates for prior years were not required in the update report once all of the recommendations had been actioned and reported to the Committee.

Action(s):

- **Corporate Governance Manager to update the content of the report as agreed. (February 2016)**

8. Review of Risk Register

Fraser McKinlay, Director, Performance Audit and Best Value joined the meeting.

There was submitted a report by the Assistant Director, Corporate Performance and Risk, on the review of Audit Scotland's risk register, which had been previously circulated.

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

Following discussion on individual risks and the mitigating actions the members noted the report.

9. Risk Interrogation – Failure of Impact and Influence

There was submitted a report by the Assistant Director, Corporate Performance and Risk, on the interrogation of risk seven – failure of impact and influence, which had been previously circulated.

The Committee discussed a range of issues including, the resource implications of the planned actions, the co-ordination and knowledge sharing of risk themes through the portfolio management arrangements, the role of the Strategic Scrutiny Group, the risk of any conflicts of interest in sharing good practice and the format of the risk interrogation report.

Following discussion the Committee noted the report.

10. Risk Interrogation 2016 Programme

The Assistant Director, Corporate Performance and Risk, introduced a report on the suggested programme of risk interrogations for 2016, which had been previously circulated.

The Committee discussed the proposed programme, noted that the programme was dynamic and may change to reflect the risk profile where appropriate and agreed its content. The Committee also discussed the timing of individual recommendations and agreed that this would also be informed by the risk profile.

Action(s):

- **Assistant Director, Corporate Performance and Risk to keep the content and timing of the risk interrogations under review. (Ongoing)**

Fraser McKinlay, Director, Performance Audit and Best Value left the meeting.

11. Q2 Financial Performance Report

Steve Murray, Corporate Accountant joined the meeting

There was submitted a report by the Corporate Finance Manager on Audit Scotland's Q2 Financial Performance, which had been previously circulated.

The Committee sought clarification on areas where the fees might be greater than the indicative fee.

The Audit Committee noted the report.

Steve Murray, Corporate Accountant left the meeting.

12. Business Continuity Arrangements Annual Review

The Corporate Governance Manager had submitted an update report on Audit Scotland's Business Continuity Arrangements, which had been previously circulated.

The Audit Committee members noted the report.

13. Whistleblowing and Data Incident/Loss

The Corporate Governance Manager had submitted a report on Data Incidents/Loss, which had been previously circulated.

The Audit Committee members noted the report.

14. Review the External Auditor's Independence and Objectivity

The Chief Operating Officer, submitted a report on the review of the external auditor's independence and objectivity, which had been previously circulated.

The Audit Committee members noted the report.

15. Any Other Business

There was no other business.

16. Date of Next Meeting

The next meeting will be held in **February 2016** in the offices of Audit Scotland, 102 West Port, Edinburgh. The date and time of the meeting are to be confirmed following clarification of Committee member's availability.