



Minutes of the Audit Committee
2018

Audit Committee Meeting

Wednesday 14 March 2018, 10.00am

Audit Scotland offices, Nelson Mandela Place, Glasgow

Present:

H Logan (Chair)
R Griggs

Apologies:

G Sharp

In attendance:

C Gardner, Auditor General for Scotland
I Leitch, Chair of the Audit Scotland Board
D McGiffen, Chief Operating Officer
M Walker, Assistant Director, Corporate Performance and Risk
S Dennis, Corporate Finance Manager
A Devlin, Corporate Governance Manager
D Robertson, Digital Services Manager
C Robertson, BDO
A O'Donnell, BDO
S Cunningham, Alexander Sloan
J So, Alexander Sloan

0. Confidential Item – Internal audit procurement update

Agenda item 10 was taken in private at the start of the meeting.

The Corporate Governance Manager submitted a confidential report on the procurement of internal audit services, which had been previously distributed.

After discussion it was agreed to recommend the preferred supplier to the Board for approval at their next meeting on 28 March 2018.

1. Private meeting

A private meeting was held with BDO, the internal auditors, and Alexander Sloan, external auditors.

There were no issues raised from the private meeting.

2. Welcome and apologies

The Chair of the Audit Committee opened the meeting and noted that apologies were submitted by G Sharp who was attending the 2018 Accounts Commission strategy seminar.

3. Declarations of interest

There were no declarations of interest.

4. Minutes of meeting 15 November 2017

The Audit Committee members reviewed the minutes of the meeting of 15 November 2017, which had previously been circulated.

The minutes were approved as an accurate record of the meeting.

5. Review of actions tracker

The Audit Committee members reviewed the outstanding actions on the actions tracker. The members welcomed the actions which had been concluded and closed.

Updates were provided by Audit Scotland's officers and a number were covered as specific items later on the agenda.

The members welcomed the progress and noted the update.

6. Audit Committee terms of reference

The Chair invited comments from members on the report submitted by the Corporate Governance Manager, which had been previously circulated.

The members approved the updated terms of reference.

7. Internal audit reports

Claire Robertson, BDO submitted internal audit reports on IT service management, financial reporting, workforce planning/resource management and the follow-up review, which had been previously distributed.

IT service management

David Robertson, Digital Services Manager, joined the meeting.

Andrew O'Donnell, BDO provided an overview of the good practice points and key findings as well as the audit outcome of substantial assurance for design and reasonable assurance for operational effectiveness.

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

Russel Griggs indicated that he wished to explore the substantial level of assurance that is awarded to most of Audit Scotland's internal audit reports but agreed with the Chair that it be covered when discussing the 2017/18 annual assurance report.

The Chair of the Audit Committee sought and received clarification on the term 'rented purchase' from the Digital Services Manager.

The Chair asked what led to observation three on KPIs. Claire Robertson explained that Digital Services did not have data for one of the KPIs during the audit. The Digital Services Manager also explained that KPIs had been introduced to help achieve ISO 27001 but in hindsight some of the KPIs did not result in meaningful data and were being reviewed and may be dropped if they did not add value.

Ian Leitch highlighted an inaccuracy in the text of the Root-cause-analysis section on page seven. BDO the internal auditors agreed to amend the text.

The report was noted.

David Roberson left the meeting.

Action 55AC: BDO to amend the wording of the root-cause-analysis section of the IT Service Management report and re submit it to Audit Scotland. (March 2018)

Financial reporting

Andrew O'Donnell, BDO gave an overview of the good practice points and key findings as well as the audit outcome of substantial assurance for both design and operational effectiveness.

The Chair invited questions on the report from the members. Russel Griggs noted the comments from those interviewed that the financial reports were too detailed and asked if the end users were really using the very detailed financial reports. Claire Robertson indicated that the reports were being used but that there was some scope for them to be simplified.

The Chief Operating Officer said that she welcomed the report as positive assurance to the Committee members that the changeover during the year of Finance Managers did not affect operational performance.

The members noted the report.

Workforce planning/resource management

Andrew O'Donnell, BDO gave an overview of the good practice points and key findings as well as the audit outcome of substantial assurance for both design and operational effectiveness.

The Chair of the Audit Committee asked about progress on the skills gap analysis recommendation. The Chief Operating Officer advised the members that action was underway and that it had been discussed at the Corporate Services Managers meeting on 13 March 2018.

A discussion took place on previous attempts to map skills and experience including what BDO's process was for this in their organisation. The consensus was that this was a challenging area of work that required careful management.

The members noted the report.

Follow-up review

Andrew O'Donnell, BDO gave an overview of the outcomes from the follow-up review. The members were informed that Audit Scotland had made good progress in implementing recommendations.

Russel Griggs asked if Audit Scotland managers were estimating the recommendation completion date accurately as 28% of recommendations were either not complete or only partially complete. The Chair of the Audit Committee shared the members concern regarding this citing a date of 30 September 2017 being set for implementing cold reviews when it was generally accepted that this date would not be fully met. Claire Robertson advised the members that there were good reasons given for recommendation not having met their implementation dates.

A discussion took place around the estimation of implementation dates by Audit Scotland Managers and the role internal audit could play in challenging dates if they seemed over ambitious. Claire Robertson agreed that this challenge should be integrated into the audit clearance process.

The Chair of the Audit Committee asked why the management response to the contract management recommendation was not more aligned to the status as at February 2018. The Corporate Finance Manager informed the Chair that more work was being done to the ishare page to make it more effective for those seeking guidance on procurement and contract details.

The members noted the two internal audit reports.

Action 56AC: Internal auditors to initiate a process for challenging managers on recommendation implementation dates where they seem to be over ambitious. (June 2018)

8. Co-operation between internal and external auditors

Claire Robertson, BDO introduced the report on co-operation between internal and external audit, which had been previously circulated.

The members noted the report.

9. 2017/18 Internal audit annual assurance report

Claire Robertson, BDO provided an overview of the internal audit annual report 2017/18, which had been previously circulated. Claire Robertson advised the members that the conclusion is positive for the audit year, and that internal audit provided reasonable assurance that there were no major weaknesses in the internal control systems for the areas reviewed in the year.

Russel Griggs returned to his comment previously raised under agenda item 7 in which he wished to explore the number of substantial assurances provided for the areas audited. Russel asked internal audit if they were satisfied that the 'bar' was set at the correct level for the audits or whether Audit Scotland's performance was strong in almost all areas. Claire Robertson assured the members that the 'bar' was set at the correct level and that due to continuity of auditing Audit Scotland over the past few years BDO were able to review previous work to see improvement and progress. The members were also informed that an Audit Needs Assessment would be undertaken shortly by internal audit at the start of the next contract and that internal audit may identify areas that would result in more areas for development and improvement.

The members welcomed the assurance the report had given on internal control.

The Chair informed the members that the annual assurance report brought to an end the internal audit work for 2017/18 and the current internal audit contract. The Chair thanked BDO for all their work during over the last three years.

10. Internal audit procurement update

This item was taken in private at the start of the meeting.

11. 2017/18 Year end statutory accounts timetable

The Corporate Finance Manager introduced the timetable for the completion of the statutory accounts to 31 March 2017, which had previously circulated.

The Audit Committee noted the timetable.

12. External auditors plan 2017/18

Steven Cunningham, Alexander Sloan introduced the external audit plan and timetable for the 2017/18 audit.

The Audit Committee welcomed the update and noted the plan.

13. 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 Assistant Director, Corporate Performance and Risk, introduced the report by highlighting the changes made since the last report in November.

A discussion took place on risk 5 – Failure to assess the impact of and respond to the EU referendum result, and the risks and controls surrounding ‘Brexit’, including the impact it may have on Audit Scotland. The Chief Operating Officer informed the members that Management Team had discussed this matter, what was being done to manage the risks and that this area was the subject of the next risk interrogation to be considered by the Committee at its meeting on 23 May 2018.

The members noted the report.

14. Risk interrogation: Legitimacy, relevance and independence

There was submitted a report by the Assistant Director, Corporate Performance and Risk, on the risk interrogation: legitimacy, relevance and independence, which had been previously circulated.

The Chair of the Audit Committee informed the meeting that she valued these reports and the assurance they gave to the members on the work done to control the risks.

The Assistant Director, Corporate Performance and Risk provided an overview of the interrogation picking out the highlights and the controls in place.

A general discussion took place on the stress around the risk scores and the extent of any challenges to independence, legitimacy and relevance. The members were advised that the independence of the public audit model in Scotland and that of the Auditor General, the Accounts Commission and Audit Scotland are business critical, carefully managed and reflected in the risk scores.

Ian Leitch added that the independently appointed Board members were further evidence of the controls and could be covered in the report. The Assistant Director, Corporate Performance and Risk agreed to consider this for future risk reports and the risk register.

The members noted the report.

Action 57AC: The Assistant Director, Corporate Performance and Risk to consider the independently appointed Board members for future risk reports and the risk register. (May 2018)

15. Q3 financial performance report

There was submitted a report by the Corporate Finance Manager, on the Q3 financial performance report, which had previously been circulated.

The Chair reminded the members that the report had been discussed at the February Board meeting due to the sequencing and timing of the meetings this year.

The Corporate Finance Manager informed the members that our forecasts for the year had been reviewed and that we were consistent with the budget.

The Chair of the Audit Committee informed the members that she had met with Audit Scotland Officers on 7 March 2018 about the detail of financial detail needed for consideration by the Audit Committee members. It was agreed that a simplified report would come to the Audit Committee from the Corporate Finance Manager in future.

The members noted the report.

Action 58AC: The Corporate Finance Manager to simplify the quarterly financial reports for the Committee. (June 2018)

16. Digital security update

David Robertson, Digital Services Manager joined the meeting.

There was submitted a digital security update report by the Digital Services Manager, which had previously been circulated.

The Digital Services Manager provided the members an overview of the main points in the report.

Members of the committee sought clarification on a range of issues and were provided with further information. The areas covered included; the provider of cloud services, Crypto jacking, the extent to which Audit Scotland is targeted through low level cyber-attacks, the motion enabled security camera in the digital server room and the definition of multiple redundant systems for work stream 3.

The Chief Operating Officer informed the members that the investment in our Digital Services has been of great value to the organisation as witnessed most recently by the extremely low impact on our work as a result of the disruption caused to the UK from the winter weather in late February.

The Chief Operating Officer and Audit Committee Members thanked the Digital Services Manager and the Team for all their hard work.

The Audit Committee noted the report.

David Robertson, Digital Services Manager left the meeting.

17. Annual assurance and statement of control process

The Corporate Governance Manager submitted the annual assurance and statement of control process report, which had been previously circulated.

The Audit Committee noted the report.

18. Any other business

Two items of other business were raised on data incidents and whistleblowing prescribed persons.

The Corporate Governance Manager informed the members that there had been one data incident to report since the last meeting and that this involved the loss of a mobile phone; there was no risk to our information as the phone was remotely wiped.

The members were also updated on progress to have Audit Scotland reinstated as a prescribed person under the Public Interest Disclosure Act.

Action 59AC: The Corporate Governance Manager to provide an update at the next meeting of the Committee. (May 2018)

The members welcomed the updates.

19. Review of meeting

The Chair of the Audit Committee invited members to comment on the standard of the papers submitted to them and on the meeting itself.

Members were satisfied with the papers and the meeting.

20. Date of next meeting

The next meeting will be held at 10.00am on 23 May 2018 in the offices of Audit Scotland, Nelson Mandela Place, Glasgow.

Audit Committee Meeting

Wednesday 23 May 2018, 10.00am

Audit Scotland offices, Nelson Mandela Place, Glasgow

Present:

H Logan (Chair)
G Sharp

Apologies:

R Griggs

In attendance:

C Gardner, Auditor General for Scotland
I Leitch, Chair of the Audit Scotland Board
D McGiffen, Chief Operating Officer
F McKinlay, Director of Performance Audit and Best Value
M Walker, Assistant Director, Corporate Performance and Risk
E Boyd, Assistant Director, Appointments and Assurance
O Smith, Senior Manager, Appointments and Assurance
J Gilchrist, Manager, Appointments and Assurance
F Daley, Consultant
C Young, Correspondence Manager
S Dennis, Corporate Finance Manager
A Devlin, Corporate Governance Manager
C Robertson, BDO
A O'Donnell, BDO
S Cunningham, Alexander Sloan

1. Private meeting

A private meeting was held with BDO, the internal auditors, and Alexander Sloan, external auditors.

There were no issues arising from the private meeting.

2. Welcome and apologies

The Chair of the Audit Committee opened the meeting and welcomed Claire Robertson and Andrew O'Donnell from BDO, Audit Scotland's newly appointed internal auditor. The Chair advised of Russel Griggs' apologies and informed members she would refer during the meeting to his comments on the papers which he had shared in advance.

3. Declarations of interest

There were no declarations of interest.

4. Minutes of meeting 14 March 2018

The Audit Committee members reviewed the minutes of the meeting of 14 March 2018, which had previously been circulated.

The members approved the minutes as an accurate record of the meeting.

5. Review of actions tracker

The Audit Committee members reviewed the outstanding actions on the actions tracker and welcomed the number that had been reported closed.

Progress updates were given as necessary by Audit Scotland's staff and members noted that Audit Scotland would be reinstated as a prescribed person under the whistleblowing legislation on 1 August 2018.

The members noted the update.

6. Audit Committee terms of reference

The Chair invited comments from members on the report submitted by the Corporate Governance Manager, which had been previously circulated.

The members approved the terms of reference.

7. Annual internal audit plan 2018/19

Claire Robertson, BDO introduced the draft internal audit plan for 2018/19 to 2020/21, which had previously been circulated. She highlighted the different approach to be adopted to assess IT robustness and monitor risk management throughout the year.

The Chair sought clarification on the scope for monitoring risk management and the output to be delivered and Claire Robertson advised this was yet to be agreed, but that the intention was to attend Audit Scotland meetings where risk was discussed to assess how risk is managed. Martin Walker advised that a further review of the corporate risk register would be scheduled once the design and build of the new corporate performance system had been completed.

The Chair asked for a review of Audit Scotland's preparedness and planning for the new financial powers and constitutional change to be incorporated within the internal audit plan, the rationale being that Audit Scotland audited the preparedness of public sector bodies for this and should benefit from having BDO scrutinise its work. She queried the number of days in the plan to review complaints management and suggested some of that time could be spent on a preparedness review.

Claire Robertson advised that the complaints management area has not been considered previously and it would explore how Audit Scotland manages complaints and correspondence cases. Diane McGiffen advised that a lot of improvements had been implemented in complaints handling and an independent review would be useful.

On the matter of the preparedness audit, Caroline Gardiner advised work is currently underway around planning and recruitment and Diane McGiffen agreed to discuss the scope for this exercise with BDO before it would be circulated to Audit Committee members for approval. Diane also advised that BDOs commitment to identifying streamlining opportunities as part of the wider internal audit scope would be welcome.

The Chair referred to Russel Griggs' query about the scope for the follow up audit. The Chair was advised that all audit scopes would be shared with the Audit Committee members before each audit for comment.

Claire Robertson advised the members that the data protection audit would look at compliance with the GDPR.

The members noted the report.

Action 60AC: Internal auditors to plan a review of the corporate risk register in 2019/20. (May 2019)

Action 61AC: Diane McGiffen and BDO to discuss the scope for a review of Audit Scotland's preparedness and wider internal scope to identify streamlining opportunities. (September 2018)

8. 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 Assistant Director, Corporate Performance and Risk, introduced the report by highlighting the changes made since the previous report in March.

A discussion took place on IT risks and the risks associated with the potential impact of any constitutional change.

The members noted the report.

9. Risk interrogation: Failure to assess the impact of and respond to EU withdrawal

Mark Roberts, Senior Audit Manager, and Kirstin Scott, Auditor, Performance Audit and Best Value joined the meeting.

The Chair welcomed Mark Roberts and Kirstin Scott to the Audit Committee.

There was submitted a report by the Assistant Director, Corporate Performance and Risk, on the risk interrogation – failure to assess the impact of and respond to EU withdrawal, which had been previously circulated.

Kirstin Scott, Auditor, advised the members that while specific reports on EU exit work do not feature in our existing work programme we continue to closely monitor the position closely and have some flexibility to adapt the programme as necessary.

The Chair noted Russel Grigg's question about responding to the political risks and agenda and members agreed that the team can only monitor such risks.

The Chair queried the EAFA plans, the level of agency staff used on those audits and the risk of longer term skills shortage. Mark Roberts advised that the current EAFA regime will run until 2021. Diane McGiffen informed the Committee that the auditors working on EAFA could work flexibly across other audits and were being encouraged to take up any learning and development opportunities available. Diane also advised that Audit Scotland continue to monitor the position for colleagues who are EU nationals and are considering how to provide appropriate support.

The Chair asked whether there were any learnings from this risk interrogation for other developing areas and Mark Roberts agreed it had been a useful exercise and that additional guidance prepared for auditors would help to inform future work.

The Chair reflected on the magnitude of potential changes and Mark advised that it was too early to say what the outcome would be and what that would mean for Audit Scotland. In response to the Chair, Claire Robertson advised that internal audit considered the interrogation report to be thorough.

The Chair asked about public body preparedness for withdrawal and the process for escalating issues. Mark Roberts advised that public bodies have started considering the implications of withdrawal and that increased activity is expected. He highlighted plans to gather feedback from auditors and public bodies that will inform an update report to the Auditor General and Accounts Commission.

The Audit Committee noted the report and welcomed the discussion.

Claire Robertson and Andrew O'Donnell, BDO and Mark Roberts, Senior Audit Manager, and Kirstin Scott, Auditor, Performance Audit and Best Value left the meeting.

10. Review of risk management framework

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

Martin Walker invited Committee members to note the framework had been updated to reflect the risk interrogations undertaken and organisational changes over the past two years and welcomed any comments on the revised risk management framework.

The Chair referred to the risk maturity model at appendix five of the framework and asked how Audit Scotland could move from 'managed' to 'enabled'. Martin Walker explained that Audit Scotland would be in a better position when the new performance management system was in place and giving us real time data.

The Audit Committee noted the assurance received from internal audit on the framework and discussed risk assessment sessions with members agreeing to consider this as part of the ongoing Board development agenda.

The Chair reflected on the previous streamlining discussion with BDO and Diane McGiffen advised that the internal auditors often cite Audit Scotland as doing well but a discussion to consider how to develop the risk maturity model and build on efficiencies would be useful.

Following discussion, the Audit Committee approved the framework.

Action 62AC: Diane McGiffen to schedule a risk assessment session as part of the Board development agenda. (October 2018)

11. Review of performance management arrangements

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

Martin Walker advised the Audit Committee that this had been an improvement action for some time with a review of the framework being undertaken as well as a project to consider how we use our time to inform a report to Management Team, who had approved the development of a new performance management system. Martin advised a working group has been formed and would be developing the system design over the course of this financial year.

The Chair asked what advantage colleagues would see as they were being asked to input more data. Martin advised that real time data would provide much more information to the teams on many different levels. The Chair asked whether best practice was being sought from similar organisations to ensure the correct model was constructed. Martin Walker advised that qualified auditors who are members of the Performance Reporting and Management Group and review the implementation of the new performance management systems in other bodies.

The Chair also asked whether the outstanding internal audit point around maintaining a skills database was being progressed at the same time as the new performance management system. Martin Walker advised that it was and that the effectiveness of the HR system would be reviewed to see whether a better process or system was possible.

Graham Sharp said it was critical that the performance management system could cope with best value work as well as financial audits. Diane McGiffen advised that MKI may be used for financial, performance and best value audit work and this would help improve quality for ICAS audits and management data interrogation.

The Audit Committee noted the report.

12. Audit quality monitoring report Q3/4 2017/18

Elaine Boyd, Assistant Director, Owen Smith, Senior Manager, John Gilchrist, Manager, Appointments and Assurance, Fiona Daley, Consultant, Fraser McKinlay, Director of Performance Audit and Best Value and Fiona Kordiak, Director of Audit Services, joined the meeting.

The Assistant Director, Appointments and Assurance, introduced the 2017/18 Q3/4 audit quality monitoring report, which had been previously circulated.

The Chair reflected on the quantifiable scrutiny which is now taking place and advised that she had reviewed the report against the previous three year's quality and transparency and quality reports and it represented a considerable step forward in providing assurance on audit quality. She added that the risk register correctly reflects the challenges and a clear focus on what we should be doing next both strategically and operationally.

The Chair invited an initial discussion on the reports from items 12 to 15.

Elaine Boyd invited the Audit Committee to note the assurance provided while acknowledging next steps which included more reporting around Performance Audit and Best Value audits, the review of and setting more clearly defined KPIs, future stakeholder engagement and reporting the results of the reviews both internally and externally.

Owen Smith advised of feedback meetings with auditors had taken place to share both the overall messages and specific areas for improvement which had been well received. John Gilchrist advised that on an operational level we need to ensure earlier engagement with auditors.

Graham Sharp welcomed the good progress made in providing assurance and following significant discussion with the Accounts Commission.

The Audit Committee noted the report.

13. Audit quality thematic review: Prior period errors 2016/17

The Assistant Director, Appointments and Assurance introduced the 2016/17 prior period errors report, which had been previously circulated.

Elaine Boyd informed the members that overall prior period errors were very small and that technical training had commenced with auditors to improve knowledge and skills in this area or work.

The Audit Committee noted the report.

14. Audit quality: Improvement actions

The Directors of Audit Services Group and Performance Audit and Best Value introduced the audit quality improvement actions report, which had been previously circulated.

Fiona Kordiak invited the Audit Committee to consider the plans to address the issues arising from audit quality monitoring, some of which were routine and were already being addressed in the medium and longer term to deal with key policy issues around methodology, improved training on both technical and soft skills and improved resource planning.

Fraser McKinlay advised of ongoing discussions with the Accounts Commission on Best Value audit work and the commitment that all audits are ISA compliant. The Chair asked whether this was simply another checklist and Fraser highlighted the benefits of providing evidence in case of complaints on our work and helping with one organisation working. Fiona Kordiak advised the Committee we are at the leading edge in adopting the approach.

The Chair asked if there were any big surprises from the reviews and Fiona Kordiak advised the findings were consistent with some of the issues previously identified as part of Audit Scotland's review of the first year of the new approach to best value audit and in year one of the new audit appointments and provided a good direction on financial audits. Fraser advised the 54% positive result reported for personal development was lower than expected and might reflect the ability to take the time for training and development as opposed to the quality of training available and that the results were being discussed with teams.

The Audit Committee noted the report.

15. **Audit quality annual report**

The Assistant Director, Appointments and Assurance introduced the 2018 annual audit quality report, which had been previously circulated.

The Audit Committee welcomed the assurance provided in this and the accompanying reports on quality and acknowledged the work by the Appointments and Assurance team in developing and delivering this level of assurance.

Graham Sharp informed the members that the report had many uses and that the Commission used it in their annual reporting. Graham asked that future reports consider how sector information could be presented. He recognised the annual report in its current form was produced primarily for the Audit Committee and Board of Audit Scotland but would welcome more information on best value audits and data relating to sectors. Graham commented that the Appointments and Assurance Team need to ensure that they have the resources to cover additional work as well as their usual tasks.

The Audit Committee noted the report.

Action 63AC: The Appointments and Assurance team to update the wording in the audit quality report and to note the additional reporting for future years. (June 2018)

Elaine Boyd, Owen Smith, John Gilchrist, Fiona Daley and Fiona Kordiak, left the meeting.

16. **2017/18 annual report on information governance and security**

The Corporate Governance Manager introduced the 2017/18 annual report on information governance and security, which had been previously circulated.

Alex Devlin advised members of the continuing focus on basic training and monitoring around the meta data for records which forms part of this year's programme of moving to the Cloud with developments around the ease of labelling records to streamline the process. The Chair requested the Committee be kept informed in terms of risks.

The Audit Committee noted the report.

17. **2017/18 annual report on the register of hospitality and gifts**

The Corporate Governance Manager introduced the 2017/18 annual report on the register of hospitality and gifts, which had been previously circulated.

The Committee members considered the report and discussed events and gifts which require to be recorded on the register.

Following discussion, the Audit Committee noted the report.

18. **2017/18 annual report on bribery and fraud**

The Corporate Governance Manager introduced the 2017/18 annual report on bribery and fraud, which had been previously circulated.

The Chair queried the statement that there are no risks to Audit Scotland under the National fraud initiative. Alex Devlin clarified there were no frauds to be reported.

The Audit Committee noted the report.

19. 2017/18 annual report on whistleblowing

The Corporate Governance Manager introduced the 2017/18 annual report on whistleblowing, which had been previously circulated.

Alex Devlin advised the Committee that Audit Scotland would be reinstated as a prescribed person under whistleblowing legislation with effect from 1 August 2018.

The Audit Committee noted the report.

20. 2017/18 annual report on data incidents

The Corporate Governance Manager introduced the 2017/18 annual report on data incidents, which had been previously circulated.

Alex Devlin advised the Audit Committee that 60% of staff had completed the updated GDPR training, links to which had been re-sent to Audit Committee members with a deadline for completion of Friday 1 June 2018.

The Audit Committee noted the report.

21. 2017/18 annual report on correspondence and whistleblowing

Catherine Young, Correspondence Manager, joined the meeting.

The Correspondence Manager introduced the 2017/18 annual report on whistleblowing, which had been previously circulated.

The Chair welcomed Catherine Young, the newly appointed Correspondence Manager, to the meeting.

The Chair noted Russel Griggs' question about learning from correspondence. Fraser advised of the investment by Neil Cartlidge and Dorothy Lavery over the past few years to transform whistleblowing and correspondence management, by providing a direct point of contact and sharing the intelligence provided on governance, financial management of public money or other more common issues.

The Committee discussed how that could be built into audit quality and Fraser advised that it does by providing information on quality of service, responsiveness and engagement which can be shared with auditors to inform their audit work. Fraser advised that complaints received now are likely to be as a result of what Audit Scotland has reported and these are considered as part of the complaints process with the Corporate Governance Manager.

The Audit Committee noted the report.

Fraser McKinlay and Catherine Young left the meeting.

22. Review of Audit Committee effectiveness

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

The Chair invited members to note the two action points and the Committee noted the report.

23. Any other business

There were no items of other business

24. Review of meeting

The Chair of the Audit Committee invited members to comment on the standard of the papers submitted to them and on the meeting itself.

Members were satisfied with the papers and the meeting.

25. Date of next meeting

The next meeting will be held at 10.00am on 6 June 2018 in the offices of Audit Scotland, 102 West Port, Edinburgh.

Audit Committee Meeting

Wednesday 6 June 2018, 10.00am

Audit Scotland offices, West Port, Edinburgh

Present:

H Logan (Chair)
R Griggs
G Sharp

In attendance:

C Gardner, Auditor General for Scotland
I Leitch, Chair of the Audit Scotland Board
D McGiffen, Chief Operating Officer
M Walker, Assistant Director, Corporate Performance and Risk
D Blattman, HR & OD Manager
C Anderson, Senior HR & OD Consultant
J Gilchrist, Manager, Appointments and Assurance
S Dennis, Corporate Finance Manager
A Devlin, Corporate Governance Manager
A O'Donnell, BDO
S Cunningham, Alexander Sloan
J So, Alexander Sloan

1. Private meeting

A private meeting was held with BDO, the internal auditors, and Alexander Sloan, external auditors.

There were no issues arising from the private meeting.

2. Welcome and apologies

The Chair of the Audit Committee opened the meeting. There were no apologies.

3. Declarations of interest

There were no declarations of interest.

4. Minutes of meeting 23 May 2018

The Audit Committee members reviewed the minutes of the meeting of 23 May 2018, which had previously been circulated.

The Assistant Director, Corporate Performance and Risk informed the Chair that item 9, fifth paragraph should read 'Mark Roberts advised that.....', not Martin Walker.

Subject to that change, the members approved the minutes as an accurate record of the meeting.

Action 64AC: The Secretary to the Audit Committee to update the minute to reflect the above change. (September 2018)

5. Review of actions tracker

The Audit Committee members reviewed the outstanding actions on the actions tracker and noted progress.

6. Audit Committee terms of reference

The Chair invited comments from members on the report submitted by the Corporate Governance Manager, which had been previously circulated.

The members were informed that there had been a minor update to the risk interrogation section of the terms of reference.

Graham Sharp asked why co-opted additional members had a limit of a year. A discussion on this took place, and it was noted that this was deemed best practice and ensured the balance of externally appointed committee members.

The members approved the update to the terms of reference.

7. Internal audit recommendations progress report

The Corporate Governance Manager submitted a progress report on internal audit recommendations, which had been previously distributed.

Russel Griggs asked if Audit Scotland had a final date for the implementation of the Audit Efficiency recommendation. The Assistant Director, Corporate Performance and Risk, advised that we were planning for the end of the financial year for its implementation, noting some dependencies on data access.

The Chair asked the Corporate Finance Manager if the procurement share page would be implemented by the due date of 31 July, she was informed it would.

The members noted the progress on outstanding internal audit recommendations.

8. 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 Assistant Director, Corporate Performance and Risk, introduced the report advising that the risk profile was consistent with that reported at the last meeting and highlighted the changes made on the controls and actions to reflect the internal audit programme for 2018/19.

The members noted the report.

9. 2017/18 annual report on health and safety

David Blattman, HR & OD Manager and Charlotte Anderson, Senior HR & OD Consultant joined the meeting.

The Chief Operating Officer submitted the 2017/18 annual report on health and safety, which had been previously circulated.

The Chair invited questions from the members on the report.

A discussion took place on:

- The average number of days sick, the part stress related illness and mental health played in this and whether presenteeism was an issue. Members were advised of the arrangements in place in terms of monitoring, engagement with senior managers and Occupational Health referrals. The members were informed that we are a supportive

employer that works with line management, the employee and PCS to ensure the health and wellbeing of the staff member.

- The difference between stress and mental health. The members were informed that the Chartered Institute of Personnel and Development (CIPD) defined the categories and we adopted their definition and criteria for recording absences under those headings.
- The carryover of annual leave by some members of staff and whether this contributed to instances of stress and mental health.

The Chief Operating Officer informed the Committee members that sickness was managed carefully and sensitively and that there were no concerns for Audit Scotland about the data and messages within the report.

The Audit Committee noted the report.

David Blattman, HR & OD Manager and Charlotte Anderson, Senior HR & OD Consultant left the meeting.

10. 2017/18 governance statement on internal control and certificate of assurance

The Chief Operating Officer submitted Audit Scotland's 2017/18 governance statement on internal control and certificate of assurance, which had been previously circulated.

The Chair invited comments and questions.

There were no comments or questions and the Audit Committee members agreed to recommend the certificate to the Board at its next meeting.

Action 65AC: The Chief Operating Officer to submit the certificate of assurance to the Board. (June 2018)

11. Q4 financial performance report

There was submitted a report by the Corporate Finance Manager, on the Q4 financial performance, which had been previously circulated.

The Corporate Finance Manager introduced the report and invited comments from the members on the content and new style of the report.

The Chair welcomed the new style of the report and invited comments and questions from the members.

Ian Leitch commented that the underspend was 2.5% of the expenditure budget and the finance team should be commended for this achievement.

The Chair commented on the agency and secondment costs and asked about the reasons behind the figures. The Chief Operating Officer informed the Chair that she could provide additional information on the costs but that historically they were usually associated with smoothing out resourcing around the peaks in audit work.

The Chair also asked about the agency expenditure for backfilling for a member who was on secondment. The Chief Operating Officer informed the Chair that this was done as part of a restructuring initiative in Business Support Services.

The Audit Committee noted the report.

12. Audit management letter

Steven Cunningham, Alexander Sloan submitted the draft external audit Management Letter for the year ended 31 March 2017, which had been previously circulated.

The Chair invited comments and questions from the members in relation to the report.

A short discussion took place on the term 'going concern' after which the Audit Committee thanked the auditors and noted the report.

13. 2017/18 draft annual report and accounts

James Gillies, Corporate Communications Manager joined the meeting.

The Corporate Finance Manager introduced the draft Audit Scotland annual report and accounts for 2017/18, which had been previously circulated.

The Chair invited comments and questions from the members in relation to the report.

Discussions took place around:

- The salary multiple disclosure using the median salary figure and whether we should consider disclosure against the lowest salary figure. The members were informed that the median figure is what is required in the FReM but it would be useful to have this figure available.
- The Audit Scotland accommodation service charge for future years. The members were informed that the budget has now been set at the capped figure provided for in the contract.
- The length of the annual report at 69 pages. The increase in size was due to new reporting requirements, feedback from the NAO last year and with a view to maximising transparency.
- The use of titles for Board members in the report. It was agreed to include them.

Caroline Gardner, Auditor General and Audit Scotland's Accountable Officer informed the Committee members that she felt it had been a good year and thanked Audit Scotland for their support and assistance throughout the year.

The Audit Committee recommended the 2017/18 annual report and accounts to the Board for approval.

Action 66AC: The Chief Operating Officer to source salary multiple information using the lowest salary figure in addition to the median figure. (June 2018)

Action 67AC: The Corporate Communications Manager to include titles for Board members in the 2017/18 Audit Scotland Annual Report and Accounts. (June 2018)

Action 68AC: The Chief Operating Officer to submit the 2017/18 Annual Report and Accounts to the Board for approval. (June 2018)

James Gillies, Corporate Communications Manager joined the meeting.

14. 2017/18 annual report from the Chair of the Audit Committee to the Board

The Chair of the Audit Committee introduced the 2017/18 Audit Committee annual report to the Board, which had been previously circulated.

The Chair invited comments and questions from the members in relation to the report.

Graham Sharp highlighted a minor correction to the reference to the Accounts Commission in section 28 of the report. Other than that, there were no further comments or questions and the report was recommended for submission to the Board.

Action 69AC: The Secretary to the Audit Committee to amend the reference in section 28 about the Accounts Commission. (June 2018)

Action 70AC: The Chair of the Audit Committee to submit the report to the Board. (June 2018)

James Gillies, Corporate Communications Manager left the meeting.

15. Policy on the provision of non-audit services by Audit Scotland's external auditor

John Gilchrist, Manager, Appointments and Assurance joined the meeting.

The Assistant Director, Appointments and Assurance submitted the policy on the provision of non-audit services by Audit Scotland's external auditor, which had been previously circulated.

A discussion took place on the applicability of the policy applying to other bodies and other situations. The members were reminded that this policy applied only to Audit Scotland and their external auditor.

The Audit Committee recommended the policy be approved by the Board at their next meeting.

Action 71AC: The Appointments and Assurance team to submit the policy to the next Board meeting for approval. (June 2018)

John Gilchrist, Manager, Appointments and Assurance left the meeting.

16. Any other business

There were no items of other business

17. Review of meeting

The Chair of the Audit Committee invited members to comment on the standard of the papers submitted to them and on the meeting itself.

Members were satisfied with the papers and the meeting.

18. Date of next meeting

The next meeting will be held at 10.00am on 19 September 2018 in the offices of Audit Scotland, Nelson Mandela Place, Glasgow.

Audit Committee Meeting

Friday 28 September 2018, 13.45

Audit Scotland offices, 102 West Port, Edinburgh

Present:

H Logan (Chair)
R Griggs
G Sharp

In attendance:

C Gardner, Auditor General for Scotland
I Leitch, Chair of the Audit Scotland Board
D McGiffen, Chief Operating Officer
M Walker, Assistant Director, Corporate Performance and Risk
S Dennis, Corporate Finance Manager
A Devlin, Corporate Governance Manager
D Robertson, Digital Services Manager
C Robertson, BDO
J So, Alexander Sloan

1. Private meeting

A private meeting was held with BDO, the internal auditors, and Alexander Sloan, external auditors.

There were no issues arising from the private meeting.

2. Welcome and apologies

The Chair of the Audit Committee opened the meeting. There were no apologies.

3. Declarations of interest

There were no declarations of interest.

4. Minutes of meeting 6 June 2018

The Audit Committee members reviewed the minutes of the meeting of 6 June 2018, which had previously been circulated.

The members agreed to remove the word 'only' from the fourth paragraph of item 11.

The members approved the minutes as an accurate record of the meeting.

Action 72AC: The Secretary to the Audit Committee to update the minute to reflect the above change. (November 2018)

5. Review of actions tracker

The Audit Committee members reviewed the outstanding actions on the actions tracker and noted progress.

6. Audit Committee terms of reference

The Chair invited comments from members on the report submitted by the Corporate Governance Manager, which had been previously circulated.

The members agreed that the review of the external auditor's independence and value for money be moved to November and the terms of reference (TOR) be updated to reflect this change.

The members noted the terms of reference.

Action 73AC: The Secretary to the Audit Committee to update the TOR to reflect the above change. (November 2018)

7. Internal audit report: Complaints Management

There was submitted a report by BDO, on internal audit complaints management, which had been previously circulated.

Claire Robertson, BDO introduced the report and highlighted their findings, and informed the members that there were no recommendations for improvement.

The members welcomed the report.

8. Internal audit progress report 2018/19

There was submitted a report by BDO, on internal audit progress 2018, which had been previously circulated.

Claire Robertson, BDO introduced the report and gave an overview of progress on the 2018/19 internal audits.

The members were invited to comment on the report, there were none and the report was noted.

9. Revised internal Audit Plan 2018/19

BDO submitted an updated 2018/19 internal audit plan that included provision for an independent check on our organisational preparedness with regards to the new financial powers, social security and EU withdrawal, which had been previously circulated.

Claire Robertson, BDO informed the members that the plan also reflected the agreed schedule for the audit field work.

The Chair sought clarification on the risks identified in Appendix V and was advised that the plan had been updated in parallel with Management Team updating the corporate risk register and this timing issue explained any differences between the two.

Russel Griggs asked if the core financial controls audit focus varied from year to year. He was assured that different audit tests and areas of focus were applied each year and was provided with examples of the focus over the past few years.

The members noted the report.

Action 74AC: The Assistant Director Corporate Performance and Risk and BDO to ensure the 2018/19 plan risks are aligned with the risks in the most recent risk register. (November 2018)

10. Internal audit recommendations progress report

The Corporate Governance Manager submitted a progress report on internal audit recommendations, which had been previously distributed.

The Chair asked BDO if they were content with the recommendations that management had indicated had been completed. The Chair was informed that evidence of implementation would be addressed at the follow-up audit in February 2018 and then reported to the members thereafter.

The Chair also asked about the phased implementation of the new Performance Management Framework project, which incorporates changes to the time recording systems. The members were informed that work was progressing and that a paper was being submitted to Management in October.

The Chair asked for a paper summarising the stands of the development and improvement work and their interdependencies. It was agreed that this would form an agenda item for the November meeting.

The members noted the progress on outstanding internal audit recommendations.

Action 75AC: The Assistant Director Corporate Performance and Risk to prepare a paper on the strategic improvement programme for the next meeting. (November 2018)

11. Q1 Financial performance report

There was submitted a report by the Corporate Finance manager, on the Q1 financial performance, which had been previously circulated.

The members noted the report.

12. 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 Assistant Director, Corporate Performance and Risk highlighted the areas which had changed since the register was last considered by the committee.

The members considered the report and discussion took place on the risks around departure from the EU.

The members noted the report.

13. Risk interrogation: Capacity and one organisational working

There was submitted a report by the Audit Directors, HR & OD Manager, Senior Managers and Assistant Director, Corporate Performance and Risk, on Capacity and one organisational working, which had been previously circulated.

The Chair invited comments and questions and the committee discussed the challenges and opportunities around the employee value proposition in the current labour market, the resourcing of the audit of Integrated Joint Boards (IJBs) and the deployment of resources at peak audit periods.

Following the discussion members noted the report.

Russel Griggs left the meeting at 14.30.

14. Digital Security update

David Robertson, Digital Services Management Team, joined the meeting.

There was submitted a report by the Digital Services Management Team, on Digital Security, which had been previously circulated.

The Digital Services Manager gave a brief update on the paper and invited questions and comments.

Members sought additional information on some digital security threats and the arrangements to manage these risks.

The Chair asked for an update on the ISO 27001 surveillance audit that had taken place earlier in the week. The members were informed that it had gone well and that there were no non-conformities identified.

The Audit Committee welcomed the report.

David Robertson, Digital Services Management Team, left the meeting.

15. Data incidents / loss

There was submitted a report by the Corporate Governance Manager, on Data incident / loss, which had been previously circulated.

The Audit Committee noted the report.

16. Proposed Board and Audit Committee meeting dates 2019

The Assistant Director, Corporate Performance and Risk, introduced the proposed Board and Committee schedule for 2019, which had been previously circulated.

The Audit Committee welcomed the proposed schedule of meetings and indicative work programme for 2019.

Following discussion, the Audit Committee agreed the schedule.

17. Any other business

There were no items of other business.

18. Review of meeting

The Chair of the Audit Committee invited members to comment on the standard of the papers submitted to them and on the meeting itself.

Members were satisfied with the papers and the focus of the meeting.

The Chair asked that the minute reflect the Audit Committee's appreciation for Russel Griggs' service on the committee.

19. Date of next meeting

The next meeting will be held at 10.00am on 14 November 2018 in the offices of Audit Scotland, Nelson Mandela Place, Glasgow.

Audit Committee Meeting

Wednesday 14 November 2018, 10.00

Audit Scotland offices, Nelson Mandela Place, Glasgow

Present:

H Logan (Chair)
A Alexander
G Sharp

In attendance:

C Gardner, Auditor General for Scotland
I Leitch, Chair of the Audit Scotland Board
D McGiffen, Chief Operating Officer
M Walker, Associate Director, Corporate Performance and Risk
S Dennis, Corporate Finance Manager
E Boyd, Associate Director, Audit Quality and Appointments
J Gilchrist, Manager, Audit Quality and Appointments
A Devlin, Corporate Governance Manager
C Robertson, BDO
S Cunningham, Alexander Sloan

1. Private meeting

A private meeting was held with BDO, the internal auditors, and Alexander Sloan, external auditors.

There were no issues arising from the private meeting.

2. Welcome and apologies

The Chair of the Audit Committee opened the meeting and welcomed Alan Alexander to his first Audit Committee meeting as a member of the committee.

The Chair thanked Audit Scotland Officer's for providing written responses to questions and clarifications on today's papers and reports, which had been circulated prior to the meeting.

There were no apologies.

3. Declarations of interest

There were no declarations of interest.

4. Minutes of meeting 28 September 2018

The Audit Committee members reviewed the minutes of the meeting of 28 September 2018, which had previously been circulated.

The members approved the minutes as an accurate record of the meeting.

5. Review of actions tracker

The Audit Committee members reviewed the actions tracker and noted progress.

6. Audit Committee terms of reference

The Chair invited comments from members on the report submitted by the Corporate Governance Manager, which had been previously circulated.

The members noted that the review of the external auditor's independence and value for money had been moved in the Terms of Reference (TOR) to November as agreed at their meeting on 28 September 2018 and was item 20 on today's agenda.

The Corporate Governance Manager informed the members that a further update would be made to the TOR to reflect the change suggested from Alan Alexander in the pre-meeting written response.

The members noted the terms of reference.

Action 76AC: The Corporate Governance Manager to update the TOR at paragraph 16, sixth bullet point to read "the Accountable Officer's draft governance statement". (February 2019)

7. Internal audit report: Follow-up and impact

There was submitted a report by BDO, on the internal audit of our follow-up and impact of our external audit work, which had been previously circulated.

Claire Robertson, BDO, introduced the report and highlighted their findings, and informed the members that there were aspects of good practice and no recommendations for improvement.

The members, BDO and Audit Scotland's Officers discussed the following points in the report:

- the process to follow up on and assess the impact of audit recommendations, and
- the escalation process where progress had been limited.

The members welcomed the report.

8. Internal audit progress report 2018/19

There was submitted a report by BDO, on internal audit progress, which had been previously circulated.

Claire Robertson, BDO, introduced the report and provided an overview of progress on the 2018/19 internal audits.

The Chair asked if there was anything the Audit Committee should be made aware of from the recently completed audits and reiterated that the Committee would welcome, in the draft reports, suggestions for improvement and best practice. Claire Robertson informed the members that there was nothing to be brought to their attention from the audits to date.

Alan Alexander asked Claire if the programme was on schedule and he was informed it was.

The members noted the progress report.

9. Internal audit recommendations progress report

The Corporate Governance Manager submitted a progress report on internal audit recommendations, which had been previously distributed.

The Chair welcomed the update but asked that the report in future show actual implementation dates rather than quarter timeframes.

A discussion on the remaining recommendation from the 2016/17 staff recruitment and induction audit report took place. The discussion focussed on the completion date for the recommendation, if the training was voluntary or mandatory and if it formed part of certain staff job descriptions.

The members noted the progress on outstanding internal audit recommendations.

Action 77AC: The internal audit recommendations update report to show actual implementation dates rather than financial year quarters. (February 2019)

10. Q1/Q2 Audit Quality Report

Elaine Boyd, Associate Director and John Gilchrist, Manager, Audit Quality and Appointments, joined the meeting.

There was submitted a report on audit quality by the Associate Director, Audit Quality and Appointments, which was previously circulated.

The Assistant Director, Audit Quality and Appointments introduced the Q1/Q2 audit quality report for 2018/19 by highlighting the main points in the report.

The Chair thanked the Officers for the pre-meeting written response to questions and queries on the report and welcomed the continued development and improvement in the report's content.

The members then discussed the content and provided feedback on aspects that would further enhance the clarity and comprehensiveness of the report. The Chair also invited comments from the internal and external auditors present.

The members discussed the content and/or tables in part one of the report and in particular paragraphs 16, 17, 18, 20, 30, 32, 33 and 47 about:

- the extent to which the Audit Quality and Appointments (AQA) team were satisfied with the quality of the reports published in the quarter as well as the timeliness of reporting
- the use of 'wider scope' and 'Best Value' terminology and its application in the different sectors
- the proposed sample size for future reviews
- appropriate performance materiality disclosures in the auditors Annual Audit Plans, and
- the concept of performance materiality, its application and what that means in relative and absolute terms and the variances between sectors and the reasons for this. During the discussion Caroline Gardner informed the members that ISA 320 covered materiality.

The members provided feedback on some areas to enhance clarity for users of the report, including:

- using sample and total population figures in addition to percentage rates for some of the statistics
- reducing the use of relative descriptors ('most', 'just over half' etc.)
- providing contextual information in some areas and/ or definitions for some terms.

The members advised they found part two of the report on the audit profession particularly useful and encouraged the Officers to take every opportunity to promote the nature and value of the public audit model in Scotland.

The members noted the report.

11. Audit Quality – update on development areas

There was submitted a report on audit quality development areas by the Associate Director, Audit Quality and Appointments, which was previously circulated.

The Associate Director gave the members an update on:

- the ethical standards policy, which the Committee considered by correspondence and which had subsequently been approved by the Board at its meeting on 31 October 2018
- Audit Quality Key Performance Indicators (KPIs) and considerations around setting quality assessment scoring targets based on the Financial Reporting Councils scoring method
- a review of the most appropriate professional standards for non-financial audit work, and
- a tender exercise to procure an external supplier to carry out client feedback surveys.

The members noted the audit quality development work update.

12. Ethical standards

The Corporate Governance Manager advised that the Committee had previously agreed to consider the draft ethical standards policy by correspondence. A report by the Associate Director, Audit Quality and Appointments had been circulated to the members in October 2018. Revisions were made based on the feedback from members and the policy was recommended to the Board for approval.

This minute notes that the revised policy was approved by the Board at its meeting on 31 October 2018.

13. Risk interrogation: Quality

There was submitted a report by the Associate Director, Audit Quality and Appointments and the Associate Director, Corporate Performance and Risk, on the risk interrogation – quality, which had been previously circulated.

The Chair thanked the Associate Directors for the comprehensive report and a discussion took place on it. The Chair asked that the corporate risk register be revised to reflect that the audit issues escalation process was under development and should be shown as an action rather than a control in the register.

The Chief Operating Officer was asked if she would start, stop or change anything about the quality arrangements. The Chief Operating Officer noted that future developments might include refinements to the reporting process in light of the breadth of audiences for the quality assurance reports.

The Auditor General informed the members that the quality of audit was benefiting from the new monitoring arrangements and the broader quality framework put in place last year.

The members noted the report.

Elaine Boyd, Associate Director and John Gilchrist, Manager, Audit Quality and Appointments, left the meeting.

14. Q2 financial performance report

Stuart Dennis, Corporate Finance Manager, joined the meeting.

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

The Corporate Finance Manager gave a short introduction to the main points of the report.

The Chair thanked the Corporate Finance Manager for the pre-meeting written responses to questions and clarifications.

The Chair noted the requirement for close monitoring of the position regarding staff and agency costs for the second half of the year.

The Chair sought clarification on the composition of the costs, including internal and external audit, legal costs and expenditure on professional and consultancy services. The Corporate Finance Manager explained the components of the costs and further advised that the major expenditure within legal, professional and consultancy would be associated with the work done by Audit Scotland on the National Fraud Initiative.

The Corporate Finance Manager also confirmed that some annual contributions appear in the second half of the year, including IAS19 pension costs.

The members noted the report.

Stuart Dennis, Corporate Finance Manager, left the meeting.

15. Review of Risk Register

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

The Associate Director, Corporate Performance and Risk highlighted the areas which had changed since the register was last considered by the committee, noting in particular the uncertainties around EU withdrawal.

The members noted the report.

16. Schedule of risk interrogations for 2019

There was submitted a report by the Associate Director, Corporate Performance and Risk, on the risk interrogation schedule for 2019, which had been previously circulated.

The Associate Director, Corporate Performance and Risk, introduced the paper and advised the members that the suggested interrogations were based on a range of criteria including the risk profile, the time since the last interrogation and the extent to which risks were being considered by internal audit work and as part of other review and improvement work. The members were also advised that proposed risk interrogations could change depending on any emerging issues and risks.

The members welcomed the report and approved the schedule of risk interrogations for 2019.

17. Business continuity plan annual review

The Corporate Governance Manager submitted a report on the 2018 annual review of Audit Scotland's business continuity arrangements, which had been previously circulated.

The Chair welcomed the report and updated plans and invited comments from the other members. The members were content with the suggested updates.

The members noted the review and approved the plans for a further year.

18. Strategic improvement programme

There was submitted a report by the Associate Director, Corporate Performance and Risk, on the strategic improvement programme, which had been previously circulated.

The Chair asked about the reporting of progress on the programme. The members were informed that progress was principally reported through the quarterly update reports to the Management Team and the Board.

The members noted the report.

19. Corporate governance policies annual review

There was submitted a report by the Corporate Governance Manager, on an update to Audit Scotland's Corporate Governance Policies (Standing Orders, Financial Regulations and Scheme of Delegation), which had been previously circulated. The Corporate Governance Manager informed the members that since the papers were distributed that there would be one further change required to reflect that Assistant Directors were now either called Associate or Audit Directors and that this change would be reflected in the version that would go to the Board on 28 November 2018.

The Chair invited comments from the members and those in attendance on the proposed changes to the policies.

The members noted the changes and agreed to recommend the Board approve the updated Corporate Governance Policies at its meeting on 28 November 2018.

20. External auditors independence, objectivity and value for money

There was submitted a report by the Corporate Governance Manager, on the review of the external auditor's independence and objectivity, which had been previously circulated. This forms part of the annual assurance process.

The members noted the report.

21. Data incidents/loss

There was submitted a report by the Corporate Governance Manager, on Data incident/loss, which had been previously circulated.

The Audit Committee noted the report.

22. Any other business

The Chair noted that this meeting would be last attended by Alex Devlin in his role as Corporate Governance Manager due to his retirement in January 2019. On behalf of the Committee the Chair thanked Alex for his many years of valued professional support, guidance and service in supporting the Committee and the broader governance of Audit Scotland.

There were no other items of other business.

23. Review of meeting

The Chair of the Audit Committee invited members to comment on the standard of the papers submitted to them and on the meeting itself.

Members were satisfied with the papers, focus and pace of the meeting.

24. Date of next meeting

The next meeting will be held at 10.00am on 27 February 2019 in the offices of Audit Scotland, Nelson Mandela Place, Glasgow.