

**Minutes of the  
Audit Committee**  
2021



# Minutes

## Audit Committee

Wednesday 3 March 2021  
By Microsoft Teams

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### Present:

Colin Crosby (Chair)  
Jackie Mann  
Elma Murray, Interim Chair of the Accounts Commission

### Apologies:

There were no apologies.

### In attendance:

A Alexander, Chair, Audit Scotland Board  
S Boyle, Accountable Officer and Auditor General for Scotland  
D McGiffen, Chief Operating Officer  
C Robertson, BDO  
J So, Alexander Sloan  
S Cunningham, Alexander Sloan  
M Walker, Associate Director, Corporate Performance and Risk  
G Fitzpatrick, Corporate Governance Manager  
S Dennis, Corporate Finance Manager  
E Boyd, Associate Director, Audit Quality and Appointments  
O Smith, Senior Manager, Audit Quality and Appointments  
P O'Brien, Senior Manager (Technical), Public Audit and Best Value

### 1. Private meeting with BDO and Alexander Sloan

A private meeting was held with Audit Committee members, Alexander Sloan and internal auditors, BDO.

### 2. Welcome and apologies

The Chair opened the meeting, welcomed everyone, and noted that there were no issues arising from the private meeting.

### 3. Declarations of interests

There were no declarations of interest.

### 4. Minutes of the last meeting: 4 November 2020

The Audit Committee members reviewed the minutes of the meeting of 4 November 2020, which had previously been circulated.

The Chair invited any questions or comments.

Elma Murray, Interim Chair of the Accounts Commission, advised that her apologies for the meeting on 4 November 2020 were due to a pre-existing commitment on Accounts Commission business.

***The Audit Committee approved the minutes of the previous meeting.***

## 5. Review of action tracker

The Audit Committee members reviewed the action tracker, which had previously been circulated.

The Chair asked whether there were any questions or comments, and invited Gayle Fitzpatrick, Corporate Governance Manager to provide any additional updates.

Gayle advised that the tracker has been updated and was for noting.

***The Audit Committee members noted the progress on the actions in the tracker.***

## 6. Audit delivery 2019/20

*Elaine Boyd, Associate Director, Audit Quality and Appointments and Owen Smith, Senior Manager joined the meeting*

Elaine Boyd, Associate Director, Audit Quality and Appointments introduced the Audit delivery 2019/20 report, which had been previously circulated.

Elaine advised that, with the exception of two audits, all public audits are signed off and those still outstanding would be finalised this week. Elaine highlighted that this outcome was a significant achievement for the audit teams given the challenges of delivering audit work in the current climate. She further advised that feedback will be sought to establish the reasons for delays. This intelligence will be used to assist improvements in audit work and help ensure the achievement of future audit deadlines.

Elaine advised that the delivery of financial audit work in Scotland compared very favourably to audit delivery elsewhere in the UK. Elaine emphasised that the impact of the pandemic was only felt for one month of the 2019/20 audits, and that the full year impact of the pandemic will be felt this year and audit deadlines may require to be moved again.

The Audit Committee recognised the incredible achievement of audit teams and agreed that it was real testament to the commitment and talent of Audit Scotland colleagues and work by the Firms.

***The Audit Committee noted the Audit delivery 2019/20 report.***

## 7. Audit Quality update

Elaine Boyd, Associate Director, Audit Quality and Appointments introduced the Audit Quality update report, which had been previously circulated.

Elaine provided an update on the areas that had worked well in the last year including the successful introduction of DocuSign and the streamlined audit quality returns. In addition, Elaine provided an update on the progress of the Audit Quality complaints procedure which was near completion and the focus on audit transparency and equality reporting.

The Audit Committee members noted that the Complaints Procedure reflected the Scottish Public Sector Ombudsman (SPSO) approach and discussed the areas which might benefit from further expansion and refinement. These included the annual reporting on these types of complaints even if none arose, and additional information on the protocols that are already in place to address performance and quality issues where they exist.

***The Audit Committee noted the audit quality update report.***

*Elaine Boyd, Associate Director, Audit Quality and Appointments and Owen Smith, Senior Manager, left the meeting.*

## 8. Q3 financial performance report

Stuart Dennis, Corporate Finance Manager, introduced the Q3 Financial Performance report, copies of which had been previously circulated.

Stuart advised that there was a £349K variance to budget at the end of December 2020 and that this was largely due to the impact of the pandemic on income recognition. Stuart advised the Scottish Commission for Public Audit (SCPA) had recommended the Spring Budget Revision and the 2021/22 Budget to the Parliament's Finance Committee. It is anticipated that confirmation of this would be provided by March 2021.

The Audit Committee discussed the current financial position and asked whether any surprises might be expected before the end of the financial year. Assurance was provided that Audit Scotland would come in on budget at year end subject to the approval of the Spring Budget Revision.

The Audit Committee members discussed the potential future shape of working and noted the impact this may have on offices accommodation. Assurance was provided that Audit Scotland is actively reviewing the long-term property strategy and there has been a commitment made to SCPA that an update will be provided on this matter when there is a view of longer-term plans and the shape of audit work.

***The Audit Committee noted the Q3 Financial report.***

## 9. Review of Risk Management Framework

Martin Walker, Associate Director, Corporate Performance and Risk, introduced the review of risk management framework report, copies of which had been previously circulated.

Martin advised that the risk management framework is reviewed every two years and was last reviewed in May 2020. Given the current pandemic-related working context, it was recognised a review would be beneficial. The review found that the framework, with some refinements, remains fit for purpose and the categorisation of risk and the descriptors are helpful in identifying organisational risks and focussing management responses.

Martin sought approval from Audit Committee to temporarily suspend the risk interrogations due to capacity challenges resulting from the pandemic. Martin advised that they would be picked up again when there was capacity to re-introduce these.

The Audit Committee thanked Martin for the overview and noted that the document was well considered. Members discussed the nuances around the way ownership and responsibility for risks at Management Team and Board level were articulated, and agreed it would be beneficial to explore this further in a risk workshop before November 2021.

***The Audit Committee noted the review of risk management framework report and approved the temporary suspension of the risk interrogations.***

***AC120: Martin Walker to arrange a workshop on Risk Management to be held before November 2021. (August 2021)***

***AC121: Martin Walker to add a paragraph in the Risk Management Framework which references the role of the IMT. (May 2021)***

## 10. Review of risk register

Martin Walker, Associate Director, Corporate Performance and Risk, introduced the Review of risk register report, copies of which had been previously circulated.

Martin advised that the continued impact of Covid-19 is evident within the risk register and highlighted two particular risks reflective of this - the risk to audit delivery in the coming year and the issue of demand outstripping supply. Martin assured members that these risks are

being actively managed at various levels across the business groups, and corporately at Leadership Team, Management Team and IMT.

The Audit Committee reflected on the five risks rated red and the management of these within the current working context. It was agreed that the Risk Management Framework should place stronger emphasis on the regularity of the IMT meetings, as this demonstrates that there are regular and proactive efforts being made to mitigate the impact of these risks.

The Audit Committee members discussed the importance of managing the expectations of our external stakeholders as well as engaging the broader stakeholder community in the progression of audit work. It was noted that the impact of the pandemic had accelerated the rate at which information was expected and consumed and that this has implications for audit work and how it should evolve.

The Audit Committee also considered the impact of Covid-19 on staff wellbeing. It was agreed that while performance is strong, the sustainability of these efforts for staff in the current context was challenging and had consequences. Members recognised that wellbeing continues to be a risk given the potential legacy impact of the pandemic. Assurance was provided to the Audit Committee that the organisation remains committed to staff health and wellbeing and this is addressed in a variety of ways including corporate messaging and individual discussions with managers.

***The Audit Committee noted the review of the risk register.***

## **11. Annual review of business continuity arrangements 2021**

Martin Walker, Associate Director, Corporate Performance and Risk, introduced the annual review of business continuity arrangements 2021, copies of which had been previously circulated.

Martin advised that the business continuity arrangements had been tested significantly in 2020. He noted that prior to the pandemic, the Business Continuity Plan had focused on theoretical risks. The experience of Covid-19 allowed the organisation to test the plan in the fluid and fast-moving context of operating amidst a global pandemic. Martin advised that overall, the response has been good across the piece.

The Audit Committee members discussed various business continuity scenarios and how they would work in the scope of the Business Continuity Plan, particularly around communicating with the Board, the Accounts Commission, and the internal communications team. It was agreed that the policies are comprehensive and the organisation has managed through this challenging period extremely well.

The Audit Committee recognised the efforts of Finance colleagues in Audit Scotland for their work on Payroll during the pandemic.

***The Audit Committee noted the annual review of business continuity arrangements for 2021 and approved the plans.***

## **12. Internal audit reports**

Claire Robertson, BDO, introduced the internal audit report, which had been previously circulated.

IT Strategy and service capacity – Claire advised that the review had provided substantial assurance for design and operational effectiveness and the report outlined good practice. There were no recommendations made.

IT Procurement – Claire advised that the review had provided moderate assurance for design and operational effectiveness. The recommendations made relate to procedural documentation including the procurement handbook. Claire advised that the Management responses will address these concerns.

Audit Profession changes and preparedness - Claire advised that the review had provided substantial assurance on design and operational effectiveness and there were no recommendations given Audit Scotland is clearly taking a comprehensive approach.

The Audit Committee members thanked Claire for her input and noted the positive nature of the reports. In relation to the Audit profession review, members discussed the importance of the skills and capacity of newly appointed auditors. Claire provided assurance that Audit Scotland is where it should be on this. The members also noted that colleagues have strong relationships with the Institute of Chartered Accountants Scotland (ICAS) and the Financial Reporting Council (FRC). This strong presence serves Audit Scotland well in terms of responding to and influencing developments.

*The Audit Committee noted the internal audit report.*

### **13. Internal audit progress report**

Claire Robertson, BDO introduced the BDO's internal audit progress report, copies of which had been previously circulated.

Claire advised the report was for information and invited questions, of which there were none.

*The Audit Committee noted the internal audit recommendations progress report.*

### **14. Internal audit recommendations progress report**

Gayle Fitzpatrick, Corporate Governance Manager, introduced the Internal Audit recommendations progress report, copies of which had been previously circulated.

Gayle summarised the progress on the internal audit recommendations and invited questions or comments of which there were none.

*The Audit Committee noted the internal audit recommendations progress report.*

### **15. Co-operation between internal and external auditors**

Claire Robertson, BDO introduced the Co-operation between internal and external auditors report, copies of which had been previously circulated.

*The Audit Committee noted the Co-operation between internal and external auditors report.*

### **16. Annual internal audit plan 2021/22**

Diane McGiffen, Chief Operating Officer introduced the Annual internal audit plan 2021/22 report, copies of which had been previously circulated.

Diane advised that the plan outlined a strong programme of work which will help Audit Scotland develop from the experience of operating during the Covid-19 pandemic. Diane also noted that more discussion would take place to fine tune the plan given the ongoing challenges with homeworking and that this may include revisiting the advisory work outlined. The assurance review on the Procurement of audit plans which had been postponed during 2020 is planned to proceed during 2021.

The Chair welcomed questions, of which there were none.

The Audit Committee members agreed broad approval of the plan, with the caveat that there would be further fine tuning.

***The Audit Committee agreed the Annual internal audit plan 2021/22 report subject to pending minor revisions.***

## **17. 2020/21 Year-end statutory accounts timetable**

Stuart Dennis, Corporate Finance Manager, introduced the 2020/21 year-end statutory accounts timetable, copies of which had been previously circulated.

Stuart sought approval for the timetable for the year end statutory accounts and advised that the dates were the similar to previous years. He outlined that there was reliance on external information from the Lothian Pension Fund and Civil Service pension scheme to meet the deadlines and that this is being proactively managed.

The Chair welcomed questions, of which there were none.

***The Audit Committee approved the timetable for the completion of the 2020/21 year - end statutory accounts.***

## **18. 2020/21 Accounting policies, key accounting estimates and judgements**

Stuart Dennis, Corporate Finance Manager, introduced the 2020/21 Accounting policies, key accounting estimates and judgements paper, copies of which had been previously circulated.

Stuart sought approval for the policies that are included in the organisation's annual accounting policies. He outlined the main change around the implementation of IFRS16 leases which has been delayed until April 2022. In addition, he advised that there is also a statement on the impact of Covid-19 in the key sources of judgement section.

The Chair welcomed questions, of which there were none.

***The Audit Committee approved the 2020/21 Accounting policies, key accounting estimates and judgements report.***

## **19. External auditors plan 2020/21**

Steven Cunningham, Alexander Sloan introduced the external auditors plan 2020/21, copies of which had been previously circulated.

Stephen advised the Committee on the changes to the approach and invited questions.

The Chair encouraged adherence to the plan's timetable and advised that should there be the need to revisit the timeline the Audit Committee can reconvene as required.

The Chair welcomed questions, of which there were none.

***The Audit Committee noted the External auditors plan 2020/21 report.***

*Stuart Dennis, Corporate Finance Manager, left the meeting*

## **20. Digital security update**

*David Robertson, Digital Services Manager, joined the meeting.*

David Robertson, Digital Services Manager, introduced the Digital security update, copies of which had been previously circulated.

David advised that additional security arrangements provided by Cloud based computing are in place, and while this strengthens digital defences it does not eliminate threats. David

referred to the recent Scottish Environment Protection Agency (SEPA) cyber security incident as an example of the cyber security risks.

David advised that fake phishing tests have been carried out in the organisation with positive results.

The Audit Committee members noted the report was excellent and very accessible. Discussion focused on the risks around colleagues using their own devices and the work Digital Services is undertaking in supporting the IT needs of the Accounts Commission.

***The Audit Committee noted the Digital security update.***

*David Robertson, Digital Services Manager, left the meeting*

## **21. Data incident/loss report**

Gayle Fitzpatrick, Corporate Governance Manager, introduced the Data incidents/loss report, copies of which had been previously circulated.

Gayle highlighted that there were five incidents during quarter three and that this was an increase from quarter two where one incident had been reported. Gayle assured the Committee that all incidents were low risk and therefore did not require to be reported to the Information Commissioners Office (ICO).

Gayle advised that the Corporate Governance team continue to provide communications across the organisation to support data protection, including the January Data Protection blog and the Information Security Survey undertaken in December 2020 to identify gaps in organisational knowledge.

The Chair invited questions and comments, of which there were none.

***The Audit Committee noted the Data incident/loss report.***

## **22. Annual assurance and statement of control processes 2021**

Gayle Fitzpatrick, Corporate Governance Manager, introduced the Annual assurance and statement of control processes 2021 report, copies of which had been previously circulated.

Gayle advised that a copy of the flow chart had been circulated to Audit Committee members on 14 January 2020 by email. No further changes had been made since then to the flow chart. She also advised that the process had been streamlined to reflect the pandemic working context but that all the necessary controls remained in place.

***The Audit Committee noted the annual assurance and statement of control processes for 2021.***

## **23. Any other business**

There were no items of any other business

## **24. Review of meeting**

The Chair invited those present to comment on the standard of the papers submitted and on the meeting itself.

Audit Committee members agreed that everything had received comprehensive coverage.

It was noted that today's agenda had been a full agenda and there was agreement that in future some reports could be summarised.



*The Audit Committee members expressed satisfaction with the papers and the focus and pace of the meeting.*

*AC122: Audit Committee Chair, Martin Walker and Gayle Fitzpatrick to meet to discuss the volume and structure of Audit Committee reports. (May 2021)*

## **25. Date of next meeting**

The next meeting of the Audit Committee was scheduled on 21 May 2021, 10.30am via video conference, to be chaired by Colin Crosby.

The Chair thanked everyone for attending the meeting and for their participation.

# Minutes

## Audit Committee



Wednesday 12 May 2021, 10:30am  
By Microsoft Teams

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### Present:

Colin Crosby (Chair)  
Jackie Mann  
Elma Murray, Interim Chair of the Accounts Commission

### Apologies:

There were no apologies.

### In attendance:

A Alexander, Chair, Audit Scotland Board  
S Boyle, Accountable Officer and Auditor General for Scotland  
D McGiffen, Chief Operating Officer  
C Robertson, BDO  
J So, Alexander Sloan  
S Cunningham, Alexander Sloan  
M Walker, Associate Director, Corporate Performance and Risk  
G Fitzpatrick, Corporate Governance Manager  
S Dennis, Corporate Finance Manager  
E Boyd, Associate Director, Audit Quality and Appointments  
O Smith, Senior Manager, Audit Quality and Appointments  
J Gilchrist, Manager, Audit Quality and Appointments  
G Smail, Audit Director, Performance Audit and Best Value  
F Kordiak, Director, Audit Services group  
A Clark, Director of Performance Audit and Best Value  
A Canning, Audit Director, Performance Audit and Best Value  
E McGinley, Correspondence Officer  
G Byers, Development Manager, Digital Services  
A Fairburn, Digital Project Manager, Digital Services

### 1. Private meeting with BDO and Alexander Sloan

A private meeting was held with Audit Committee members, Alexander Sloan and internal auditors, BDO.

### 2. Welcome and apologies

The Chair opened the meeting, welcomed everyone, and noted that there were no issues arising from the private meeting.

### 3. Declarations of interests

A discussion was held on whether those attending the meeting that held dual/multiple roles should declare their interests. It was agreed that Martin Walker and Gayle Fitzpatrick would consider the issue and report back.

There were no declarations of interest.

**Action AC123:** *Martin Walker, Associate Director, Corporate Performance and Risk and Gayle Fitzpatrick, Corporate Governance Manager to consider*

*whether declarations of interest are required for members attending with dual/multiple roles. (2 June 2021)*

#### **4. Minutes of the last meeting: 3 March 2021**

The Audit Committee members reviewed the minutes of the meeting of 3 March 2021, copies of which had previously been circulated.

The Audit Committee agreed to a minor amendment of the minutes at agenda item 10 and a date correction at agenda item 25.

*The Audit Committee approved the minutes of the previous meeting.*

*Action AC124: Gayle Fitzpatrick to amend the final version of the minutes to reflect changes requested. (14 May 2021)*

#### **5. Review of action tracker**

The Audit Committee members reviewed the action tracker, copies of which had previously been circulated.

The Chair asked whether there were any questions or comments, and invited Gayle Fitzpatrick, Corporate Governance Manager to provide any additional updates.

Gayle advised that the tracker has been updated and was for noting.

*The Audit Committee members noted the progress on the actions in the tracker.*

#### **6. Draft Audit Scotland transparency report for 2020**

*Gordon Smail, Audit Director, Fiona Kordiak, Director of Audit Services Group, Antony Clark, Director of Performance Audit and Best Value, Elaine Bord, Associate Director and Owen Smith, Senior Manager and John Gilchrist, Manager joined the meeting.*

It was agreed that agenda items six, seven and eight would be taken together.

Gordon Smail, Audit Director introduced the draft Audit Scotland transparency report for 2020, copies of which had been previously circulated.

Gordon advised that all audit providers provide a transparency report and that the Audit Scotland report covers all aspects of audit work and wider work to support public audit in Scotland. He advised that the report highlighted many positives in what was a challenging year. These included the achievement of deadlines, positive feedback from audited bodies and good quality review scores for performance audits.

Gordon also advised that scores from a sample of audits which had been subject to external independent review fell short of expectations. The results were very disappointing given Audit Scotland aspires to scores of 2A and above. While it was recognised that the sample was not reflective of all audits, Gordon advised that significant, urgent and focussed activity is now taking place. It was noted that scores of 3 had not been seen before and that this did not appear to indicate a longer-term trend.

Gordon advised that the root cause analysis to date had highlighted the areas for improvement and that these had informed the action plan which was also on the agenda for today's meeting.

The Audit Committee members noted the range of scores achieved across financial and performance audits and recognised the significance of these. The members also recognised the achievement of having all the accounts signed off by 31 March.

Members asked questions about the underlying issues which may have given risk to the financial audit quality review results and sought assurances on the focus, urgency and resources being committed to the delivery of the action plan. Members were supportive of the remedial actions and timelines proposed.

The Audit Committee congratulated Performance Audit and Best Value (PABV) for positive scores achieved for Performance Audits particularly given the challenging period these relate to. Antony Clark was keen to stress that while progress has been made in performance audit, there was no complacency in addressing further identified improvement actions.

The Audit Committee members acknowledged the potential reputational impact of the report and advised that guidance be sought from Simon Ebbett, Communications Manager regarding the tone and language while ensuring balance and integrity.

The Audit Committee members stated that reference to the establishment of a permanent quality assurance team should be included within the report. The members also discussed the exhibits within the report and requested that staff consultation findings be revisited to clarify the proportionality of the staff response rate. In addition, the members requested that paragraph eight be reconfigured to clarify the substantive points on audit performance.

**Action AC125:** *Gordon Smail/Fiona Kordiak to include reference to the establishment of a permanent quality assurance team within the report. (21 May 2021)*

**Action AC126:** *Gordon Smail/Fiona Kordiak to reconsider Exhibit 3 –clarify percentages of staff response rate for consultation findings. (21 May 2021)*

**Action AC127:** *Gordon Smail/Fiona Kordiak to revisit paragraph 8 to clarify actions being taken to address different issues. (21 May 2021)*

**Action AC128:** *Simon Ebbett, Communications Manager to check on general optics of report before releasing in public. (21 May 2021)*

*The Audit Committee noted the draft Audit Scotland transparency report for 2020*

## **7. Audit Quality: Improvement actions report**

Fiona Kordiak, Director of Audit Services introduced the Audit Quality improvement actions report, copies of which had been previously circulated.

Fiona advised that Audit Scotland is committed to using this year's audit quality findings as a catalyst for a step change in audit work and that compliance with International Standards on Auditing (ISA) is fundamental to the organisation's commitment to audit quality. Following root-cause analysis of audit quality results remedial action is being undertaken to address specific areas requiring improvement. The additional Scottish Commission for Public Audit (SCPA) funding will make a considerable difference to the agenda for improvement. This includes the development of a full-time audit quality team, increased capacity within teams, and the reinstatement of audit methodology work which had been suspended last year due to the pandemic. In addition, training and support will be provided for staff to ensure they are not overwhelmed by improvement activity.

The Audit Committee discussed the importance of ensuring management energy is directed in the right areas and safeguarding audit quality in a hybrid working model. There was also recognition that the Accounts Commission would look for reassurance around the improvement work in audit quality, as well as the agility and flexibility of the work programme.

The Audit Committee agreed that regular monitoring of audit quality should be considered at future meetings.

Fiona advised that the International Standards on Auditing (ISA) are fundamental to Audit Scotland's work and while positive audit quality results had been achieved in some areas it is clear it has not been consistent. Assurance was provided that audit quality remains a key priority for Audit Scotland and consequently there would be sustained focus on directing support for colleagues and investment in the areas of improvement.

The Audit Committee members recognised the comprehensive nature of the improvement action plan and noted their confidence in it.

***The Audit Committee noted the improvement actions report.***

## **8. Quality of public audit in Scotland 2020/21**

Elaine Boyd, Associate Director, Audit Quality and Appointments introduced the quality of public audit in Scotland 2020/21 report, copies of which had been previously circulated.

Elaine advised that it is evident the audit quality framework works well in measuring audit quality and its operation was sustained in a virtual environment. She advised that audit delivery was strong with all audits signed off by the 31 March and that benchmarking has indicated that Audit Scotland compares favourably with its United Kingdom counterparts. It was recognised that for some audit organisations multi-year audits were taking place, and this was not the case for in Scotland.

Elaine noted areas of strength and those which required improvement across audit work both within Audit Scotland and the firms. She also reflected on the recent Institute of Chartered Accountants Scotland (ICAS) training that had been undertaken by over 160 Audit Scotland colleagues. Assurance was provided that further training, review and engagement on audit work is planned and that this highlights the professionalism and commitment of colleagues to delivering high quality audit.

Elaine advised that positive messages had been received from Audit Scotland's stakeholders on how flexible the work had been undertaken during the pandemic and given the virtual working environment, and that the high-level messages have been included in the Quality of Public Audit in Scotland report.

***The Audit Committee noted the report.***

*Gordon Smail, Audit Director, Fiona Kordiak, Director of Audit Services Group, Antony Clark, Director of Performance Audit and Best Value, Elaine Bord, Associate Director and Owen Smith, Senior Manager and John Gilchrist, Manager left the meeting*

## **9. Q4 financial performance report**

Stuart Dennis, Corporate Finance Manager, introduced the Q4 Financial Performance report, copies of which had been previously circulated.

Stuart advised that the report represented the unaudited position at the end of the year. He provided details around the variance and highlighted the provisions related to remote auditing costs and the rent review of West Port made in the accounts. Stuart advised that the capital spend is slightly below budget due to the working conditions created by the pandemic.

The Audit Committee members discussed the reporting to the Scottish Commission for Public Audit (SCPA) and Stuart advised that first set of quarterly reporting will be for quarter one 2021/22. The members considered the nature and format of how reporting to the SCPA would be presented. Martin Walker advised that the format and content for this reporting was being developed.

The Audit Committee members noted the outcome of the financial performance with reference to the more negative projections earlier in the year. The Audit Committee members recognised the challenging financial year and congratulated the finance team on the outcome at year end.

***The Audit Committee noted the Q4 Financial report.***

## **10. Review of risk register**

Martin Walker, Associate Director, Corporate Performance and Risk, introduced the Review of risk register report, copies of which had been previously circulated.

Martin advised that two areas had increased in risk profile, audit quality and reputational risk, and that was consistent with the discussion earlier in the meeting. He also advised that some risks had reduced, including health, safety and wellbeing, financial performance and capacity.

The Audit Committee members questioned whether the rating for risk A10 (Failure of capacity) should reduce until the additional capacity has bedded in and noted the need to re-evaluate the risks as the Covid-19 suppression measures are relaxed. The members also asked that further consideration be given to that risks A9 (Delivery of vision), M7 (Failure of legitimacy and relevance) and M8 (Failure of impact and influence) as these are dependent on Audit Scotland having a good reputation and the consequential impact of the quality review scores.

***Action AC129: Martin Walker to consider the consequential impact of the quality review scores on linked risks. (2 June 2021)***

***The Audit Committee noted the review of the risk register.***

## **11. Internal audit reports**

Claire Robertson, BDO, introduced the internal audit report, copies of which had been previously circulated.

Claire referred to the follow up report and noted that Audit Scotland have made good progress with the recommendations made previously, particularly given the challenge of working amidst a pandemic in the last year. Thirteen recommendations have been fully implemented, three partially implemented and one not implemented.

Claire invited any questions.

There were no further questions.

***The Audit Committee noted the internal audit report.***

## **12. Internal audit annual report 2020-21**

Claire Robertson, BDO introduced the BDO's internal audit annual report 2020-21 report, copies of which had been previously circulated.

Claire advised that all reviews during 2020-21 led to substantial or reasonable levels of assurance. This provides positive feedback on the design and operational effectiveness of the control environment.

There were no further questions or comments.

***The Audit Committee noted the internal audit recommendations progress report.***

### **13. Policy on the provision of Non-Audit Services by Audit Scotland's external auditor**

*Elaine Boyd, Associate Director, Audit Quality and Appointments, joined the meeting*

Elaine Boyd, Associate Director, Audit Quality and Appointments introduced the policy on the provision of Non-Audit Services by Audit Scotland's external auditor report, copies of which had been previously circulated.

***The Audit Committee members had no questions or comments and noted the policy.***

*Elaine Boyd, Associate Director, Audit Quality and Appointments, left the meeting*

### **14. Suite of annual assurance reports 2020-21**

*Angela Canning, Gavin Byers, Erin McGinley and Alex Fairburn joined the meeting.*

Gayle Fitzpatrick, Corporate Governance Manager introduced the suite of annual assurance reports 2020-21, copies of which had been previously circulated.

It was agreed that the performance management arrangements report be shared with the Accounts Commission to provide context and assurance on the level of performance review and reporting.

***The Audit Committee noted the suite of annual reports 2020-21.***

***Action AC130: Joy Webber to share the Performance Management arrangements report with the Accounts Commission. (14 May 2021)***

*Angela Canning, Gavin Byers, Erin McGinley and Alex Fairburn left the meeting.*

### **15. Review of Audit Committee effectiveness report**

Gayle Fitzpatrick, Corporate Governance Manager introduced the review of Audit Committee effectiveness report, copies of which had been previously circulated.

***The Audit Committee noted the report on the review of Audit Committee effectiveness.***

### **16. Any other business**

There were no items of any other business

### **17. Review of meeting**

The Chair invited those present to comment on the standard of the papers submitted and on the meeting itself.

The Audit Committee members agreed that all items received comprehensive coverage and expressed their gratitude to the Chair for the decision to combine discussion on the quality papers.

***The Audit Committee members expressed satisfaction with the papers and the focus and pace of the meeting.***

### **18. Date of next meeting**

The next meeting of the Audit Committee was scheduled on 2 June 2021, 10.00am via video conference, to be chaired by Colin Crosby.

The Chair thanked everyone for attending the meeting and for their participation.

# Minutes

## Audit Committee

Wednesday 2 June 2021, 10.00am  
Microsoft Teams

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### Present:

Colin Crosby (Chair)  
Jackie Mann  
Elma Murray, Interim Chair of the Accounts Commission)

### Apologies:

There were no apologies.

### In attendance:

A Alexander, Chair, Audit Scotland Board  
S Boyle, Accountable Officer and Auditor General for Scotland  
D McGiffen, Chief Operating Officer  
C Robertson, BDO  
J So, Alexander Sloan  
S Cunningham, Alexander Sloan  
M Walker, Associate Director, Corporate Performance and Risk  
G Fitzpatrick, Corporate Governance Manager  
S Dennis, Corporate Finance Manager  
S Ebbett, Communications Manager  
D Blattman, HR&OD Manager  
C Anderson, L&D Consultant

### 1. Private meeting with BDO and Alexander Sloan

A private meeting was held with Audit Committee members, Alexander Sloan and internal auditors, BDO.

### 2. Welcome and apologies

The Chair opened the meeting, welcomed everyone, and noted that there were no issues arising from the private meeting.

### 3. Declarations of interests

There were no declarations of interest.

### 4. Minutes of the last meeting: 12 May 2021

The Audit Committee members reviewed the minutes of the meeting of 12 May 2021, copies of which had previously been circulated.

The members agreed that the minute reflected the comprehensive consideration given to the audit quality feedback at the meeting on the 12 May 2021. This was noted ahead of the Board meeting immediately following Audit Committee.



*The Audit Committee approved the minutes of the previous meeting.*

## **5. Review of action tracker**

The Audit Committee members reviewed the action tracker, copies of which had previously been circulated.

The Chair asked if there were any questions or comments, and invited Gayle Fitzpatrick, Corporate Governance Manager to provide any additional updates.

Gayle advised that the tracker has been updated and was for noting.

*The Audit Committee members noted the progress on the actions in the tracker.*

## **6. Audit Scotland Audit summary report for the year ended 31 March 2021**

*Simon Ebbett, Corporate Communications Manager joined the meeting.*

Stuart Dennis, Corporate Finance Manager, introduced the Audit Scotland Audit summary report for the year ended 31 March 2021, copies of which had been previously circulated.

Stuart provided a summary of the key financial highlights of 2020/21 and how they compared to 2019/20. He noted that the variance was measured against the revised spring budget and not against the original budget. Stuart provided further details around staff costs, the increase in service costs and the volatility around pension liabilities.

The Audit Committee expressed their appreciation that the accounts were complete, given this had not been the case in previous years due to the pension costs not being finalised. There was also recognition that the final financial position was consistent with the requested additional funding through the Spring Budget Revision to the Scottish Commission for Public Audit (SCPA).

Stuart advised that the summary report from Alexander Sloan forms part of the external audit report. He noted the challenges in delivering the report in a virtual setting and expressed his gratitude to Alexander Sloan.

Steven Cunningham, Alexander Sloan, advised that no internal weaknesses were identified, and no recommendations had been made. He also noted his thanks to the Audit Scotland Finance team.

The Audit Committee members thanked the team at Alexander Sloan for their work and welcomed the robust report and its findings. It was noted that the findings are significant given the challenges of the last year. It was agreed that the findings provide assurance to the Scottish Commission for Public Audit (SCPA) that standards are being maintained.

Stephen Boyle, Accountable Officer and Auditor General for Scotland stated that he was satisfied with the final position of the accounts, and that he was content to sign off on the position outlined.

*The Audit Committee noted the draft Audit Scotland Audit summary report.*

## 7. Draft Annual Report and Accounts: Year end 31 March 2021

Stuart Dennis, Corporate Finance Manager, and Simon Ebbett, Communications Manager, introduced the draft Annual Report and Accounts for year end 31 March 2021, copies of which had been previously circulated.

The Audit Committee members discussed final edits to the report's layout and content, having reviewed an earlier draft and having asked questions and provided comments by correspondence in advance of the meeting.

Stuart indicated that the report is set out to reflect the guidance from the Government's Financial Reporting Manual (FRoM). Further clarification will be sought from Alexander Sloan on the final draft of the report before publication.

Simon Ebbett, Communications Manager, agreed to consider revisions on how the Accounts Commission is reflected in the business section of the report for the following year.

It was agreed amendments would be incorporated into a final version to be circulated via correspondence by Tuesday 8 June.

The Chair thanked the officers involved for their work on the report.

**Action AC131: Simon Ebbett, Communications Manager to circulate the revised report to Audit Committee members by 8 June 2021.**

***The Audit Committee noted the draft Annual Report and Accounts and recommended it to the Board.***

*Stuart Dennis, Corporate Finance Manager and Simon Ebbett, Communications Manager left the meeting.*

## 8. Review of risk register

Martin Walker, Associate Director, Corporate Performance and Risk, introduced the Review of risk register report, copies of which had been previously circulated.

Martin advised that there had been two changes since the Risk Register was last considered on 12 May 2021. The audit quality risk A3 has been raised from amber to red to reflect the findings of the quality reviews. He indicated that consequential impacts of risks around quality had been reflected in other scores.

Martin advised that risk A6, which relates to capacity, has reverted to amber. This reflected discussion by members at the last Audit Committee where it was agreed that it was premature to move to green until additional resources are embedded.

The Audit Committee acknowledged that the risk register reflects the fundamental importance of audit quality and the depth of the remedial actions taking place.

***The Audit Committee noted the review of the risk register.***

## 9. 2020/21 Annual report on Health, safety and wellbeing

*David Blattman, HR&OD Manager and Charlotte Anderson, L&D Consultant, joined the meeting.*

Diane McGiffen, Chief Operating Officer, introduced the 2020/21 Annual report on Health, safety and wellbeing, copies of which had been previously circulated.

Diane advised that Covid-19 and our response dominated the Health, safety and wellbeing (HSW) report. Diane noted the supportive response from the Public and Commercial Services Union (PCS) and the Health and Safety Committee in directing action to the needs of individual colleagues and the broader organisation. Diane noted the unpredictable nature of the pandemic and advised a cautious approach would continue to be undertaken as there are many uncertainties ahead. She also noted that many of the findings within the report would continue to be reflected on, given the extraordinary nature of the last year.

A discussion took place on the levels of annual leave carried forward, mental health statistics and age differentials. David Blattman, HR & OD Manager advised that the report did not indicate any particular issues of concern to highlight to the Audit Committee and provided assurance that these areas are closely monitored on a regular basis. David expressed his thanks to Charlotte Anderson for her contribution to the Health and Safety Committee and the report.

The Audit Committee discussed whether this report should be considered at the Human Resources and Remuneration Committee. Diane explained that this report formed part of the suite of governance reports in the annual assurance process and also reflected a timing issue in reporting and meeting dates for the committees.

The Audit Committee members welcomed the report and noted the requirement for this report to be considered at Audit Committee as part of the annual suite of reports.

***The Audit Committee noted the 2020/21 Annual report on Health, safety and wellbeing.***

*David Blattman, HR&OD Manager and Charlotte Anderson, L&D Consultant left the meeting.*

## 10. 2020/21 Governance statement and certificate of assurance

Gayle Fitzpatrick, Corporate Governance Manager, introduced the 2020/21 Annual report on Health, safety and wellbeing, copies of which had been previously circulated.

The Audit Committee members raised no issues.

***The Audit Committee recommended the Audit Scotland certificate of assurance be submitted to the Board as part of the annual assurance process.***

## 11. 2020/21 Annual report from the Chair of the Audit Committee to the Board

The Chair of the Audit Committee, introduced the 2020/21 Audit Committee annual report to the Board, copies of which had been previously circulated.

The Audit Committee members were satisfied with the report and agreed it provided a good summary of the committee's work. The Chair requested that point 29 on audit quality be amended to reflect the proportionality point in line with the minute of the Audit Committee meeting on 12 May 2021.

**Action AC132: Gayle Fitzpatrick, Corporate Governance Manager to amend point 29 of the report.**

*The Audit Committee approved the report for submission to the Board.*

## **12. Any other business**

There were no items of any other business

## **13. Review of meeting**

The Chair invited those present to comment on the standard of the papers submitted and on the meeting itself.

*The Audit Committee members expressed satisfaction with the papers and the focus and pace of the meeting.*

## **14. Date of next meeting**

The next meeting of the Audit Committee was scheduled on 1 September 2021, 10.00am via video conference, to be chaired by Colin Crosby.

The Chair thanked everyone for attending the meeting and for their participation.

# Minutes

## Audit Committee



Wednesday 1 September 2021, 10.00am  
Microsoft Teams

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### Present:

Colin Crosby (Chair)  
Jackie Mann  
Elma Murray, Interim Chair of the Accounts Commission

### Apologies:

There were no apologies.

### In attendance:

A Alexander, Chair, Audit Scotland Board  
S Boyle, Accountable Officer and Auditor General for Scotland  
D McGiffen, Chief Operating Officer  
C Ridley, BDO  
M Walker, Associate Director, Corporate Performance and Risk  
G Fitzpatrick, Corporate Governance Manager  
S Dennis, Corporate Finance Manager  
E Boyd, Associate Director, Audit Quality and Appointments  
F Kordiak, Director, Audit Services  
A Clark, Interim Director of PABV and Interim Controller of Audit  
O Smith, Senior Manager, Audit Quality and Appointments  
S Burgess, Assistant HR Manager  
D Robertson, Digital Services Manager

### 1. Private meeting with BDO

A private meeting was held with Audit Committee members and internal auditors, BDO.

### 2. Welcome and apologies

The Chair opened the meeting, welcomed everyone particularly Chloe Ridley as this was her first meeting, and noted that there were no issues arising from the private meeting.

### 3. Declarations of interests

There were no declarations of interest.

### 4. Minutes of the last meeting: 2 June 2021

The Audit Committee members reviewed the minutes of the meeting of 2 June 2021, copies of which had previously been circulated.

*The Audit Committee approved the minutes of the previous meeting.*

## 5. Review of action tracker

The Audit Committee members reviewed the action tracker, copies of which had previously been circulated.

The Chair asked if there were any questions or comments, and invited Gayle Fitzpatrick, Corporate Governance Manager to provide any additional updates.

Gayle advised that the tracker has been updated, no action were currently outstanding and that the tracker was for noting.

***The Audit Committee members noted the progress on the actions in the tracker.***

## 6. Organisation response to Covid-19

Diane McGiffen, Chief Operating Officer, advised that Audit Scotland's approach to preparing a Covid secure working environment for colleagues was well underway. She advised that a third working preferences survey is currently live, with over 200 responses received in the four days to date. She also advised that drop-in sessions with colleagues around "how we work" have been held and that more are planned. Formal consultation meetings with PCS regarding work arrangements are underway and further meetings are scheduled. Diane advised that the Incident Management Team (IMT) continues to meet weekly and that plans are progressing well over-all.

Martin Walker, Associate Director, Corporate Performance and Risk advised that infection rates continue to be monitored closely and that, based on national statistics, it is estimated that 87% of colleagues will have received their first vaccination and 77% will have received their second.

The Audit Committee members noted the update. Given the stage of the pandemic, the members agreed that going forward the organisational response to Covid-19 be reported by exception. The members welcomed a future consideration of a lessons learned report focussing on how the organisation coped during the pandemic and impact on the organisation.

Diane advised members that the IMT had held a stocktake session and that a further review was planned. She advised that the benefits of the weekly IMT meetings will also be considered.

***The Audit Committee noted the Audit Scotland response to Covid-19 update.***

***Action AC133: Diane McGiffen to schedule a Lessons Learner Review for a future meeting of the Board. (Date tbc)***

## 7. Audit Quality update

*Elaine Boyd, Antony Clark, Fiona Kordiak and Owen Smith joined the meeting.*

Elaine Boyd, Associate Director, introduced the Audit Quality update report, copies of which had been previously circulated.

Elaine provided an update on the progress in addressing the quality improvement areas identified by the Institute of Chartered Accountants of Scotland (ICAS). Elaine advised that there has been significant amount of work carried out, that a new Quality Assurance team

has been established, a root cause analysis had been undertaken, that a comprehensive action plan is in place and that staff had received additional training.

The Audit Committee members discussed Audit Scotland's capacity to address quality issues. Fiona Kordiak, Director, Audit Services advised that capacity is always a challenge. She advised that a significant amount of recruitment has bolstered Professional Support and the audit teams but that rising demand means capacity will always be an issue. Fiona also advised that discussion around how audit managers spend their time is required and that any capacity issues will be alerted to the Management Team and Board as appropriate.

The Audit Committee members were satisfied with the response and welcomed a further update in the November meeting. Members noted the importance of the Audit Quality and Appointments (AQA) team in making audit quality central to the organisation's priorities.

Elaine advised that ICAS had helped refocussed Audit Scotland's attention on the areas for improvement and how we take this forward.

***The Audit Committee noted the audit quality update.***

*Elaine Boyd, Antony Clark, Fiona Kordiak and Owen Smith left the meeting.*

## **8. Q1 Financial performance report**

Stuart Dennis, Corporate Finance Manager, introduced the Q1 financial performance report, copies of which had been previously circulated.

Stuart advised of the variance to budget which was due some audits being slightly behind schedule. He advised that the overall financial position was reasonable with no other additional costs anticipated at this stage. The Audit Committee members discussed income and expenditure for in-house audits and the adjustments to the office portfolio costs.

A discussion took place on the impact of pandemic on working patterns and the office working in the future. Diane McGiffen, Chief Operating Officer, advised that the way we work in future will be closely monitored in terms of the implications on our office estate requirements. She advised that engagement with the Scottish Commission for Public Audit (SCPA) and a strategic review of property requirements would be carried out in the next two years. Travel and subsistence costs were also considered and Diane advised that how we travel will be considered as part of Audit Scotland's ambition to be net zero.

The members discussed the increase in costs for specific councils and Stuart advised that he will share further information following the meeting.

***Action AC134: Stuart to provide Audit Committee members with details regarding the additional LG costs. (September 2021)***

***The Audit Committee noted the Q1 Financial report.***

## **9. Review of risk register**

Martin Walker, Associate Director, Corporate Performance and Risk, introduced the Review of risk register report, copies of which had been previously circulated.



Martin advised that the risk profile, and the overall risk assessment was broadly similar to the report presented in June. Martin advised that the risk workshop on Monday 30 August was helpful in informing the next iteration of this report for the November Audit Committee meeting.

The Audit Committee members discussed risk A3, audit quality, and noted that the risk should remain red until the impact of the activity in that area is evident from quality review outcomes.

The members also discussed capacity, risk A2. Martin advised that resource requirements were subject to detailed consideration at the Strategic Improvement Programme Board meetings and that some proposals had been approved, and other proposals were under assessment.

Diane McGiffen, Chief Operating Officer, advised that phase one of building capacity focussed on audit capacity and that phase two will be focussing on the specialist and support services. The members also discussed the capacity of the firms.

The Audit Committee members noted the need for clear markers and milestones to ensure that improvements are being delivered.

***The Audit Committee noted the review of the risk register.***

## **10. Internal Audit report: Covid-19, Health Safety and Wellbeing**

*Susan Burgess, Assistant HR Manager, joined the meeting.*

Chloe Ridley, BDO, introduced the internal audit report, copies of which had been previously circulated.

Chloe advised that the Covid Health, Safety and Wellbeing audit provided a substantial level of assurance for both design and operational effectiveness and that the report reflected the hard work of Audit Scotland in supporting colleagues during the pandemic.

Two low risk recommendations have been addressed, one around updating policies and one around risk assessments. Martin Walker, PCS and external Health and Safety advisers will be reviewing the risk assessment before we move into phase two of providing limited access to the offices and that this would provide an opportunity to check on our arrangements.

***The Audit Committee noted the internal audit report.***

*Susan Burgess, Assistant HR Manager, left the meeting*

## **11. Internal Audit progress report**

Chloe Ridley, BDO, introduced the internal audit recommendations progress report, copies of which had been previously circulated.

Chloe advised the members of the planned dates of the audits relating to the performance against operational plan.



The Audit Committee members discussed the timing of the review of the Procurement of Audit Firms and agreed that it would be beneficial to bring this date forward if possible. Chloe advised that the first draft would be available before Christmas and the members noted that a special meeting of the Audit Committee may be required to consider the report.

**Action AC135: Gayle Fitzpatrick to consider the timing of the Procurement of Audit Firms in consultation with BDO and the AQA team. (September 2021)**

*The Audit Committee noted the report.*

## **12. Internal Audit recommendations progress report**

Gayle Fitzpatrick, Corporate Governance Manager, introduced the internal audit recommendations progress report, copies of which had been previously circulated.

Gayle advised that BDO had made ten recommendations, four have been completed with six in progress.

It was recognised that this represented good progress considering the challenges of the pandemic.

The Audit Committee members discussed the coverage of diversity training in the organisation. Diane McGiffen, Chief Operating Officer advised that training is being driven through the organisation via various forums and events. The Leadership Group have been trained and this is extending out to drop-in sessions and training for managers and other colleagues. Diane advised the members of the various activities underway to support equality and diversity training for colleagues.

*The Audit Committee noted the report.*

## **13. Annual review of Corporate governance policies**

Gayle Fitzpatrick, Corporate Governance Manager, introduced the annual review of corporate governance policies, copies of which had been previously circulated.

The Audit Committee members recommended that the Standing Orders, Financial Regulations and Codes of Conduct (members and staff) be approved by the Board and agreed that further discussion was required around the Scheme of Delegation.

***Action AC136: Management Team to discuss the issues raised in advance of the Board's consideration of the suite of governance documents at its meeting on 22 September 2021. (September 2021).***

## **14. Digital security update**

*David Robertson, Digital Services Manager, joined the meeting.*

David Robertson, Digital Services Manager introduced the digital security update, copies of which had been previously circulated.

David advised of various threats during the last period, some of which were classified as significant. The Audit Committee members noted the report stating it was reassuring,

helpful and sobering. The members recognised that Audit Scotland is as vulnerable as other organisations and is working hard to mitigate cyber security threats.

The Chair advised a future focussed report be brought to the Audit Committee to encourage discussion of the medium to longer term digital challenges, threats and opportunities. It should detail our preparedness for potential future threats in light of the commitment to digital auditing.

***The Audit Committee noted the Digital security update.***

***Action AC137: David Robertson to schedule a report to a future meeting of the committee. (Date tbc)***

*David Robertson, Digital Services Manager, left the meeting.*

## **15. Data incidents/loss report**

Gayle Fitzpatrick, Corporate Governance Manager, introduced the data incidents/loss report, copies of which had been previously circulated.

Gayle highlighted that there was one data incident during quarter one which was minor and did not require reporting to the Information Commissioners Office.

Gayle advised that the data incident referenced in the digital security update (item 14) would be included in quarter two reporting.

Gayle advised members of data protection awareness raising and training in place for the existing and new colleagues that have joined the organisation.

***The Audit Committee noted the data incidents/loss report.***

## **16. Proposed Board and Committee meeting schedule for 2022**

Diane McGiffen, Chief Operating Officer, introduced the proposed Board and Committee meeting schedule for 2022, copies of which had been previously circulated.

***The Audit Committee approved the meeting schedule for 2022.***

## **17. Any other business**

There were no items of any other business

## **18. Review of meeting**

The Chair invited those present to comment on the standard of the papers submitted and on the meeting itself.

***The Audit Committee members expressed satisfaction with the papers and the focus and pace of the meeting.***

## **19. Date of next meeting**

The next meeting of the Audit Committee was scheduled on 10 November 2021, 10.00am via video conference, to be chaired by Colin Crosby.

The Chair thanked everyone for attending the meeting and for their participation.

# Minutes

## Audit Committee



Wednesday 10 November 2021, 10.30am  
Microsoft Teams

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### Present:

C Crosby (Chair)  
J Mann

### Apologies:

E Murray, Interim Chair of the Accounts Commission

### In attendance:

A Alexander, Chair, Audit Scotland Board  
S Boyle, Accountable Officer and Auditor General for Scotland  
D McGiffen, Chief Operating Officer  
C Robertson (BDO)  
M Walker, Associate Director, Corporate Performance and Risk  
S Dennis, Corporate Finance Manager  
E Boyd, Associate Director, Audit Quality and Appointments  
G Woolman, Audit Director, Audit Services  
O Smith, Senior Manager, Audit Quality and Appointments  
J Gilchrist, Manager, Audit Quality and Appointments  
I Metcalfe, Corporate Performance Officer

### 1. Private meeting with BDO

A private meeting was held with Audit Committee members and internal auditors, BDO.

### 2. Welcome and apologies

The Chair opened the meeting, welcomed everyone, and noted that there were no issues arising from the private meeting. The Chair acknowledged that this would be the last meeting of the Audit Committee that Diane would attend before she takes up her new role as Chief Executive of the Law Society in January 2021. The Chair thanked Diane for her much valued contribution to the Audit Committee over many years and wished her success in her new role.

### 3. Declarations of interests

There were no declarations of interest.

### 4. Minutes of the last meeting: 1 September 2021

The Audit Committee members reviewed the minutes of the meeting of 1 September 2021, copies of which had previously been circulated.

*The Audit Committee approved the minutes of the previous meeting.*

## 5. Review of action tracker

The Audit Committee members reviewed the action tracker, copies of which had previously been circulated.

The Chair asked if there were any questions or comments, and invited Martin Walker, Associate Director to provide any additional updates.

Martin provided an update on action 137AC. He advised that he is working with David Robertson, Digital Services Manager, on a future focussed report on the medium to longer term digital challenges, threats and opportunities.

*The Audit Committee members noted the progress on the actions in the tracker.*

## 6. Audit Committee Terms of Reference

Martin Walker, Associate Director, introduced the Audit Committee Terms of Reference (TOR) report, copies of which had been previously circulated.

The Audit Committee members discussed the frequency of reviewing the TOR and agreed that, in line with good governance principles, the TOR should continue to be formally reviewed annually.

The Audit Committee members discussed the Risk Interrogation reports, noting that these are currently suspended due to competing priorities and pressures, and noted the intention to reinstate them. The Audit Committee members considered the value in carrying out an annual 'deep dive' risk interrogation exercise and recognised that both wider consideration of risk and a deep dive on individual risks were valuable.

Martin advised that risk interrogations are one of a broad range of methods of reporting risk to the Committee. These include the reviews of the risk register, the programme of internal audit reviews, the six monthly digital security updates and the regular reporting on data incidents.

*The Audit Committee members noted the review of the Terms of Reference*

## 7. Audit Quality Interim Report and Audit Quality Framework update

*Elaine Boyd, Gillian Woolman, Owen Smith and John Gilchrist joined the meeting.*

Elaine Boyd, Associate Director, introduced the Audit Quality interim report and Audit Quality Framework update report, copies of which had been previously circulated.

Elaine provided an update on the work of the Audit Quality and Appointments team from April to September 2021. She advised that the risks of material misstatement for two audited bodies identified through the external quality reviews had now been resolved. She also advised that the review of Annual Audit Plans (AAP) had identified some gaps in relation to the coverage of Best Value and that amendments to the templates were being considered.

Elaine advised that audit delivery has been good to date overall. Challenging circumstances for audited bodies and audit teams mean that some audits will be later than planned and

that the regular progress updates from audit teams regarding audit completion had been valuable.

Elaine noted that this is the first full year that accounts and audits have been prepared in a remote environment. Consequently, audits started later and have taken longer.

The Audit Committee members discussed the challenges facing the audited bodies, the audit teams and noted the wider challenges facing the audit profession.

In response to a question on the factors impacting on different sectors, Elaine advised that she would share supplementary information with the members of the committee.

The Chair advised that he attends the Audit Quality Committee as an observer to obtain a more detailed insight into the issues and actions taking place.

Gillian Woolman, Audit Director noted the ongoing need for vigilance and to be alert to audit quality across the board. Gillian noted that it is a challenging time for audit teams and there is a need to build capacity in teams to backfill colleagues who have moved onto audit quality work.

The Audit Committee members discussed the impact of working within and outwith a pandemic environment. They encouraged wider thinking around aligning quality scoring in line with the Financial Reporting Council, and how we report on audit quality on the increasingly diverse range of audit outputs.

***The Audit Committee members welcomed the updates and noted the progress made.***

***Action 138AC: Elaine Boyd to supply supplementary information on the factors impacting on the timing of audits in the different sectors. (February 2022)***

*Elaine Boyd, Gillian Woolman, Owen Smith and John Gilchrist left the meeting.*

## **8. Q2 Financial performance report**

Stuart Dennis, Corporate Finance Manager, introduced the Q2 financial performance report, copies of which had been previously circulated.

Stuart advised that details of variances to budget are explained in the report, and that he continues to phase the budget in line with the way we work and the timing of the audit work.

Stuart provided assurance that there is scope to increase external audit fees if additional work is required.

***The Audit Committee noted the Q2 Financial report.***

***ACTION 139AC: Stuart Dennis to respond to the e-mailed points raised by the Interim Chair of the Accounts Commission via email correspondence. (November 2022)***

## **9. Review of Risk Register**

Martin Walker, Associate Director, Corporate Performance and Risk, introduced the Review of risk register report, copies of which had been previously circulated.

Martin advised that the risk register had been updated following its regular review and based on the Audit Committee's risk workshop held in August 2021. He noted that this had informed the three new risks on the register and that other points raised in the workshop discussion would inform the planning processes at business group and corporate level.

Martin advised that a Covid-19 update report would be considered by the Board at its meeting on 22 November 2021.

The Audit Committee members welcomed the comprehensive report and noted the value of devoting time to consider the risk environment outwith the time constraints of the committee and board meetings.

The Audit Committee members noted that some risks are interlinked and that there may be an opportunity to consolidate in some areas and the longevity of some risks should be considered.

***The Audit Committee noted the review of the risk register.***

## **10. Organisational response to Covid-19**

Diane McGiffen, Chief Operating Officer, advised that Audit Scotland continue to invest in the preparations for colleagues returning to the office under the hybrid working arrangements. She advised that office-based working had been impacted by COP26 and colleagues were advised not to travel unless necessary based on advice received from Police Scotland, building landlords and local authorities.

Diane advised of a slight increase in colleagues contracting Covid-19, and that communications from the Incident Management Team and guidance for colleagues continued to reinforce public health and good practice guidance.

***The Audit Committee noted the Audit Scotland response to Covid-19 update.***

## **11. Internal audit report: Financial Controls - Covid-19**

Claire Robertson, BDO, introduced the Financial Controls-Covid19 internal audit report, copies of which had been previously circulated.

Claire advised that financial controls were maintained during the Covid-19 period, with adequate controls in place. Claire noted that substantial assurance was provided on both design and operational effectiveness, that a number of areas of good practice had been identified and that no recommendations had been made.

The Audit Committee members recorded their thanks to the Finance team for their work in challenging circumstances.

***The Audit Committee members noted the Financial Controls – Covid-19 internal audit report.***

## **12. Internal audit report: Freedom of Information**

Claire Robertson, BDO, introduced the Freedom of Information internal audit report, copies of which had been previously circulated.



Claire advised that reasonable assurance had been provided for design and operational effectiveness and that six recommendations had been made. Claire provided details around the three medium risk recommendations and noted that all of the recommendations have been accepted by management.

***The Audit Committee members noted the Freedom of Information internal audit report.***

### **13. Internal audit progress report (BDO)**

Claire Robertson, BDO, introduced the internal audit report progress report, copies of which had been previously circulated.

Claire advised that work completed this year has provided either substantial or reasonable level of assurance, and that the audit programme is progressing to schedule. She also advised that the audits on audit quality and delivery and audit procurement are under way.

***The Audit Committee members noted the internal audit progress report.***

### **14. Internal audit recommendations progress report (AS)**

Martin Walker, Associate Director introduced the internal audit recommendations progress report, copies of which had been previously circulated.

Martin advised that, of the six remaining recommendations, one has been completed with five in progress. Martin also advised that the focus and terms of reference of the final audit in the programme would be shared and agreed with members via correspondence.

***The Audit Committee noted the progress on the implementation of outstanding audit recommendations.***

***Action 140AC. Martin Walker to circulate options for the remaining internal audit with members for agreement via e-mail correspondence. (February 2022)***

### **15. Q2 Data incidents/loss**

Martin Walker, Associate Director, introduced the data incidents/loss report, copies of which had been previously circulated.

Martin highlighted that there were three data incidents during quarter two. Two were human error and the third, the more significant incident, related to an external sharing folder in SharePoint Online. Martin provided assurance that a check of all such sharing sites had been carried out and immediate remedial action taken. He also advised that additional safeguards were now in place.

***The Audit Committee noted the data incidents/loss report.***

### **16. External auditor's independence, objectivity and value for money**

Martin Walker, Associate Director, introduced the external auditor's independence, objectivity and value for money report, copies of which had been previously circulated.



Martin advised that the term of the external auditor had come to an end and that Scottish Commission for Public Audit was currently in the process of appointing an auditor for the next appointment period.

***The Audit Committee noted the External Auditor's independence, objectivity and value for money report.***

## **17. Review of Audit Committee effectiveness**

Martin Walker, Associate Director, introduced the review of Audit Committee effectiveness report, copies of which had been previously circulated

Martin advised that the survey of Audit Committee members was part of the annual assurance process and noted the proposed deadline of 15 April 2022 for the survey responses.

***The Audit Committee members approved the proposed process and timeline for the annual self-evaluation process.***

## **18. Any other business**

There were no items of other business

## **19. Review of meeting**

The Chair invited those present to comment on the standard of the papers submitted and on the meeting itself.

The members noted how much they were looking forward to meeting in person in the future.

***The Audit Committee members expressed satisfaction with the papers and the focus and pace of the meeting.***

## **20. Date of next meeting**

The next meeting of the Audit Committee is scheduled for 2 March 2022.

The Chair thanked everyone for attending the meeting and for their participation.