

# Minutes

## Audit Committee

Wednesday 2 March 2022, 10.30am  
Microsoft Teams

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### Present:

C Crosby (Chair)  
J Mann  
W Moyes, Chair of the Accounts Commission

### Apologies:

None

### In attendance:

A Alexander, Chair, Audit Scotland Board  
S Boyle, Accountable Officer and Auditor General for Scotland  
M Walker, Acting Director, Corporate Services Group  
C Robertson (BDO)  
J So, Alexander Sloan  
D Jeffcoat, Alexander Sloan  
G Fitzpatrick, Corporate Governance Manager  
S Dennis, Corporate Finance Manager  
D Robertson, Digital Services Manager  
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 invited all present to introduce themselves. The Chair welcomed William Moyes, Chair of the Accounts Commission, noting it was his first attendance at the Audit Committee meeting.

The Chair 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: 10 November 2021

The Audit Committee members reviewed the minutes of the meeting of 10 November 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.

Gayle Fitzpatrick, Corporate Governance Manager, advised there was nothing further to add and invited questions from the members.

The Audit Committee members noted the need for a 'deep dive' into our approach to cyber security and across all digital systems. This would also include a forward look on our approach to Digital Auditing.

The members noted the Board would welcome the early headlines from the Audit Quality Interim Report and Audit Quality Framework update report which is due to be published in June 2022.

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

**Action AC141: Digital Services Manager to schedule a deep dive in cyber security, digital systems future proofing and a forward look into Digital Auditing for a future Audit Committee. (2 May 2022)**

## 6. Organisational response to Covid-19

Martin Walker, Acting Director of Corporate Services advised that Audit Scotland's Incident Management Team (IMT) continues to monitor on the national level of Covid-19 cases being reported weekly, the impact of isolation periods on colleagues and the broader organisational impact of the virus.

Martin advised that Audit Scotland will move into Phase Four of Accessing our Workplaces plan on Monday 7 March. The main change will be the change from 2 metres distancing to 1 metre. This will increase office capacity of available desks and numbers in meeting rooms. Preparatory work is underway to facilitate the changes.

Martin advised that colleagues who have recently attended our offices were invited to rate the Covid security measures in place. Survey results conveyed a positive view of the measures in providing assurance to colleagues returning to the office. The results of this survey will be shared in the weekly IMT update.

Audit Committee members welcomed the move to Phase Four and agreed that a Covid-19 update should continue to come to the Audit Committee.

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

## 7. Q3 Financial performance report

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

Stuart highlighted the virement of forecast revenue surplus across to the capital budget. This is to enable Audit Scotland to purchase essential IT equipment to support our digital security strategy. Stuart confirmed that this was not an increase to the budget, and that the Scottish Commission for Public Audit (SCPA) had been advised.

Audit Committee members discussed the longer-term financial risks and the possibility of these issues materialising.

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

## 8. Review of Risk Register

Martin Walker, Acting Director of Corporate Services, and Gayle Fitzpatrick, Corporate Governance Manager introduced the Review of Risk Register report, copies of which had been previously circulated.

Martin advised that the risk register remains influenced, but less dominated, by the effect of the Covid-19 pandemic. Martin provided details around the four red risks and the six amber risks, noting risk A6 (strategic capacity) is likely to reduce in due course as recruitment for the Chief Operating Officer, and the Director of Audit Services Group roles is underway.

The Audit Committee members discussed the risks and the risk scores noting that many risks are interdependent on each other. It was agreed that a future discussion on risk by the Audit Committee would reappraise some of these risks. Martin advised that all risks are proactively monitored by Management Team regularly. Robust controls are applied in line with the scoring levels and adjusted based on management consideration.

The Audit Committee members recognised the work achieved in relation to risk A1 (Health, Safety and Wellbeing) and risk A4 (Audit delivery) and considered if the red status reflected the achievements. The members agreed the red status indicated the importance of both areas, and in the coming weeks/months the indicator may change.

**ACTION AC142:           Acting Director of Corporate Services and Corporate Governance Manager to review the articulation of risks for discussion at next Audit Committee. (30 March 2022)**

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

## 9. Digital Security update

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

David Robertson, Digital Services Manager provided a summary of the digital threats to the organisation. David outlined the current operational climate, which is heavily influenced by the escalation of cybercrime and the war in Ukraine. In response, Digital Services are enhancing protections within our systems. Two defence measures have been accelerated to provide additional layers of defence.

David advised that critical focus for the next year will be immutable and offline backups to ensure information can be recovered in the event of a cyber attack. Development of a Cyber Incident Response Plan is underway and will require to be actively tested. The plan will incorporate how we protect identity services, how we manage the organisation as well as our communications to the public as we recover, in the event of a cyber-attack.

David advised the digital team' capacity is significantly challenged given current resource capacity of 80%. A Chief Information Security Officer role to take overall responsibility for cyber security is being considered.

The Audit Committee members discussed the options available to secure the right skills into the organisation noting digital is a critical area which requires appropriate developmental capacity.

The Audit Committee members thanked David for the quality of the reporting provided to the corporate forums.

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

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

## **10. Internal audit report: Procurement of Audit Firms**

Clare Robertson, BDO introduced the internal audit report: Procurement of Audit Firms, copies of which had been previously circulated.

Clare advised that substantial assurance had been provided for design and operational effectiveness and no recommendations or improvement points had been made.

***The Audit Committee members noted the internal audit report: Procurement of audit firms.***

## **11. Internal audit Report: Covid-19: Audit Quality and Delivery**

Clare Robertson, BDO introduced the internal audit report: Covid-19: Audit Quality and Delivery, copies of which had been previously circulated.

Clare advised that substantial assurance had been provided for design and operational effectiveness. No recommendations had been made. There was evidence of a number of good practices. Audit Committee members noted the report and noted that it provides assurance that planning in this area are systematic and improvements are in the right place.

***The Audit Committee members noted the internal audit report: Covid-19: Audit Quality and Delivery.***

## **12. Internal audit report: Financial Planning**

Clare Robertson, BDO introduced the internal audit report: Covid-19: Financial Planning, copies of which had been previously circulated.

Clare advised that substantial assurance had been provided for design and operational effectiveness. No recommendations had been made.

The members noted the observation relating to the time lag of financial management reporting to the corporate forums. Stuart Dennis, Corporate Finance Manager advised that any significant financial issues would be highlighted to the Board outwith the formal reporting cycle and scheduled meetings.

The committee welcomed the report noting the substantial assurances provided around financial planning.

***The Audit Committee members noted the internal audit report: Financial Planning.***

### **13. Internal audit report: Progress report 2021-22**

Clare Robertson, BDO introduced the internal audit progress report 2021-22, copies of which had been previously circulated.

Clare advised that the report provides an update on the progress made against the plan. The Strategic Improvement Programme governance review is due for completion in March and a follow up audit to review the implementation of recommendations will follow. Clare advised that BDO are on track to complete the plan as per schedule.

***The Audit Committee members noted the internal audit progress report 2021-22.***

### **14. Cooperation between External and Internal Auditors**

Clare Robertson, BDO and David Jeffcoat, Alexander Sloan introduced the Cooperation between External and Internal auditors report, copies of which had been previously circulated.

David advised that the paper was produced by BDO but discussed with Alexander Sloan.

David advised that there were no issues to comment on regarding the report.

***The Audit Committee members noted the Cooperation between External and Internal auditors report.***

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

*Ian Metcalfe, Corporate Performance Officer, joined the meeting.*

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

Gayle advised that of the 11 recommendations made by BDO in the 2020/21 follow up report, five are complete and six are in progress. Gayle advised that the iTrent payroll & HR system is now available to all staff. Its functionality will allow progress to be made to internal audit recommendations three and four.

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

*Ian Metcalfe, Corporate Performance Officer, left the meeting.*

### **16. Q3 Data incidents/loss**

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

Gayle highlighted that there were four data incidents during quarter three. All four incidents were of low significance and risk and consequently, they did not require to be reported to the Information Commissioner's Office (ICO).

Gayle advised that as the organisation moves to phase four of hybrid working, there is potential risk for data incidents to increase as colleagues, accustomed to working from home over the last two years, move between working at home and in the office. Gayle

advised that due consideration will need to be taken in the transit of Audit Scotland devices and that this will be monitored closely.

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

## **17. Annual assurance and statement of control process 2022**

Gayle Fitzpatrick, Corporate Governance Manager, introduced the annual assurance and statement of control process 2022, copies of which had been previously circulated.

Gayle advised that the annual assurance and statement of control process 2022 had previously circulated via email on 13 December to Audit Committee members.

Gayle advised that the plan is on track and invited questions.

Audit Committee member noted the comprehensive and robust process in place with no questions arising.

***The Audit Committee noted the Annual assurance and statement of control process 2022.***

## **18. 2021/22 Accounting policies, key accounting estimates and judgements**

Stuart Dennis, Corporate Finance Manager introduced the 2021/22 Accounting policies, key accounting estimates and judgements report, copies of which had been previously circulated.

The Chair of the Audit Committee invited David Jeffcoat to comment on the 2021/22 Accounting policies, key accounting estimates and judgements report. David stated he was satisfied with the report and had no further comments to add at this stage.

The Audit Committee members discussed the write off period for computer equipment and software. It was noted that our approach was consistent with other public sector bodies.

***The Audit Committee members approved the 2021/22 Accounting policies, key accounting estimates and judgements.***

## **19. Audit Plan for the year ended 31 March 2022**

David Jeffcoat, Alexander Sloan introduced the Audit Plan for the year ended 31 March 2022, copies of which had been previously circulated.

David noted the timetable and advised that the fieldwork will be performed offsite with the clearance meeting potentially face to face. The Audit Committee members discussed the timetable and confirmed that Audit Scotland will meet the timescales as stated.

David advised that there were no other points to note.

***The Audit Committee members noted the Audit Plan for the year ended 31 March 2022.***

## 20. Any other business

There were no items of other business

## 21. 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.***

## 22. Date of next meeting

The next meeting of the Audit Committee is scheduled for 11 May 2022.

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