

Minutes

Audit Committee

Wednesday 11 May 2022, 10.15am
Microsoft Teams



Present:

C Crosby (Chair)
J Mann

Apologies:

W Moyes, Chair of the Accounts Commission

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 Gillespie, Wylie & Bisset LLP
S Pringle, Wylie & Bisset LLP
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
E Barrowman, Senior Audit Manager, Audit Services
G Woolman, Audit Director, Audit Services
M Laird, Audit Manager, Audit Services
C Calder, Senior Manager, Performance Audit and Best Value
F Caffyn, Audit Officer, Performance Audit and Best Value
E McGinley, Senior Auditor, Performance Audit and Best Value

1. Private meeting with Wylie & Bisset LLP

A private meeting was held with Audit Committee members and internal auditors, Wylie & Bisset LLP.

2. Welcome and apologies

The Chair opened the meeting and welcomed everyone. The Chair noted apologies from Bill Moyes, Chair of the Accounts Commission, and welcomed Graeme Gillespie and Stephen Pringle, Wylie & Bissett LLP to their first meeting of the Audit Committee.

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: 2 March 2022

The Audit Committee members reviewed the minutes of the meeting of 2 March 2022, 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, provided an update on two actions from the previous meeting.

Action 5 refers to the planned 'deep dive' into cyber security and digital systems. Audit Committee members concluded a session outwith a formal meeting of the Audit Committee would work best and agreed that this would take place on 7 September 2022.

Action 8 refers to reviewing how risks are articulated. Gayle advised that a risk management session facilitated by Wylie & Bisset is planned in the summer and that this will be helpful in informing that process.

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

6. Organisational response to Covid-19

Martin Walker, Acting Director, Corporate Services Group provided a verbal update on the Covid-19 position in terms of the external operating environment and Audit Scotland's organisational response. A formal Covid-19 update report will be considered by the Board at its meeting on 17 May 2022.

Martin advised that while national case numbers are decreasing, hospital admissions remain high. Audit Scotland reported zero cases or absences during the previous seven days. It is evident some colleagues continue to experience the effects of the virus from previous infections. The Scottish Government and the Scottish Trades Union Congress have issued an updated joint protocol on health and safety. Early analysis of this highlights Audit Scotland's approach is consistent with the updated protocol.

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

7. Draft Audit Scotland Transparency report for 2021

Gillian Woolman, Audit Director, Mark Laird, Audit Manager, Elaine Boyd, Associate Director, Owen Smith, Senior Manager and John Gilchrist, Manager joined the meeting.

Stephen Boyle, Accountable Officer and Auditor General for Scotland emphasised the importance placed on audit quality within Audit Scotland and across the appointed Firms. This is evident via compliance with international auditing standards, how our work is received externally and the genuine impact it has delivered.

Stephen advised of the progress made in audit quality scores since last year, while recognising there are still some areas for improvement. One of the reviews was a four, which is below our expected standards. He provided assurance that Audit Scotland

continues to strive for high levels of audit quality and has a plan in place to ensure this happens.

Gillian Woolman, Audit Director introduced the Draft Audit Scotland Transparency report for 2021, copies of which had been previously circulated.

Gillian advised that the Transparency report covers audits by Audit Services Group (ASG) and Performance Audit and Best Value (PABV). She noted that while 2021 has been a challenging year, improvements have been made with the introduction of root cause analysis and hot reviews. Gillian advised of the commitment of colleagues to ensure high standards are achieved.

The members discussed the key messages in the report. They noted that hot reviews are carried out on financial audits after the planning stage, to ensure they are on track and actions are tailored to specific risks.

The members discussed the impact of Covid-19 on audit teams in terms of time and resource pressures. Gillian advised that a recovery subgroup was in place for ASG to guide colleagues. The members noted that the benefit of additional resources may not yet be fully experienced due to time required for new colleagues to be inducted. It is anticipated that the impact of additional resource will be evident within the next six months.

The members welcomed the update and discussed some editing points on the report prior to publication.

The Audit Committee noted the similarities in content between the Draft Transparency report and the Quality of public audit in Scotland report. Discussion took place on how the reports could be streamlined or combined in future years reporting.

The Audit Committee approved the draft Audit Scotland transparency report for 2021, subject to the amendments discussed.

ACTION 143AC: Gillian Woolman to amend the report in line with Audit Committee feedback (May 2022).

8. Quality of public audit in Scotland

Elaine Boyd, Associate Director, Audit Quality and Appointments, introduced the Quality of public audit in Scotland (QPAS) report, copies of which had been previously circulated.

Elaine advised that the QPAS report brings together the work of all auditors and audit work. She reflected on the performance of PABV, ASG and the firms.

Elaine noted that the Audit Quality Framework (AQF) continues to serve Audit Scotland well via a variety of checks including auditor surveys, stakeholder surveys, internal and external reviews, a review of annual audit reports and controls for approving non audit services.

Elaine advised that Audit Quality and Appointments (AQA) will continue to assess audit quality and further follow up work next year is planned to measure progress. Judgements made by AQA, and stakeholder feedback has been shared with audit providers to assist in their improvement planning.

The members discussed the draft QPAS report and requested edits to be made by AQA, in consultation with Stephen Boyle.

The members discussed the supplementary report and noted the collaborative learning achieved by working together with the firms. Elaine advised that good practice and learning points are reviewed as part of the ICAS training.

The members discussed the Diffley report and noted the positive assessment it provided. Elaine advised that all appointed auditors receive bespoke reports that provide constructive feedback on where improvement can be made.

Elaine advised that the ICAS contract expired on 30 April 2022 and that AQA will be tendering to secure independent quality review provision over the summer.

The Audit Committee approved the Quality of public audit in Scotland, subject to the agreed amendments and recommended it for submission to the Board on 1 June 2022.

ACTION 144AC: AQA to make edits to the QPAS report in consultation with Stephen Boyle (May 2022).

9. Audit quality improvement actions

Elaine Barrowman, Senior Audit Manager joined the meeting

Gillian Woolman introduced the Audit quality improvement actions report, copies of which had been previously circulated. Gillian advised the report details actions proposed and taken by Audit Services Group (ASG) and Performance Audit and Best Value (PABV) to address matters arising from recent quality monitoring activity.

Gillian noted the importance of the improvement action plan produced last year and advised of the improvements actions delivered to date. Gillian indicated that some of the actions would not take effect until the 2021/22 audits and that actions for the forthcoming year remain focussed on continuous improvement.

Elaine Barrowman advised that the focus this year is to direct auditors to where the support is and to ensure the accessibility of this.

The members noted the plan is an ongoing programme.

The Audit Committee noted the Audit quality improvement actions report.

Gillian Woolman, Audit Director, Mark Laird, Audit Manager, Elaine Boyd, Associate Director, Owen Smith, Senior Manager, John Gilchrist, Manager and Elaine Barrowman, Senior Audit Manager left the meeting.

10. Draft Q4 Financial performance report

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

Stuart advised the figures presented were the unaudited position at quarter four. The variance to budget reflects the pension non-cash element, savings on travel and

subsistence due to remote auditing and staff costs. The variance to staff costs is due to the vacant Senior Management posts and the approved posts through the building capacity programme that are still being onboarded.

The members discussed the variance to budget, the pension provision, and the possible final financial position.

The Audit Committee noted the Q4 Financial report.

11. Review of Risk Register

Gayle Fitzpatrick, Corporate Governance Manager introduced the Review of Risk Register report, copies of which had been previously circulated.

Gayle advised of the main changes to the risk register following its last review in February 2022. Gayle highlighted the change to the risk score in relation to audit quality and highlighted that risk A1 on Health, Safety and Wellbeing currently rated red is anticipated to move to amber at the next review point.

Gayle also advised that Risk A11 on Electronic Working Papers has moved from the risks for monitoring register to the risks for action register given some delays in the project. Gayle also advised that several mitigations were in place, including the securing of dedicated resource to ensure progress within the project.

The members discussed the changes to the register noting how the move from red to amber for risk A2, Audit Quality could potentially be perceived as complacency. Members concluded this was not the case given the significant ongoing programme of work and the positive assurance from quality reviews this year.

The members also discussed the Digital Security risk remaining red. It was noted that despite the extensive mitigations in place our digital security environment remained exposed to a high level of risk from cyber-attacks as a result of the external environment. Martin Walker advised that the recent ISO 27001 re-certification audit provided a strong level of assurance on our digital security with only one minor opportunity for improvement.

Gayle advised that an Information Governance and Security report will be brought to the Board on 17 May 2022. The report provides assurances on the robust measures in place to ensure the security of our digital security.

The Audit Committee noted the review of the risk register.

12. Internal audit report: Strategic Improvement Plan Governance

Claire Robertson, BDO joined the meeting.

The Audit Committee Chair welcomed Claire to the meeting and thanked BDO for the internal audit services provided for Audit Scotland over recent years.

Claire Robertson, BDO, introduced the internal audit report: Strategic Improvement Plan Governance, copies of which had been previously circulated.

Claire advised that substantial assurance had been provided for both design and operational effectiveness. Two low level recommendations were identified from the reviews. Martin Walker advised that work is under way to progress the recommendations.

The Audit Committee members noted the internal audit report: Strategic Improvement plan governance.

13. Internal audit Report: Follow up

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

Claire advised that 18 recommendations had been made with 10 fully implemented, 7 partially implemented and one superseded. BDO concluded that Audit Scotland has made good progress in implementing recommendations, and that management's resolve to implement previously agreed Internal Audit recommendations is sound.

The Audit Committee members noted the internal audit report: Follow up report.

14. Internal audit annual report 2021-22

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

Claire advised that the report summarises the work completed during the year 2021-22. Claire noted that 10 recommendations had been made, of which 3 were medium priority and 7 of low priority. Claire noted all reports had substantial or reasonable assurance for design and operational effectiveness.

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

Claire Robertson, BDO left the meeting.

15. Annual review of Business continuity plan

Gayle Fitzpatrick, Corporate Governance Manager introduced the Annual review of Business Continuity Plan (BCP), copies of which had been previously circulated.

Gayle advised that the BCP was reviewed annually. The experience of the pandemic has seen the BCP evolve substantially over the last two years, that the arrangements outlined had been thoroughly tested and as a result this year's review had resulted in minor changes.

The members discussed the reference to staff names and agreed that only role titles were required in the plan.

ACTION 145AC: Gayle Fitzpatrick to amend the Business Continuity Plan to reflect only role titles (June 2022).

The Audit Committee members noted the annual review of the Business continuity plan.

16. Suite of Annual governance reports

Carol Calder, Senior Manager, Fiona Caffyn, Audit Officer and Erin McGinley, Senior Auditor joined the meeting.

Gayle Fitzpatrick, Corporate Governance Manager, introduced the suite of annual governance reports, copies of which had been previously circulated.

Gayle referred to the overview report which provided a high-level summary of each area of governance work and invited questions from the members.

The reports considered were:

- a) Review of performance management and arrangements
- b) Data incidents/ loss
- c) Hospitality and gifts
- d) Bribery and fraud
- e) Whistleblowing
- f) Correspondence and Whistleblowing

The members noted the value of the reports and the assurance they provide to the Audit Committee. They noted the amount of work in preparing the reports and thanked the teams that contribute.

ACTION 146AC: Gayle Fitzpatrick to add an additional word (other) to paragraph 11 in the Hospitality and Gifts report (June 2022)

The Audit Committee noted the suite of Annual governance reports.

Carol Calder, Senior Manager, Fiona Caffyn, Audit Officer and Erin McGinley, Senior Auditor left the meeting.

17. Policy of provision of non-audit services

John Gilchrist, Manager joined the meeting.

John introduced the policy of provision of non-audit services report, copies of which had been previously circulated.

John advised that there were no changes to the external environment and recommended that the policy be adopted.

The Audit Committee members noted the Policy of provision of non-audit services report.

John Gilchrist, Manager left the meeting.

18. Audit Committee self-evaluation results

Gayle Fitzpatrick, Corporate Governance Manager introduced the Audit Committee self-evaluation results, copies of which had been previously circulated.

The Chair welcomed the self-evaluation results which provided positive assurance on the operation of the Audit Committee. The Chair invited feedback on the results.

The members advised that the Committee provided the right balance of scrutiny, support and challenge.

The Audit Committee members noted the Audit Committee self-evaluation results.

19. Any other business

There were no items of other business

20. 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.

21. Date of next meeting

The next meeting of the Audit Committee is scheduled for 1 June 2022.

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