

Minutes

Audit Committee



Wednesday 7 September 2022, 10.00am
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
V Bibby, Chief Operating Officer
M Walker, Director of Corporate Support
D Jeffcoat, Alexander Sloan
G Gillespie, Wylie & Bisset LLP
S Pringle, Wylie & Bisset LLP
G Fitzpatrick, Corporate Governance Manager
S Dennis, Corporate Finance Manager
D Robertson, Digital Services Manager

1. Private meeting with Wylie & Bisset LLP

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

2. Welcome and apologies

The Chair opened the meeting, welcomed everyone, and noted no issues arising from the private meeting. The chair welcomed Vicki Bibby, Chief Operating Officer to her first Audit Committee meeting.

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 1 June 2022

The Audit Committee members reviewed the minutes of the meeting of 1 June 2022, copies of which had previously been circulated. David Jeffcoat, External Auditor at Alexander Sloan advised he attended the meeting and requested an amendment to reflect this.

No other amendments were requested.

The Audit Committee approved the minutes of the previous meeting.

ACTION AC147: Add D Jeffcoat into the attendees for 1 June 2022 meeting minute.

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 that the tracker had been updated and was for noting.

The members noted risk 133AC on having a Board session on lessons learned from the pandemic has still not been closed off. While interim reviews have taken place members agreed that a separate session be held in the autumn. Pathways to future emergencies should also be considered at this session.

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

ACTION AC148: Martin Walker/Gayle Fitzpatrick to schedule a session to consider the lessons learned from the organisational response to Covid-19. (Autumn 2022)

6. Q1 Financial report

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

Stuart provided details of variances to budget and highlighted the risks. Future financial planning will be impacted by the outcome of the pay award, the cost-of-living challenges and the impact of the new audit appointment fees. The members reflected on the outcome of the pay award negotiations having significant implications for the budget and consideration was given to reflecting this within the risk register.

The members noted the variance in staffing costs. Stuart advised this was a phasing issue given vacancies in the digital team and senior positions not yet filled in quarter one.

The Audit Committee noted the Q1 Financial report.

7. 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 that the risk profile has been modified since the register was last considered by the Committee on 1 June 2022 and following the risk session with Board and internal auditors, Wylie & Bisset in August.

Gayle advised that two new risks had been added to the register, Successful Cyber Attack (A2) and Climate Change (M9). Risks A10 (failure of capacity – skills) and M2 (Audit Scotland infrastructure) have been reframed to reflect the emphasis on Covid-19 to hybrid working.

The members reflected on the risk session and discussed the definition of a red risk, organisational risk appetite and tolerance. They noted that some red risks cannot be

reduced but that the impact could be mitigated to some degree. The members agreed that risk A10 be rearticulated to reference IT systems, hardware and development.

The Audit Committee noted the review of the risk register.

ACTION AC149: Gayle Fitzpatrick to amend the risk register to explicitly refer to 'IT systems, hardware and development'. (30 September 2022)

8. Internal audit plan 2022/23 verbal update

Graham Gillespie, Wylie & Bissett LLP provided an update on the Internal Audit Plan 2022/23.

Graham advised that following Audit Committee on 1 June 2022 where the draft plan had been considered, a resequencing of reviews had been agreed. The first internal audit review will focus on Risk Management and commence week beginning 26 September. An update will be provided at the Audit Committee meeting on 9 November 2022.

Graham advised that the internal audit plan will be completed within the current year.

The Audit Committee welcomed the re-sequencing and noted the update.

9. 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.

Gayle advised minor amendments relating to recent structural changes had been applied to all policies with the exception of the Code of Conduct for Members. The latter had received more significant augmentation due to the Scottish Government updating guidance in this area during December 2021.

The Chair invited comments from members on the substantial changes to the following policies:

- Standing Orders
- Scheme of Delegation
- Financial Regulations
- Code of Conduct for members
- Code of Conduct for Employees

The members had a comprehensive discussion around the clarity of purpose of the Board and Committees. The members present were satisfied that the purpose is clear within the body of the governance documents and that further discussion would take place when the documents are considered at the Board at its meeting on 28 September.

The Chair advised that Bill Moyes had contacted him in advance of the meeting to seek clarification on the purpose of the Board and its committees as expressed in the governance documents. It was agreed that Martin Walker would liaise with Bill on this.

The members thanked the Corporate Governance Manager for presenting the policies with tracked changes, noting that the policies need to be proofed once the changes have been considered by the Board.

The Audit Committee recommended the policies be approved by the Board.

Action AC150: Martin Walker to liaise with Bill Moyes on the articulation of the Board and its committees purpose in the governance documents (September 2022)

10. Q1 Data Incidents / Loss report

Gayle Fitzpatrick, Corporate Governance Manager, introduced the Q1 data incidents/loss report, copies of which had been previously circulated.

Gayle advised that there had been five data incidents recorded during quarter one and that none required reporting to the Information Commissioner's Office (ICO) given the risk level associated with the incidents and swift action undertaken.

The members discussed the probability of similar incidents happening again. Gayle provided assurance that measures have been implemented to help ensure similar incidents should not happen again.

The Audit Committee noted the data incidents/loss report.

11. Digital Security

David Robertson, Digital Services Manager, joined the meeting.

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

David advised that team resources continue to be a challenge with the team currently running at 80% due to difficulties in recruitment and as a result some development work has been paused to ensure resources are directed towards the high-risk area of cyber security and core business continuity. The members noted that the recruitment campaigns are UK wide which would extend the field of candidates. Members also recognised that there are some digital roles, including the Network Security Specialist that would require an onsite presence, for example actioning systems recovery.

David provided a summary of the successful outcome of the ISO re-certification audit and results of from a recent organisational phishing test. Members discussed the lessons learned from cyber incidents in other organisations and noted the continued need for digital vigilance. They also welcomed the inclusion of cyber security as part of the induction programme for staff.

The Audit Committee noted the Digital Security update.

12. Any other business

There were no items of 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 is scheduled for 9 November 2022.

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