

Minutes

Audit Committee



Tuesday 7 March 2023, 10.00am
Audit Scotland, 102 West Port, Edinburgh / MS Teams

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
V Bibby, Chief Operating Officer
M Walker, Director of Corporate Support
D Jeffcoat, Alexander Sloan
J So, Alexander Sloan
G Gillespie, Wylie & Bisset
S Pringle, Wylie & Bisset
S Dennis, Corporate Finance Manager
D Robertson, Digital Services Manager
S Burgess, Head of HR
G Robertson, L&D Manager
I Metcalfe, Corporate Governance Officer

1. Private meeting with Wylie & Bisset LLP

A private meeting was held with Audit Committee members, internal auditors, Wylie & Bisset 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 noted that Gayle Fitzpatrick, Corporate Governance Manager was not able to attend attending the meeting.

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 9 November 2022

The Audit Committee members reviewed and agreed the minutes of the 9 November 2022 meeting, 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 members discussed action AC153 and noted that regular structured engagement between the Chair of the Accounts Commission and the Auditor General for Scotland (AGS) is in place.

Martin Walker, Director of Corporate Support, advised that Audit Scotland has been approached to provide information to the Scottish Covid-19 Inquiry. Martin advised that the information provided will inform our lessons learned action AC151 (draft remit for Covid 19 Lessons Learned session). A draft terms of reference will be circulated this week and a suitable date for the session is being sought.

Martin also advised that the Risk Management Workshop, a date for which is being sought, may incorporate a deep dive session. The members agreed that a deep dive session before early June 2023 would be preferred and could incorporate a general review of risks.

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

6. Q3 Financial report

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

Stuart advised that, as the year end approaches, Audit Scotland is on budget. Stuart updated the members with the areas that are being closely monitored and noted the Scottish Parliament's approval of the 2023/24 budget.

The members discussed specific expenditure items as detailed in Appendix 2, and elements of the 2023/24 budget bid. The members welcomed the summary and presentation using infographics.

The Audit Committee welcomed the discussion and noted the Q3 Financial report.

7. 2022/23 Year-end statutory accounts timetable and accounting policies, key accounting estimates and judgements

Stuart Dennis, Corporate Finance Manager, introduced the 2022/23 Year-end statutory accounts timetable and accounting policies, key accounting estimates and judgements reports, copies of which had been previously circulated.

Stuart advised that the timetable for the 2022/23 year end statutory accounts is similar to previous years. Stuart noted the significant changes which included Lothian Pension Fund IAS19 pension costs, the changes to IFRS16 leases and the lease liabilities around property and vehicles.

The members noted the increase in the annual audit fee was last year's fee plus Consumer Price Index (CPI).

The Audit Committee members noted the 2022/23 Year-end statutory accounts timetable and accounting policies, key accounting estimates and judgements

8. 2023/24 External Audit Plan

David Jeffcoat, Alexander Sloan introduced the 2023/24 External audit plan, copies of which had been previously circulated.

David advised that the audit plan had been approved and Audit Scotland were satisfied with the fees. The key estimates and assumptions are appropriate and consistent with previous years and the pension disclosures are correct.

The members were reassured that the risks identified match the risks captured in the Audit Scotland risk register.

The Audit Committee noted the 2023/24 External Audit Plan.

9. Review of risk register

Martin Walker, Director of Corporate Support, introduced the Review of Risk Register report, copies of which had been previously circulated.

Martin advised the risk register was considered by the Executive Team on 21 February 2023. He noted changes to risks A1, A6 and A8 and advised that the risk around the 2023/24 budget has now been removed from the register in light of Parliamentary approval. The risk around Health, Safety and Wellbeing has been moved to the risks for monitoring register and continues to be monitored closely.

The members discussed the need to review the wording for risk A9 and agreed a discussion offline was required.

The members discussed the data for risk A4 and the requirement for a deep dive into capacity, deployment and skills to ensure the Auditor General for Scotland and the Accounts Commission's needs are met in delivering their statutory functions. The members noted the benefit of a deep dive session.

The members agreed that risk A4 should be reframed to provide the reassurance needed.

The Audit Committee members welcomed the discussion and noted the review of the risk register.

157AC: S Boyle, Accountable Officer and Auditor General for Scotland, W Moyes, Chair of the Accounts Commission and M Walker, Director of Corporate Support to consider the wording of risk A9.(April 2023)

158AC: C Crosby, Chair of the Audit Committee and M Walker, Director of Corporate Support to reframe risk A4 to provide the reassurance required. (April 2023)

159AC: M Walker, Director of Corporate Support to draft scope for the deep dive session. (April 2023)

10. Review of Risk Management Framework

Martin Walker, Director of Corporate Support, introduced the Review of Risk Management Framework, copies of which had been previously circulated.

Martin advised that the Risk Management Framework (RMF) is reviewed every two years and noted that an additional review was carried out and the framework was also updated in 2021 due to the increased risks because of the Covid-19 pandemic. Martin advised that the proposed changes to the framework are refinements and that recommended changes are around the Business group risk leads meetings and wording around the definition of a red risk.

Martin advised that risk interrogation reports were used prior to the pandemic to consider risks in more detail. He advised that the updated RMF provides for a regular deep dive into one or more risks using a more flexible approach and that the nature of the deep dive can vary dependant on the subject area and be flexible to accommodate new risks where required.

The members discussed exhibit 3 in the RMF report noting that there may be a benefit to extending the diagram to recognise the interests of the Auditor General and the Accounts Commission.

The Audit Committee noted the review and approved the Risk Management Framework

160AC: M Walker, Director of Corporate Support to review the diagram in exhibit 3 to reflect the interests of the Auditor General and the Accounts Commission. (April 2023)

Ian Metcalfe, Corporate Governance Officer, joined the meeting.

11. Internal audit plan 2022/23

Graham Gillespie, Wylie & Bisset provided an update on the internal audit plan 2022/23.

Graham advised that the 2022/23 plan is on track to complete the plan within the year. Two reports (item 12 and item 13 at this meeting) are currently with Management for comments, and two reports are to be completed. A audit is to be completed in April and a suite of reports will be considered at the Audit Committee meeting in May 2023.

The Audit Committee welcomed the update.

David Robertson, Digital services Manager, joined the meeting.

12. Internal Audit Report: Digital strategy

Stephen Pringle, Wylie & Bisset introduced the Digital strategy internal audit report, copies of which had been previously circulated.

Stephen advised that the audit provided a strong level of assurance over the organisation's Digital Services Strategy. He advised that there were seven good practice points from the review and processes in place which enabled digital projects, initiatives, and requests to be aligned with the Digital Services Strategy. Stephen confirmed that the reporting arrangements that are in place are appropriate and that there were sufficient skills and expertise amongst the Team responsible for delivering the Digital Services Strategy. One observation was raised around the way in which the progress of the Digital Services Strategy is being communicated.

The members acknowledged that the Digital team are now fully staffed and that the benchmarking reflected the advanced position Audit Scotland is in.

The Audit Committee noted the IAR report on Digital strategy.

Susan Burgess, Head of HR and Gordon Robertson, L&D Manager joined the meeting.

13. Internal Audit Report: Review of Business Management system

Graham Gillespie, Wylie & Bisset introduced the Review of Business Management system report, copies of which had been previously circulated.

Graham advised that the audit provided a strong level of assurance surrounding the controls in place for the selection and implementation of the new Business Management System. They were able to confirm that the Business Management System is operating as intended, with 20 areas of good practice being identified and one low grade recommendation for improvement.

The members welcomed the report.

The Audit Committee noted the IAR report on Review of Business Management system and noted thanks to Wylie & Bisset and the participants.

Susan Burgess, Head of HR and Gordon Robertson, L&D Manager left the meeting.

14. Review of cooperation between internal and external audit

Graham Gillespie, Wylie & Bisset introduced the Review of cooperation between internal and external audit report, copies of which had been previously circulated.

Graham confirmed cooperation between the internal and external auditors. Similar to the way Alexander Sloan worked with the previous external auditors (BDO), there is liaison around planning, joint working, and interaction at Audit Committee meetings. Graham provided reassurance to the Committee members that joint working is in place with no concerns raised.

The Audit Committee noted the review of cooperation between internal and external audit report.

15. Review of implementation of Internal Audit recommendations

Martin Walker, Director of Corporate Support introduced the Review of implementation of internal and external audit recommendations, copies of which had been previously circulated.

Martin advised that the report provides assurance that the actions and recommendations made in the internal audit reports by Wylie & Bisset are being progressed. Martin advised that all the recommendations made have been dealt with or are being actively progressed.

The Audit Committee noted the review of implementation of Internal Audit recommendations.

16. Q3 Data Incidents / Loss report

Martin Walker, Director of Corporate Support, introduced the Q3 data incidents/loss report, copies of which had been previously circulated.

Martin advised that there were four data incidents recorded during quarter three. All four incidents did not merit reporting to the Information Commissioner's Office (ICO) given the low risk level associated with the incidents and swift action undertaken afterwards.

The members noted that the incidents were low level and were human error. Martin confirmed that re-emphasising messages for constant vigilance would continue.

The Audit Committee noted the data incidents/loss report.

17. Digital security update

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

David provided details of the changes to Audit Scotland's digital security risk profile and arrangements since the previous update on 30 August 2022. He noted the length of the report and advised the report would be edited, with more use of infographics, prior to presenting at the next Audit Committee meeting. David also advised that the Cyber Incident Response plan has been delayed but remains a top priority.

The members discussed the report and recognised the classification of the risks as red, this was felt appropriate and reflected the seriousness of the risk.

The Audit Committee noted the Digital Security update.

David Robertson, Digital services Manager, left the meeting.

18. Overview of annual assurance and statement of control processes

Martin Walker, Director of Corporate Support, introduced the overview of annual assurance and statement of control processes report, copies of which had been previously circulated.

Martin advised the report reflects the comprehensive processes that are in place to provide assurance, and that the process underpins Audit Scotland's governance statement and the signing of the 2022/23 accounts. The members noted and welcomed the controls that are in place.

The Audit Committee members noted the overview of annual assurance and statement of control processes report.

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 16 May 2023.

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

Minutes

Audit Committee



Tuesday 16 May 2023, 10.00am
Audit Scotland, 102 West Port, Edinburgh / MS Teams

Present:

C Crosby (Chair)
J Mann
T McKay, Interim Chair of the Accounts Commission

Apologies:

None

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
J So, Alexander Sloan
G Gillespie, Wylie & Bisset
S Pringle, Wylie & Bisset
S Dennis, Corporate Finance Manager
G Diamond, Director of Innovation & Transformation
I Metcalfe, Corporate Governance Officer
Rebecca Seidel, Senior Manager, PABV
S Burgess, Head of HR
S Kewley, Business Support Manager
D Santhakumaran, Senior Manager, PABV
E Boyd, Associate Director, Audit Quality & Appointments
O Smith, Senior Manager, Audit Quality & Appointments
J Cornett, Executive Director of Audit Services
K Oliver, Executive Director of Innovation & Quality
P O'Brien, Director of Quality & Support

1. Private meeting with Wylie & Bisset LLP

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

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 7 March 2023

The Audit Committee members reviewed and agreed the minutes of the 7 March 2023 meeting, 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 members noted action 157AC that relates to the wording for risk A9. This will be updated and covered at the next meeting of the committee on 6 June 2023.

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

6. Q4 Financial report

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

Stuart summarised the unaudited position at quarter four noting the potential for adjustments around pensions and leases. Discussion then focused on the challenges ahead for 2023/23 including the potential pay award and the impact on fees and funding. Assurance was provided that this area is closely monitored.

The members discussed the variance to budget and the prospective final financial position.

The Audit Committee welcomed the discussion and noted the Q4 Financial report.

7. Review of risk register

Martin Walker, Director of Corporate Support, introduced the Review of Risk Register report, copies of which had been previously circulated.

Martin advised the profile of the register was similar to the last review by Audit Committee on 7 March. The members noted the risk relating to our financial position has been removed and that risk A3, relating to audit quality, may reduce in the next iteration of the register.

Martin advised that at the ISO27001 audit in April recertification was successfully achieved. This was positive given our risks around cyber security remain high.

The Audit Committee members welcomed the discussion and noted the review of the risk register.

8. Internal audit progress report 2022/23

Graham Gillespie, Wylie & Bisset introduced the internal audit progress report 2022/23, copies of which had been previously circulated.

Graham confirmed that all audits were completed for the year, with the final reports on the agenda for discussion.

The Audit Committee noted the internal audit progress report 2022/23

9. Internal Audit Report: Green Futures

Gemma Diamond, Ian Metcalfe and Rebecca Seidel joined the meeting.

Graham Gillespie, Wylie & Bisset introduced the Green Futures internal audit report, copies of which had been previously circulated.

Graham advised the Substantial assurance had been provided. Nine areas of good practice were identified and five recommendations, two medium and three low made.

The members discussed the recommendations in the report noting the importance of embedding green initiatives in the culture of the organisation.

Gemma Diamond and Rebecca Seidel left the meeting.

The Audit Committee noted the IAR on Green Future.

10. Internal Audit Report: Workforce Planning

Susan Burgess joined the meeting.

Graham Gillespie, Wylie & Bisset introduced the Workforce Planning internal audit report, copies of which had been previously circulated.

Graham advised that Substantial assurance had been provided for the controls in place for workforce planning and the overarching arrangements. There were 16 areas of good practice identified and four recommendations, three medium and one low, noted.

The members discussed formalising the skills matrix and succession planning and noted that the workforce plan is positioned in our people plan.

The members would welcome assurance that succession planning is formalised and is in place. They agreed it would be valuable to revisit succession planning at a future meeting of the Remuneration and Human Resources Committee (Remco) meeting.

ACTION: 161AC Martin Walker/Susan to ensure succession planning to be scheduled for consideration at a future Remco meeting.

The Audit Committee noted the IAR on Workforce Planning.

11. Internal Audit Report: Hybrid Working

Sharon Kewley, Business Support Services Manager joined the meeting virtually.

Graham Gillespie, Wylie & Bisset provided an update on the Hybrid Working internal audit report.

Graham advised that Strong assurance of the arrangements in place, the highest level of assurance provided. This was specifically evident around the planning and implementation

of the model. There were no recommendations for improvement or weakness identified in the process or controls. In addition, 14 areas of good practice identified.

The members noted that feedback from staff was overall positive. The members also noted the impact of hybrid working on the organisations Estates management strategy and the impact on efficiency and cost.

The Audit Committee noted the IAR on Hybrid Working.

Susan Burgess and Sharon Kewley left the meeting.

12. Internal Audit Report: Financial Planning

Graham Gillespie, Wylie & Bisset introduced the Financial Planning internal audit report, copies of which had been previously circulated.

Graham advised Substantial assurance had been provided for the controls in place. There were 13 areas of good practice identified. Five recommendations for improvement made, of which two were medium priority and three low.

The members discussed the report and noted that some recommendations for improvement have now been implemented.

The Audit Committee noted the IAR on Financial Planning.

13. Internal Audit Report: Follow up Review

Graham Gillespie, Wylie & Bisset introduced the Follow up Review internal audit report, copies of which had been previously circulated.

Graham advised that a Strong level of assurance was provided on Audit Scotland's implementation of recommendations outstanding. Four recommendations were fully implemented, three were superseded and one is not yet due for implementation.

The members noted the value of the follow up review.

The Audit Committee noted the IAR Follow up Review.

14. Internal audit strategy and plan 2023/24

Graham Gillespie, Wylie & Bisset introduced the Internal audit strategy and plan 2023/24, copies of which had been previously circulated.

Graham advised that the plan is a three-year rolling plan and that we are now in year two. The only slight change to the plan is around the IT audit. There will now be a review on the Cyber Incident Response Plan.

Graham discussed the scope and timetable for the reports noting the work will commence in July 2023 and will be concluded within the year.

The Audit Committee approved the internal audit strategy and plan 2023/24.

15. Annual review of business continuity arrangements 2023

Ian Metcalfe, Corporate Performance Officer introduced the Annual review of business continuity arrangements 2023, copies of which had been previously circulated.

Ian advised the Business Continuity Plan (BCP) and the framework are reviewed annually. They were last reviewed by the Audit Committee on 11 May 2022. Amendments made reflect the change from Management Team to Executive Team and the incident recovery plan is now included.

The members noted that minor changes provided assurance that the BCP is working and remains fit for purpose. Ian advised that there will be a session on the BCP with Leadership Group in the coming months.

The Audit Committee approved the business continuity arrangements for 2023.

Ian Metcalfe left the meeting.

16. Annual assurance reports 2022/23

Dharshi Santhakumaran 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:

- Hospitality and gifts
- Bribery and fraud
- Whistleblowing
- Data incidents/ loss
- Correspondence and Whistleblowing

The members discussed the data relating to Correspondence noting the increase in volumes. A full report will be shared at the next committee meeting in June that will provide separate data for Correspondence and for Whistleblowing.

The members discussed the value of publicly sharing the scope of what Audit Scotland can and cannot address.

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: 162AC Martin Walker to link in with the Communications Team on how Audit Scotland can be more prescriptive on the scope of what Audit Scotland can and cannot address.

The Audit Committee noted the suite of annual governance reports.

Dharshi Santhakumaran left the meeting.

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

Elaine Boyd and Owen Smith joined the meeting virtually.

Elaine Boyd, Associate Director introduced the policy of provision of non-audit services report, copies of which had been previously circulated.

Elaine advised that the policy is required every year. There were no incidents of non-audit services procured from external auditors in the last year, no changes to the external environment or to the FRC ethical standards and Elaine recommended that the policy be adopted.

The Audit Committee members approved the Policy of provision of non-audit services by Audit Scotland's external auditor report.

18. Annual review of performance management and arrangements

Martin Walker, Director of Corporate Support, introduced the annual review of performance management and arrangements report, copies of which had been previously circulated.

Martin noted that the review provided positive assurance on performance management arrangements. Recent developments around quarterly corporate performance reporting had strengthened arrangements with versions of the report being shared at the last meetings of the Board and Accounts Commission.

The next steps are to take a step back and consider the complete range of performance reporting and the timings and themes of the data. Martin advised that the review informs that the performance reporting arrangements are broadly effective but there are various developments underway.

The members welcomed the review and further iterations of the report.

The Audit Committee members noted the annual review of performance management and arrangements report.

19. Review of Audit Committee effectiveness

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

Gayle advised that the self-evaluation questionnaire was shared with Audit Committee members and the Chair of the Board in March. The questionnaire was reduced to 49 questions this year and there was a good response.

The members discussed the broad role of the committee and the role of the Chair noting that it would be valuable, and good governance, for the questionnaire to be shared with members and attached the report.

The Chair welcomed the self-evaluation results which provided positive assurance on the operation of the Audit Committee. The members agreed the Committee provide the right balance of scrutiny, support and challenge.

ACTION: 163AC Gayle to share the questionnaire and attach a copy to the Review of Audit Committee effectiveness report.

The Audit Committee members noted the review of Audit Committee effectiveness report and agree that the assessment informs the Chair's annual report to the Board.

Private & confidential items

Microsoft Teams recording was stopped by Margaret Camplejohn, Business Support Coordinator

Kenny Oliver, Paul O'Brien and John Cornett joined the meeting.

20. Draft 2022/23 Transparency Report

Paul O'Brien, Director of Quality & Support introduced the draft 2022/23 Transparency report, copies of which had been previously circulated.

Paul advised that the transparency report is prepared every year and is part of a suite of corporate reports that are issued from Audit Scotland in June. Paul invited the members to approve the report for publication.

The members noted the length of the report and discussed the content. They considered who the key audiences would be and if any data on audience type and volumes was available. They recognised standards were more onerous and the Financial Reporting Council (FRC) model provides increasing assurance.

The members recognised the work of the Innovation & Quality team and the dividends it was paying.

The Audit Committee members approved the draft 2022/23 Transparency Report

21. Draft Quality of Public Audit in Scotland

Elaine Boyd, Associate Director introduced the draft Quality of Public Audit in Scotland report, copies of which had been previously circulated.

Elaine advised that the report covers Audit Scotland and the six private audit providers. There are recurring themes in the report but an improvement in scores was noted. A root cause analysis to fully understand the areas for improvement.

The members discussed the results and the learning points and noted the challenges around delivery deadlines.

The Audit Committee members approved the draft quality of Public Audit in Scotland report.

22. Quality Actions Update

Kenny Oliver, Director of Innovation & Quality introduced the Quality actions update report, copies of which had been previously circulated.

Kenny advised that the approach to the quality improvement action plan will be reviewed over the coming months. The revised plan will be more streamlined, actions will be specific, measurable, achievable, relevant, and time-bound (SMART) and it will provide a more effective way of reporting.

Kenny advised that a joint feedback session will take place where consideration will be given to a root cause analysis and the Quality of Public Audit in Scotland (QPAS) report, before being shared in June.

The members discussed the action plan and welcomed a future update on progress, via correspondence.

The Audit Committee members noted the Quality actions update.

23. Any other business

There were no items of 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.

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

25. Date of next meeting

The next meeting of the Audit Committee is scheduled for 6 June 2023.

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

Minutes

Audit Committee



Tuesday 6 June 2023, 10.00am

Audit Scotland, 102 West Port, Edinburgh / MS Teams

Present:

C Crosby (Chair)
J Mann

Apologies:

Alan Alexander, Chair, Audit Scotland Board
Ronnie Hinds, Interim Chair of the Accounts Commission
Graham Gillespie, Wylie & Bisset

In attendance:

S Boyle, Accountable Officer and Auditor General for Scotland
V Bibby, Chief Operating Officer
M Walker, Director of Corporate Support
G Fitzpatrick, Corporate Governance Manager
S Dennis, Corporate Finance Manager
D Jeffcoat, Alexander Sloan
J So, Alexander Sloan
S Pringle, Wylie & Bisset
K Oliver, Executive Director of Innovation & Quality
P O'Brien, Director of Quality and Support
S Burgess, Head of HR
S Kewley, Business Support Manager
C Calder, Audit Director, PABV
D Santhakumaran, Senior Manager, PABV

1. Private meeting with Wylie & Bisset LLP

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

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 16 May 2023

The Audit Committee members reviewed and agreed the minutes of the 16 May 2023 meeting, 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 members noted that action 158AC relating to risk A4, failure of delivery had been reframed for the May Risk Register to highlight the impact of internal and external factors. Further opportunity to discuss the risk register at agenda item 10 was noted.

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

6. Internal audit annual report 2022/23

Stephen Pringle, Wylie & Bisset introduced the internal audit annual report 2022/23, copies of which had been previously circulated.

Stephen advised the internal auditor provides the Audit Committee with an annual opinion on the adequacy and effectiveness of Audit Scotland's risk management, control and governance processes.

Stephen advised that Audit Scotland has proper arrangements in place to promote and secure value for money, efficiency and effectiveness.

The members discussed the report noting the clarity of first year reporting from Wylie & Bisset. They welcomed the added value from benchmarking in the reports and assurance they provide.

The Audit Committee noted the internal audit annual report 2022/23 and thanked Stephen and Graham for their work.

7. Governance statement and certificate of assurance 2022/23

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

Gayle advised that the review process provided positive assurance on controls across all business groups. The members noted evidence of the robust reporting in place and acknowledged that next year Innovation & Quality (I&Q) will be included in the reports.

The Audit Committee members noted the Governance statement on internal control and approved certificate of assurance report.

Kenneth Oliver, Executive Director of Innovation and Quality and Paul O'Brien, Director of Quality and Support joined the meeting.

8. External audit letter and opinion on financial year 2022/23

David Jeffcoat of Alexander Sloan introduced the external audit letter and opinion of financial year 2022/23, copies of which had been previously circulated.

David advised the letter of representation was a standard document and was similar to last year. David noted the audit issue regarding the calculation of an asset ceiling to comply with new accounting standards, IAS19 and IFRC14 as regards pensions.

The members discussed the reporting of Audit Scotland's position in respect of the pension balance in the financial statements. David noted it was a technical accounting point regarding reporting and agreed it would be helpful to get a confirmed position from CIPFA. This action was agreed to be taken forward by Kenneth Oliver and Paul O'Brien.

The members agreed an explanation in the "disclosure in financial statements" section would be appropriate and transparent. The position was agreed subject only to a potential modification should the awaited CIPFA ruling be in direct conflict with what was agreed.

The Chair and the Finance Manager agreed to meet to agree future presentation of this information for the organisation.

Stephen Boyle, Accountable Officer and Auditor General for Scotland will sign the accounts on Monday 12 June 2023.

The members noted the external audit letter and opinion on financial year 2022/23 and welcomed a confirmed position regarding the pension balance figure in the financial statements.

ACTION: 161AC Kenneth Oliver and Paul O'Brien to establish a confirmed position regarding reporting the pension balance figure, and to inform members of where discussions have reached.

ACTION: 162AC Colin Crosby and Stuart Dennis agreed to meet before the next Audit Committee meeting on 5 September to discuss future presentation of the accounts in respect of pensions.

Kenny Oliver and Paul O'Brien left the meeting.

Simon Ebbett, Communications Manager joined the meeting.

9. Draft Audit Scotland Annual report and Accounts 2022/23

Martin Walker, Director of Corporate Support, Stuart Dennis, Corporate Finance Manager and Simon Ebbett, Corporate Communications manager introduced the draft Annual report and accounts 2022/23, copies of which had previously been circulated.

Stuart advised that the outturn in the report was the same as the Q4 figures reported to the Board and Audit Committee in May. Further explanation around IAS19 and IFRC14 was included in the report as well as explanations of movements and changes since last year.

Simon advised that the report set out the performance of Audit Scotland in 2022/23 and provided positive assurances about the impact of the audit work over the past year and the governance arrangements in place.

The Audit Committee members discussed various aspects of the report and accounts. Some minor final edits, relating to the Accounts Commission were agreed. The members discussed some suggested changes for next year's report noting that a summary snapshot of the report would be welcome.

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

The Audit Committee noted the next steps in the process and recommended the draft Annual report and accounts for approval by the Board.

Simon Ebbett left the meeting.

10. Review of risk register

Martin Walker, Director of Corporate Support, introduced the Review of Risk Register report, copies of which had been previously circulated.

Martin noted that while risk A3, failure of audit quality, remains amber it has reduced in light of the findings of the Quality of Public Audit in Scotland (QPAS) and Transparency Reports which were considered by the Audit Committee at its meeting on 16 May 2023.

Martin noted risk A9 was a new risk covering the importance of an effective working relationship with the Accounts Commission.

The Audit Committee members welcomed the discussion and noted the review of the risk register.

11. Report on progress with Internal Audit recommendations

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

Gayle advised that the report provides members with an update on the implementation of internal audit report recommendations. The report did not reference recommendations made in reports shared with the Audit Committee at the May meeting due to timing.

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

12. Annual report on Health, Safety and Wellbeing 2022/23

Susan Burgess, Head of Human Resources and Sharon Kewley, Business Support Manager joined the meeting.

Susan Burgess, Head of HR introduced the annual report on Health, Safety and Wellbeing 2022/23 report, copies of which had been previously circulated.

Susan advised that the focus will be taking forward the actions that are identified in the report. Audit Scotland will be working closely with an organisation called Headtorch who will be delivering mental health training. They will take a holistic review of all sources of information gathered in these sessions which will provide intelligence and direction for the organisation.

The members noted the report is more appropriate to the Remuneration and Human Resources Committee (Remco) but it comes to the Audit Committee as a result of the timing of the meetings. The members agreed it would be worth considering the timings for 2024.

The Audit Committee members noted the annual report on Health, Safety and Wellbeing 2022/23.

Susan Burgess and Sharon Kewley left the meeting.

13. Annual report on Correspondence and Whistleblowing

Carol Calder, Audit Director, Performance Audit and Best Value and Dharshi Santhakumaran, Correspondence Manager joined the meeting.

Carol Calder, Audit Director introduced the annual report on Correspondence and Whistleblowing, copies of which had been previously circulated.

Carol noted the increase in correspondence, with volumes growing by a third from the previous year. It was noted that may be attributed to the higher expectations of public bodies, correspondence generated by some audit reports and ongoing correspondence from some individuals. It was noted that the increase in volume of correspondence is being managed and all performance targets continue to be met.

It was acknowledged that the increase in volume reflects positively on the visibility and profile of the audit work. There has been no significant change in the themes of correspondence received during 2022/23.

The Audit Committee noted the annual report on Correspondence and Whistleblowing and thanked the team for meeting the performance targets.

Carol Calder and Dharshi Santhakumaran left the meeting.

14. Annual report from the Chair of the Audit Committee to the Board.

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

The Audit Committee members were satisfied with the report and agreed it provided a comprehensive summary of the committee's work in 2022/23.

The Audit Committee noted the Annual report from the Chair of the Audit Committee and recommended it to the Board.

15. Any other business

There were no items of other business.

16. 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.

17. Date of next meeting

The next meeting of the Audit Committee is scheduled for 5 September 2023.

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

Minutes

Audit Committee



Tuesday 5 September 2023, 10.00am
Audit Scotland, 102 West Port, Edinburgh / MS Teams

Present:

C Crosby (Chair)
J Mann
A Alexander

Apologies:

Ronnie Hinds, Interim Chair of the Accounts Commission
J So, Alexander Sloan

In attendance:

S Boyle, Accountable Officer and Auditor General for Scotland
V Bibby, Chief Operating Officer
M Walker, Director of Corporate Support
G Fitzpatrick, Corporate Governance Manager
S Dennis, Corporate Finance Manager
D Jeffcoat, Alexander Sloan
S Pringle, Wylie & Bisset
K Oliver, Executive Director of Innovation & Quality
P O'Brien, Director of Quality and Support
M MacPherson, Audit Director, PABV
C Calder, Audit Director, PABV
G Miller, Senior Manager, Innovation & Quality
E Bayne, Digital Security Specialist
N Paton, Digital Project Manager

1. Private meeting with Wylie & Bisset LLP

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

2. Welcome and apologies

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

Apologies were noted from Ronnie Hinds, Interim Chair of the Accounts Commission and Jillian So, Alexander Sloan.

The Chair of the Audit Committee and the Chair of the Board noted that this would be last meeting attended by Gayle Fitzpatrick, Corporate Governance Manager. Both noted thanks to Gayle for valued contribution to the committee and for the invaluable help Gayle had provided the members. They expressed their thanks and wished Gayle good luck in her new role.

Martin Walker, Director of Corporate Support advised that a recruitment campaign to fill the Corporate Governance Manager role would be underway soon and in the interim period he and the wider Corporate Governance team would cover the responsibilities. He also advised that David Robertson, Digital Services Manager would be responsible for the Data Protection Officer elements of the role during the interim period.

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 6 June 2023

The Audit Committee members reviewed and agreed the minutes of the 6 June 2023 meeting, 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 were no issues to highlight and noted that discussions around the Covid19 lessons learned were still to take place.

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

6. Q1 Financial report

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

Stuart highlighted the change in the format and presentation of the report and welcomed any feedback from the members.

Stuart advised that the key financial risks currently were the implications of the ongoing pay award negotiations and that the closing work in progress figure were being managed in line with expectations.

The members discussed the content of the report noting the risks and how they are being managed.

The Audit Committee welcomed the discussion and noted the Q1 Financial report.

7. Review of risk register

Martin Walker, Director of Corporate Support, introduced the Review of Risk Register report, copies of which had been previously circulated.

Martin advised the risk register had been reviewed by the Executive Team on 15 August and had been aligned with the new strategic priorities set out in the Corporate Plan.

Martin noted that risk A9 has been escalated from the risk for monitoring register to the risk for action register in light of the recent stress survey results.

Risks A1 and A2 relating to cyber security remain the highest risks on the register. The members received an update on the Incident Management Team's recent simulated cyber incident, noting that it went well, and that the principles Cyber Incident Response plan had held good, and that the session provided the level of assurance required. Some practical steps for consideration were identified and the exercise was beneficial to the attendees.

The Audit Committee members welcomed the discussion and noted the review of the risk register.

Kenneth Oliver and Paul O'Brien joined the meeting.

8. Audit Quality update

Kenneth Oliver, Executive Director of Innovation & Quality and Paul O'Brien, Director of Quality & Support introduced the Audit quality update, copies of which had been previously circulated.

Kenneth advised the purpose of the paper was to provide assurance to the Audit Committee that quality improvements are being planned and managed. He noted the shift from previous years, with actions now being SMARTer and having evidence of completion. He also advised that root cause analyses inform the actions, with the focus being on the underlying causes rather than the symptoms.

The Committee noted that the action plan is a live document and that the timetable of priorities is being driven by reports from Audit Quality & Assurance (AQA) and the Institute of Chartered Accountants in England and Wales (ICAEW).

The members discussed the plan, they welcomed the joined-up approach with I&Q and AQA and noted how comprehensive the document was.

The Audit Committee noted the audit quality update.

Kenneth Oliver and Paul O'Brien left the meeting.

9. Internal audit annual report 2023/24

Stephen Pringle, Wylie & Bisset introduced the internal audit annual report 2022/23, copies of which had been previously circulated.

Graham provided a summary of the audit work undertaken in 2023/24 to date. He advised that two audits had been completed with a further seven scheduled to be concluded by March 2024. Stephen confirmed that progress is on track to deliver all audits as planned for 2023/24.

The Audit Committee noted the internal audit progress report for 2023/24.

Mark MacPherson, Carol Calder and Gill Miller joined the meeting.

10. Internal audit report: Performance Audits and Best Value audits

Stephen Pringle, Wylie & Bisset, introduced the Performance Audits and Best Value report, copies of which had been previously circulated.

Stephen advised the audit provided a strong level of assurance surrounding Performance Audits and Best Value audit work, no risks or weaknesses had been identified and that 18 good practice points were highlighted with no recommendations for improvement made.

The members discussed the impact of external events on the timetable for performance and best value audits and were advised that the dynamic work programme has flexibility to accelerate or de-prioritise items on the timetable as required.

The members noted the audit was a useful experience for Audit Scotland colleagues and noted thanks to Wylie & Bisset.

The Audit Committee members noted the IAR on Performance Audits and Best Value audits.

Mark MacPherson, Carol Calder and Gill Miller left the meeting.

11. Internal audit report: GDPR

Stephen Pringle, Wylie & Bisset introduced the General Data Protection Regulations report, copies of which had been previously circulated.

Stephen advised the audit provided a strong level of assurance over the controls and systems in place around Data Protection and compliance with GDPR. 28 areas of good practice and two low graded recommendations for improvement were noted during the review.

Gayle Fitzpatrick advised that both recommendations had already been actioned.

The members noted the strong and positive report and welcomed the reassurance the report provided.

The Audit Committee members noted the IAR on General Data Protection regulations.

12. Internal Audit recommendations progress report

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

Gayle advised the report provides members with an update on the implementation of internal audit report recommendations. Following the final Wylie & Bisset Internal Audit report for 2022/23, published in May 2023, there are 19 recommendations to be concluded. Of these, eight are complete and eleven are in progress.

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

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.

Gayle provided a summary of the non-material amendments relating to the policies and noted that the Audit Committee are to review and recommend updates, as appropriate, to the Board.

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 thanked the Corporate Governance Manager for presenting the policies with tracked changes. They noted in particular that the code of conduct for employee policy needs to be proofed once the changes have been accepted in advance of submission to Board on 26 September 2023 for approval.

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

14. 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 were six data incidents recorded during quarter one. All six incidents did not require reporting to the Information Commissioner's Office (ICO) given the low risk level associated with the incidents and swift action undertaken.

The members noted that the incidents were low level and were due to human error.

The Audit Committee noted the data incidents/loss report.

Ethan Bayne and Nicola Paton joined the meeting.

15. Digital Security

Ethan Bayne, Digital Security Specialist and Nicola Paton, Digital Project Manager introduced the Digital security update report, copies of which had been previously circulated.

Nicola noted the benefits of the recent simulated cyber incident noting the preparedness of Audit Scotland to respond as effectively as possible to any cyber incident. The plan will be to carry out tests regularly to ensure we identify and strengthen any responses required. Nicola advised that the recent procurement of a cyber training system had been effective in delivering short, specialised cyber training to all staff. Email phishing testing is now being carried out by Ethan on a rolling basis.

Ethan updated the members on the progress of working through the network since March. Improvements have been made to the core switches and the network configuration to ensure a more secure and efficient network. Ethan advised he is currently reviewing how laptops connections are made with the aim of automatically connecting at logon rather than via AS Primary.

The members discussed the benefits of the cyber training and noted the importance of ensuring all staff completed the training. The members noted the comprehensive report and agreed less detail in future reports would be appropriate for the Audit Committee.

The Audit Committee noted the Digital security update.

Ethan Bayne and Nicola Paton left the meeting.

16. Any other business

There were no items of 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 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 is scheduled for 14 November 2023.

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