



**MINUTES OF AUDIT SCOTLAND AUDIT COMMITTEE
MEETINGS 2012**

Minutes of meeting of the **Audit Committee** of
Audit Scotland held in the offices of
Audit Scotland, 110 George Street, Edinburgh
on **Thursday, 26 January 2012** at the
conclusion of the Remuneration Committee

PRESENT: J Maclean (Chair)
J Baillie
K Bryan

APOLOGIES: None

IN ATTENDANCE: R W Black, Auditor General for Scotland / Accountable Officer
R Cleland, Chair of Audit Scotland Board
R Frith, Assistant Auditor General
D McGiffen, Chief Operating Officer
F Kordiak, Director of Audit Services
L Bradley, Director of Corporate Programmes
D Hanlon, Corporate Finance Manager
A Devlin, Corporate Planning and Data Protection Officer
A McBean (Alexander Sloan)
C Wright (BDO LLP)
M Malone (BDO LLP)

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declaration of Interest
3.	Minutes
4.	Matters arising
5.	Audit Committee's Effectiveness
6.	Audit Committee's Terms of Reference
7.	Standing Orders – Annual Review
8.	2012-13 Internal Audit Plan
9.	Internal Audit Report Recommendations – Progress Report
10.	2011/12 Statutory Accounts Timetable
11.	Risk Register Update
12.	Internal Audit 2011/12
13.	Information Governance and Risk Management
14.	Efficiency Savings from EWP System
15.	Any Other Business
16.	Date of Next Meeting

1. **Apologies**

No apologies were given.

The Chair welcomed M Malone from BDO LLP to her first meeting of the Audit Committee.

2. **Declaration of Interest**

There were no declarations of interest.

3. **Minutes**

The minutes of the meeting of 29 September 2011 were agreed as an accurate record and will be published on the Audit Scotland website.

4. **Matters arising from the minutes of 29 September 2011**

4.1 **EWP Savings (Item 4.2)**

This item was discussed at Item 14.

4.2 **Audit Committee's Terms of Reference (Item 5)**

This item was discussed at Item 6.

4.3 **Audit Committee's Effectiveness (Item 6)**

This item was discussed at Item 7.

4.4 **Corporate Risk Register (Item 7)**

The Assistant Auditor General advised the Audit Committee that a Risk Management Workshop would take place later in the day to review and refresh the Corporate Risk Register.

4.5 **Internal Audit Recommendations – Assurance Map (Item 9)**

This item was discussed at Item 6.

4.6 **Internal Audit Plan (Item 10)**

The Chief Operating Officer and BDO LLP informed the Audit Committee that the IT strategy audit had been moved forward to 2012/13.

4.7 **The Scheme of Delegation (Item 12)**

The Chair advised the Audit Committee that the Scheme of Delegation had been approved by the Board at its November 2011 meeting.

5. **Audit Committee Effectiveness**

There was submitted a report by the Chair on Audit Committee Effectiveness which had been previously circulated. The Chair advised members that the report concluded actions to further improve the Audit Committee's effectiveness as identified from its 2010 self-assessment.

The Audit Committee agreed to:

- request an annual report from the external auditors about their quality control procedures and compliance with applicable UK ethics guidance
- request annually a statement from the internal and external auditors on their scope for joint working
- seek confirmation annually from the internal and external auditors on the effectiveness of their relationship, especially where there is joint working
- include on a trial basis a statement on the quality of internal and external audit in its annual report to the Board.

Action(s):

The members of the Audit Committee agreed to:

- *request an annual report from the external auditors about their quality control procedures and compliance with applicable UK ethics guidance*
- *request annually a statement from the internal and external auditors on their scope for joint working*
- *seek confirmation annually from internal and external auditors on the effectiveness of their relationship, especially where there is joint working*
- *include on a trial basis a statement on the quality of internal and external audit in its annual report to the Board.*

The Chair of the Audit Scotland Board outlined the intention that the performance appraisal of Board members would be a single process incorporating Audit Committee roles.

6. Terms of Reference – Annual Review

There was submitted a report by the Chief Operating Officer on the review of the Audit Committee's Terms of Reference, which had been previously circulated.

Following discussion, it was agreed that:

- The review and monitoring of the external auditor's independence and objectivity and annually appraising the effectiveness and value for money of the external audit service should be included in the Audit Committee's Terms of Reference. It was recognised that this is separate from any assessment undertaken by the Scottish Commission for Public Audit.
- Personal telephone numbers would be removed.
- Reviewing business continuity arrangements would in future be the responsibility of the Audit Committee.

The Audit Committee approved their Terms of Reference subject to the above actions being carried out.

Action(s):

- *The Chief Operating Officer is to remove the personal telephone numbers and conduct one final review of the Terms of Reference prior to publication.*

7. Standing Orders – Annual Review

There was submitted a report by the Chief Operating Officer on the review of the Standing Orders, which had been previously circulated.

Following discussion, it was agreed that notice periods be included in paragraph six, termination of appointments and that normal procurement rules apply to the appointment of advisors and Audit Committee Co-optees.

The Audit Committee recommended that, subject to the change above, the Standing Orders be submitted to the Board for approval.

Action(s):

- *The Chief Operating Officer to include notice periods in paragraph six of the Standing Orders.*

8. 2012/13 Internal Audit Plan

There was submitted a report by BDO LLP on the Internal Audit Plan for 2012/13.

Following discussion, the Chief Operating Officer advised that the Performance Audit Group were reviewing the Performance Management Framework and that this would need to be reflected in the timing and scoping of the internal audit work.

The Chair clarified with the internal auditors that all current risks were being addressed in the audit plan for the next two years. Craig Wright advised that the plan may be revised following the risk workshop.

The Audit Committee approved the plan, pending the outcome of the risk workshop.

9. Internal Audit Report Recommendations – Progress Report

There was submitted a report by the Chief Operating Officer on Internal Audit Report Recommendations – Progress Report, which had been previously circulated. In addition an internal audit progress report from BDO LLP was tabled.

After discussion the Audit Committee noted progress on internal audit against the 2011/12 plan and implementation of previous audit recommendations.

10. 2011/12 Statutory Accounts Timetable

There was submitted a report by the Chief Operating Officer on the 2011/12 Statutory Accounts Timetable for 2011/12.

The Audit Committee noted the report.

11. Risk Register Update

The Assistant Auditor General advised the Audit Committee that a Risk Management Workshop, which is set to take place later in the day, would review and refresh the Corporate Risk Register.

The Audit Committee noted the verbal update.

12. Internal Audit 2011/12

There was submitted a number of reports by BDO LLP on the internal audit activity from the 2011/12 programme of work, which had been previously circulated.

The Audit Committee reviewed the following reports:

- Bribery Act 2010 – Advisory Review (January 2012)
- Comptroller Function - Audit (December 2011)
- Financial Systems - Audit (January 2012)
- IT General Controls - Audit (January 2012)

The Chair asked internal audit if they knew of any form of certification for complying with the Bribery Act. BDO LLP advised that they were unaware of this and that risks had been evaluated and complied with the Act.

A discussion took place on the terminology used for the level of assurance for the IT General Controls audit. There was concern that the assurance label of 'moderate' assurance may not reflect the outcome of the audit. BDO LLP advised that the assurance labels used in the audit reports were standard but would take into consideration any feedback given. The Chair requested that the Chief Operating Officer and BDO LLP continue discussions offline.

The Audit Committee noted the reports.

Action(s):

- *The Chief Operating Officer and BDO LLP to discuss assurance definitions.*

13. Information Governance and Risk Management

L Bradley, Director of Corporate Programmes joined the meeting for this item.

There was submitted a report by the Director of Corporate Programmes on Information Governance and Risk Management, which had been previously circulated.

A general discussion took place on the report, our information risks and control measures and an invite to comment on the Freedom of Information Bill consultation.

Following discussion, the Audit Committee agreed that as the changes in the Freedom of Information Act had minimal impact on Audit Scotland no reply was necessary.

The Committee noted the report.

L Bradley, Director of Corporate Programmes, left the meeting.

14. Efficiency Savings from EWP System

F Kordiak, Director of Audit Services joined the meeting for this item.

There was submitted a report by the Director of Audit Services on the Efficiency Savings from the EWP System, which had been previously circulated. The Audit Committee was advised of the progress and use of the EWP system for setting this year's financial audits and that the system was starting to realise the anticipated benefits. In addition, the members were also updated on the ICAS audit of the EWP system and their findings, which will be implemented by local managers.

The Audit Committee noted the report and requested an update on progress at the end of the year.

F Kordiak, Director of Audit Services, left the meeting.

Action(s):

- *The Director of Audit Services to report progress to the Committee on the EWP efficiency savings at the end of 2012.*

15. Any Other Business

There was no further business.

16. Date of Next Meeting

The next meeting will be held on **Thursday, 26 April 2012** at **10.00hrs** and will be held in the offices of Audit Scotland, 110 George Street, Edinburgh.

Minutes of meeting of the **Audit Committee** of
Audit Scotland held in the offices of
Audit Scotland, 110 George Street, Edinburgh
on **Thursday, 26 April 2012** at 10.00hrs.

PRESENT: J Maclean (Chair)
J Baillie
K Bryan

APOLOGIES: None

IN ATTENDANCE: R Cleland, Chair of Audit Scotland Board
R W Black, Auditor General for Scotland / Accountable Officer
R Frith, Assistant Auditor General
D McGiffen, Chief Operating Officer
L Bradley, Director of Corporate Programmes
D Hanlon, Corporate Finance Manager
A Devlin, Corporate Planning and Data Protection Officer
J Gilchrist, Manager in Audit Strategy
A McBean (Alexander Sloan), External Auditors
D Jeffcoat (Alexander Sloan), External Auditors
A Hewitson (BDO LLP), Internal Auditors
M Malone (BDO LLP), Internal Auditors

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declaration of Interest
3.	Minutes
4.	Matters arising
5.	Audit Committee's Terms of Reference
6.	External Audit Plan for the year ended 31 March 2012
7.	2011/12 Internal Audit Reports
8.	2011/12 Internal Audit Annual Report
9.	2012/13 Internal Audit Annual Plan
10.	Biennial Review of the Corporate Risk Management Policy & Strategy
11.	Corporate Risk Register – Review 2012
12.	Corporate Quality Framework
13.	Annual Review of Financial Regulations and Scheme of Delegations
14.	Annual Report on Whistleblowing 2011/12
15.	Annual Review of the Register of Hospitality and Gifts 2011/12
16.	Fraud Incident Policy
17.	Data Incident/Loss Report
18.	Any Other Business
19.	Date of Next Meeting

1. **Apologies**

No apologies were given.

2. **Declaration of Interest**

There were no declarations of interest.

3. **Minutes**

The minutes of the meeting of 26 January 2012 were agreed as an accurate record.

4. **Matters arising from the minutes of 26 January 2011**

4.1 **Audit Committee Effectiveness (Item 5)**

This item will be discussed at the next Audit Committee meeting on 8 June 2012.

4.2 **Audit Committee's Terms of Reference (Item 6)**

This item was discussed at Item 5.

4.3 **Standing Orders Annual Review (Item 7)**

The Chief Operating Officer confirmed that the Standing Orders had been amended to include notice periods.

4.4 **Internal Audit 2011/12 (Item 12)**

The Chief Operating Officer and Alastair Hewitson confirmed that they had met and agreed that the description "reasonable" would replace "moderate" on the second highest level of assurance in internal audit reports. It was confirmed that definitions would remain the same.

5. **Audit Committee's Terms of Reference**

The Chair of the Audit Committee invited comments from the members on the Audit Committee's Terms of Reference.

Following discussion on membership (Section 2-5), the Chair asked for clarification as to whether the Chair of the Audit Scotland Board should also be a member of the Audit Committee. It was agreed that the Chair could attend meetings but it would not be best practice to have the Chair as a member.

The Audit Committee discussed the Indicative Checklist section and, in particular, the financial reporting, performance and targets. It was agreed that this would remain on the checklist, but would normally be discussed at Board meetings.

Action(s):

- ***The Chief Operating Officer to amend the Terms of Reference to reflect the membership arrangements.***

6. **External Audit Plan for the year ended 31 March 2012**

There was submitted a report by the Alexander Sloan, External Auditors, on the external audit plan for the year ended 31 March 2012, which had been previously circulated.

Andy McBean, Alexander Sloan explained the purpose of the plan and the slight difference between this year and last year's process, which included reference to the interim audit and assessment of risk. He also confirmed that there are no issues arising at this time. The audit will examine the Voluntary Early Release Scheme, Work in Progress and Fee Rebates.

The Audit Committee were advised that a meeting between the External and Internal Auditors would take place to discuss the scope for joint working and their annual statement would reflect this work.

The Audit Committee noted the Audit Plan.

7. 2011/12 Internal Audit Reports

There was submitted a report by the Chief Operating Officer, which had been previously circulated, on the internal audit activity and outcomes since the Audit Committee's meeting in January 2012. Internal audit activity covered:

- a) Governance and Risk Management - Substantial Assurance on Design and Efficiency
- b) Electronic Working Papers System - Substantial Assurance on Design and Efficiency
- c) Workforce Placement and Planning - Substantial Assurance on Design and Efficiency
- d) Follow-up report on recommendations – Good progress

The Audit Committee discussed the reports and welcomed the substantial assurance provided across the work. The Audit Committee asked why two outstanding recommendations had not been completed. The Chief Operating Officer advised that the delay had been caused by staffing changes and that work was now underway to meet the new timeline as indicated in the Follow-up Report.

The Internal Auditors gave an update on the SABRE test and the Working Together audits. A full report on the SABRE test would be included in the Business Continuity Plan audit which would be undertaken in June 2012. The Working Together audit terms of reference had not been finalised, but the audit would be reported at the Audit Committee's meeting in June 2012.

The Audit Committee noted the reports.

8. 2011/12 Internal Audit Annual Report

The 2011/12 Internal Audit Annual Report was submitted by BDO LLP, which had been previously circulated.

The Internal Auditors introduced the annual internal audit report and gave a brief overview of the work which had been conducted over a relative short period of time since being appointed as internal auditors to Audit Scotland. The Audit Committee were further informed that positive responses had been received from Audit Scotland's managers to all recommendations made during the year.

The Chair asked why the Follow-up Review had taken two days longer than planned. Alistair Hewitson explained that additional activity had been undertaken to ensure that all work on outstanding recommendations were reflected as at 31 March 2012.

The Chief Operating Officer reminded the Audit Committee that the programme of work had been completed in a limited time and confirmed that she was satisfied that despite that constraint, and with the collected effort of all involved a comprehensive internal audit programme had been delivered to the Audit Committee for the year.

The Audit Committee noted the report and the assurances it provided.

9. 2012/13 Internal Audit Annual Plan

There was submitted a revised 2012/13 Internal Audit Annual Plan by BDO LLP, which had been previously circulated.

The Internal Auditors advised that a change had been requested to the 2012/13 audits whereby the performance audit would be replaced by the Community Planning Partnership (CPP) audit. This was due to the nature of the CPP project and the risks involved in new areas of working.

The Audit Committee approved the plan.

It was agreed that the Chair of the Board would be kept fully updated on the Governance and Risk Management Audit which is planned for October 2012.

Action(s):

- ***BDO LLP to consult the Chair of the Board when planning the Governance and Risk Management audit.***

10. **Biennial Review of the Corporate Risk Management Policy and Strategy**

John Gilchrist, Manager in Audit Strategy, joined the meeting

There was submitted a report by the Assistant Auditor General on the Biennial Review of the Corporate Risk Management Policy and Strategy, which had been previously circulated.

The Assistant Auditor General advised that the Policy had been updated due to the work undertaken at the Risk workshop in January 2012.

Following discussion, the Assistant Auditor General briefed the Audit Committee on the corporate objectives set out in the appendix and it was agreed that the Board would discuss risk appetite.

The Audit Committee noted the policy and strategy and recommended its submission to the Board for approval.

Action(s):

- ***The Chief Operating Officer is to include a discussion on Audit Scotland's risk appetite at a future Board meeting.***

11. **Corporate Risk Register**

There was submitted a report by the Assistant Auditor General on the Corporate Risk Register, which had been previously circulated.

The Assistant Auditor General provided an overview of the review process undertaken which resulted in the new risk register only contained high level risks and each business group's risk register contained low level risks.

The Audit Committee discussed the score for risk 1, and risks 7 and 9 regarding succession to the Board.

Following discussion the Audit Committee noted the report.

12. **Corporate Quality Framework**

There was submitted a report by the Assistant Auditor General on the draft Corporate Quality Framework, which had been previously circulated.

The Assistant Auditor General highlighted that the draft Quality Framework circulated had not included information relating to Corporate Services but as this was now available the document would be updated.

The Assistant Auditor General provided an overview of the changes to the Quality Framework from the previous version and provided clarification to the Chair on the quality diagram.

There was discussion of the link between the Quality Framework and assessment of the impact of audit. It was agreed that the Director of Corporate Programmes be invited to brief the Board on the work of the Impact Group.

The Audit Committee recommended the Corporate Quality Framework be submitted to the Board for approval.

John Gilchrist, Manager in Audit Strategy, left the meeting

Action(s):

- ***The Director of Corporate Programmes is to update the Audit Scotland Board on the work undertaken by the Impact Group.***

13. Annual Review of Financial Regulations and Scheme of Delegation

There was submitted a report by the Chief Operating Officer on the Annual Review of the Financial Regulations and Scheme of Delegation, which had been previously circulated.

The Audit Committee discussed the documents and the minor changes that had been made due to the introduction of the electronic purchase order system.

Following discussion, the Audit Committee agreed recommendation to the Board for approval.

14. Annual Report on Whistleblowing 2011/12

There was submitted a report by the Chief Operating Officer on the Annual Report on Whistleblowing 2011/12, which had been previously circulated.

The Chair welcomed this additional report as part of the annual assurance process.

Following discussion, the Audit Committee noted the report.

15. Annual Review of the Register of Hospitality and Gifts 2011/12

There was submitted a report by the Chief Operating Officer on the Annual Review of the Register of Hospitality and Gifts 2011/12, which had been previously circulated.

After discussion the Audit Committee noted the report.

16. Fraud Incident Report

Lynn Bradley, Director of Corporate Programmes, joined the meeting

There was a report submitted by the Director of Corporate Programmes on a Fraud Incident Report, which had been previously circulated.

The Director of Corporate Programmes provided an overview of the incident it was agreed to highlight the incident in the June Technical Bulletin issues to all auditors/

The Audit Committee noted the report.

Action(s):

- *The Assistant Auditor General is to include an article on fraudulent activity in the July quarterly bulletin.*

Lynn Bradley, Director of Corporate Programmes, left the meeting

17. Data Incident Loss Report

There was a report submitted by the Chief Operating Officer on a Data Incident Loss, which had been previously circulated.

The Chief Operating Officer informed the Audit Committee that Audit Scotland had apologised to the individual for the loss and that their resulting complaint was on-going.

The Audit Committee noted the report.

18. Any Other Business

There was no further business.

19. Date of Next Meeting

The next meeting will be held on **Friday, 8 June 2012 at 10.00hrs** and will be held in the offices of Audit Scotland, 110 George Street, Edinburgh.

Minutes of meeting of the **Audit Committee** of
Audit Scotland held in the offices of
Audit Scotland, 110 George Street, Edinburgh
on **Thursday, 8 June 2012** at **09.00hrs**

PRESENT: J Maclean (Chair)
J Baillie
K Bryan

APOLOGIES: None

IN ATTENDANCE: R Cleland, Chair of Audit Scotland Board
R W Black, Auditor General for Scotland / Accountable Officer
R Frith, Assistant Auditor General
D McGiffen, Chief Operating Officer
L Bradley, Director of Corporate Programmes
D Hanlon, Corporate Finance Manager
D Blattman, HR & OD Manager
A Devlin, Corporate Planning and Data Protection Officer
A McBean (Alexander Sloan), External Auditors
S Cunningham (Alexander Sloan), External Auditors
D Jeffcoat (Alexander Sloan), External Auditors
A Hewitson (BDO LLP), Internal Auditors

Item No

Subject

1. Apologies
2. Declaration of Interest
3. Minutes
4. Matters arising
5. Audit Committee's Terms of Reference
6. Data Incident/Loss Report
7. Annual Assurance Report on Information Security 2011-12
8. Annual Report on Quality 2011-12
9. Annual Report on Bribery and Fraud 2011-12
10. Annual Report on Health & Safety 2011-12
11. Governance Statement and Certificate of Assurance 2011-12
12. Draft Statutory Accounts
13. Draft Management Letter
14. Annual Report from the Audit Committee 2011-12
15. Statement on Quality Control Procedures
16. Corporate Risk Register
17. Any Other Business
18. Date of Next Meeting

1. **Apologies**

No apologies were given.

2. **Declaration of Interest**

There were no declarations of interest.

3. **Minutes**

The minutes of the meeting of 26 April 2012 were agreed as an accurate record.

4. **Matters arising from the minutes of 26 April 2012**

4.1 **Audit Committee Effectiveness (Item 4.1)**

The four outstanding actions from the January meeting were taken at agenda item 14, 15 and 17.

4.2 **Audit Committee's Terms of Reference (Item 5)**

The Chief Operating Officer confirmed that the changes to the Terms of Reference had been made.

4.3 **2012-13 Internal Audit Annual Plan (Item 9)**

Alistair Hewitson, BDO LLP, confirmed that he would consult the Chair of the Board when scoping the Governance and Risk Management audit scheduled for October.

4.4 **Corporate Risk Management Policy and Strategy (Item 10)**

A date for a discussion on Audit Scotland's risk appetite at a future Board will be discussed at the next Audit Scotland Board and may be scheduled for August.

4.5 **Corporate Quality Framework (Item 12)**

It was noted that the Director of Corporate Programmes will update the Board on the work of the Impact Group. **(Autumn 2012)**.

4.6 **Fraud Incident Report (Item 16)**

It was noted that the Assistant Auditor General would include an article on fraudulent activity in the July Technical bulletin.

5. **Audit Committee's Terms of Reference**

The Chair invited comments from members on the Audit Committee's terms of reference, which had been circulated. No comments or issues were raised or identified.

6. **Data Incident/Loss Report**

There was submitted a report by the Chief Operating Officer on a Data Incident/Loss, which had been previously circulated.

Following discussion the Audit Committee noted the report.

7. **Annual Assurance Report on Information Security 2011-12**

Lynn Bradley, Director of Corporate Programmes joined the meeting

There was submitted a report by the Director of Corporate Programmes on Annual Assurance on Information Security, which had been previously circulated.

The Audit Committee was informed that guidance on risk scoring had been included to improve clarity since the previous report.

Following discussion, the Director of Corporate Programmes advised that she would prepare a briefing on information security for Board members.

The Audit Committee noted the report.

Action(s):

- *The Director of Corporate Programmes to prepare a briefing on security guidance for the Board members. (August 2012).*

Lynn Bradley, Director of Corporate Programmes left the meeting

8. Annual Report on Quality 2011-12

The Assistant Auditor General submitted the Annual Report on Quality 2011-12, which had been previously circulated.

The Assistant Auditor General advised the Audit Committee that this was the third annual report, and that a corporate quality group had been formed this year to monitor quality.

The Audit Committee discussed the review undertaken by ICAS on the quality of financial audit work. The ICAS review was positive and some further development work was underway following the review. The Audit Committee was informed that the next review by ICAS would take place in 2014.

Following discussion, the Audit Committee was advised that an internal audit on quality would start at the end of June.

The Audit Committee noted the report.

9. Annual Report on Bribery and Fraud 2011-12

The Chief Operating Officer introduced the Annual Report on Bribery and Fraud 2011-12, which had been previously circulated.

The Audit Committee noted the report.

10. Annual Report on Health & Safety 2011-12

David Blattman, HR & OD Manager joined the meeting

The HR & OD Manager introduced the Annual Report on Health and Safety 2011-12, which had been previously circulated.

Following discussion, the Audit Committee thanked the HR team for their work in supporting effective management of sickness absence, which was lower than the previous year. The HR & OD Manager advised further work would be undertaken over the coming months to review short term sickness.

The HR & OD Manager agreed to circulate a paper on the case study referred to in the report.

Following discussion, the Audit Committee noted the report.

Action(s):

- *The HR & OD Manager to circulate a paper on the Croydon case study. (June 2012)*

David Blattman, HR & OD Manager left the meeting

11. Governance Statement and Certificate of Assurance 2011-12

There was submitted a report by the Chief Operating Officer on the Governance Statement and Certificate of Assurance 2011-12, which had been previously circulated.

The Audit Committee was informed about this new process, which was being conducted on a trial basis as part of strengthening the assurance framework and to highlight areas for improvement.

Following discussion, the Audit Committee was assured that no significant matters had arisen which required the Accountable Officer's attention.

The Audit Committee noted the report.

12. Draft Statutory Accounts

The Corporate Finance Manager introduced the Draft Statutory Accounts, which had been previously circulated, and briefly explained changes from last year's accounts.

The Chair of the Audit Committee reported that the Audit Committee had held a private meeting with the external auditors and no issues of concern had been raised.

The Audit Committee members raised a small number of points in the draft accounts for clarification with the Corporate Finance Manager and the Assistant Auditor General on VAT provisions, salary bandings and Cash Equivalent Transfer Value from the Local Government Pension scheme.

Following discussion, the Audit Committee agreed to recommend the Draft Statutory Accounts to the Board for approval at its meeting on 8 June 2012.

13. Draft Management Letter

Andy McBean, Alexander Sloan, External Auditors, introduced the Draft Management Letter, which had been previously circulated.

Andy McBean advised the Audit Committee that the matters raised last year had been actioned and cleared, and no further matters had arisen.

Following discussion, the Audit Committee noted the letter.

14. Annual Report from the Audit Committee 2011-12

The Chair of the Audit Committee submitted the Annual Report from the Audit Committee 2011-12, which had been previously circulated.

The Audit Committee approved the report for submission to the Board at its meeting on 8 June 2012.

15. Statement on Quality Control Procedures

There was submitted a report by Alexander Sloan, External Auditors, on the Statement of Quality Control Procedures, which had been previously circulated.

Following discussion, the Audit Committee noted the report.

16. Corporate Risk Register

There was a report submitted by the Assistant Auditor General on the Corporate Risk Register, which had been previously circulated.

The Audit Committee was advised that few changes had occurred since the previous meeting in April 2012. The Assistant Auditor General advised that a discussion on risk appetite would be on the August Board agenda.

Following discussion, the Audit Committee noted the report.

Action(s)

- ***The Assistant Auditor General to prepare a report on Risk Appetite for the August Board meeting.***

17. Any Other Business

The Chief Operating Officer tabled a paper from internal and external audit on the scope for joint working and apologised for its omission from the circulated papers.

Following discussion, the Audit Committee noted the report.

The Chief Operating Officer thanked the auditors for their work and the way they had interacted with colleagues across Audit Scotland.

18. Date of Next Meeting

The next meeting will be held on **Wednesday 19 September 2012 at 10.00hrs** and will be held in the offices of Audit Scotland, 110 George Street, Edinburgh.

Minutes of meeting of the **Audit Committee** of
Audit Scotland held in the offices of
Audit Scotland, 110 George Street, Edinburgh
on **Wednesday, 19 September 2012** at
10.00hrs

PRESENT: J Maclean (Chair)
K Bryan

APOLOGIES: J Baillie

IN ATTENDANCE: C Gardner, Auditor General for Scotland / Accountable Officer
R Frith, Assistant Auditor General
D McGiffen, Chief Operating Officer
A Devlin, Corporate Planning and Data Protection Officer
C Wright, (BDO LLP), Internal Auditors
M Malone, (BDO LLP), Internal Auditors
A McBean (Alexander Sloan)

Item No

Subject

1. Apologies
2. Declaration of Interest
3. Minutes
4. Matters Arising
5. Audit Committee's Terms of Reference
6. Members' Code of Conduct
7. Internal Audit 2012-13
8. Internal Audit Recommendations – Progress Report
9. Internal Audit Progress Report 2012-13
10. Draft Policy on the Provisions of Non-Audit Services by Audit Scotland's External Auditors
11. Corporate Risk Register
12. Data / Incident Loss
13. Any Other Business
14. Date of Next Meeting

1. **Apologies**

Apologies were received from John Baillie.

2. **Declaration of Interest**

There were no declarations of interest.

3. **Minutes**

The minutes of the meeting of 8 June 2012 were approved subject to the following change:

- item 12 Draft Statutory Accounts paragraph two second line, to be amended with the inclusion of 'of concern' after issues and before had.

4. **Matters arising from the minutes of 8 June 2012**

4.1 **Corporate Quality Framework (Item 4.5)**

The Chief Operating Officer informed members that an update on the work of the impact group is scheduled for the October Board meeting.

4.2 **Annual Assurance Report on Information Security 2011-12 (Item 7)**

The Chief Operating Officer confirmed that a briefing paper had been prepared and distributed to Board members.

4.3 **Annual Report on Health & Safety (Item 10)**

The Chief Operating Officer confirmed that the Croydon Case Study had been circulated.

4.4 **Corporate Risk Register (Item 16)**

The Assistant Auditor General confirmed that the Risk Appetite report was submitted to the Board at their meeting on 16 August 2012.

5. **Audit Committee's Terms of Reference**

The Chair invited comments from members on the Audit Committee's terms of reference, which had been circulated.

The Chief Operating Officer requested that members defer the review of the performance management arrangements from the indicative checklist (autumn meeting) to a later date to allow full implementation of the new performance reporting arrangements. This was approved.

The Audit Committee discussed the indicative checklist and agreed to note at each meeting if any items from the list were not applicable or relevant to that meeting.

6. **Members' Code of Conduct**

There was submitted a report by the Chief Operating Officer on the review of the Members' Code of Conduct (the Code), which had been previously circulated.

The Audit Committee noted that the wrong version of the Code had been circulated with the papers and an updated version was tabled.

Members requested and received clarification on the term 'incidental' in section 15 on hospitality and gifts and section 21 on the use of Audit Scotland's facilities.

Following discussion, members agreed to recommend that the Code be submitted to the Board for approval.

7. **Internal Audit 2012-13**

There were submitted 3 internal audit reports by the Chief Operating Officer, which had been previously circulated.

BDO LLP introduced reports on Quality Management, Business Continuity & IT Disaster Recovery and IT Strategy reports. The Audit Committee were advised that the reports were positive and that they had achieved substantial or reasonable assurance.

Following discussion, the Audit Committee noted the reports.

8. Internal Audit Recommendations – Progress Report

There was submitted a report by the Chief Operating Officer on the Internal Audit Recommendations – Progress Report, which had been previously circulated.

The members discussed the report and sought clarification on why some of the implementation dates had passed and had not been updated on page 2, item 1.4.

A general discussion took place on the process for approving changes to the implementation dates for recommendations. Following discussion, the Audit Committee agreed to note the report and requested that a system be established for approval of changes to previously agreed recommendations.

Action(s):

- **The Chief Operating Officer to recommend a process approving changes to agreed recommendations and submit it to the next meeting.**

9. Internal Audit Progress Report 2012-13

There was submitted a report by BDO LLP on Internal Audit Progress for 2012-13, which had been previously circulated.

The Audit Committee noted the report.

10. Draft Policy on the Provision of Non-Audit Services by Audit Scotland's External Auditor

There was submitted a draft report by the Assistant Auditor General on the provision of Non-Audit Services by Audit Scotland's External Auditor, which had been previously circulated.

The Assistant Auditor General advised the Audit Committee of the origins for this policy and gave examples of it being applied in practice.

Following discussion, the Audit Committee agreed to recommend the policy to the Board for approval.

11. Corporate Risk Register

There was submitted a report by the Assistant Auditor General on the Corporate Risk Register, which had been previously circulated.

The Assistant Auditor General informed the Audit Committee that a discussion had taken place at Management Team as to whether the IT Risk should appear on the Corporate Risk Register.

Following discussion, the Audit Committee noted the report.

Action(s):

- **The Assistant Auditor General to report the outcome of Management Team's discussions.**

12. Data / Incident Loss

There was submitted a report by the Chief Operating Officer on a recent Data/Incident Loss, which had been previously circulated.

Following discussion, the Audit Committee note the report.

13. Any Other Business

There was one other item of business raised by the Assistant Auditor General.

The Audit Committee was advised that a consultation had been completed on a new set of public sector internal audit standards which will come into effect from April 2013. The Audit Committee requested a briefing paper on any changes and how they would be applied in Audit Scotland.

Action(s):

- **BDO LLP to prepare a briefing paper for the next meeting on the new standards and how they will apply to Audit Scotland.**

14. Date of Next Meeting

The next meeting will be held on **Thursday 24 January 2013 at 10.00hrs** and will be held in the offices of Audit Scotland, 110 George Street, Edinburgh.