



**MINUTES OF AUDIT SCOTLAND AUDIT COMMITTEE
MEETINGS 2013**

Minutes of meeting of the **Audit Committee** of
Audit Scotland held in the offices of Audit Scotland,
110 George Street, Edinburgh on **Thursday, 24
January 2013 at 10.00hrs**

PRESENT: J Maclean (Chair)
K Bryan
J Baillie

APOLOGIES: None

IN ATTENDANCE: R Cleland, Chair of Audit Scotland Board
C Gardner, Auditor General for Scotland / Accountable Officer
R Frith, Assistant Auditor General
D McGiffen, Chief Operating Officer
L Bradley, Director, Corporate Programmes & Performance
F Kordiak, Director, Audit Services Group
D Hanlon, Corporate Finance Manager
I Metcalfe, Corporate Planning Officer
A Hewitson, (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. Public Sector Internal Audit Standards
7. Internal Audit Annual Plan – 2013-14
8. Internal Audit Plan – Progress Report
9. Internal Audit Recommendations – Progress Reports
10. Internal Audit Reports 2012-13
11. Corporate Risk Register
12. 2012-13 Statutory Accounts Timetable
13. EWP Savings Report Update
14. Standing Orders – Annual Review
15. Mid-year information Governance Report
16. Data / Incident Loss
17. Any Other Business
18. Date of Next Meeting

1. **Apologies**

There were no apologies received.

2. **Declaration of Interest**

There were no declarations of interest.

3. **Minutes**

The minutes of the meeting of 19 September 2012 were approved as an accurate record.

4. **Matters arising from the minutes of 19 September 2012**

4.1 **Internal Audit Recommendations (Item 8)**

The Chief Operating Officer to recommend a process approving changes to agreed actions and submit it to the next meeting. This was dealt with at Item 9.

4.2 **Corporate Risk Register (Item 11)**

The Assistant Auditor General to report the outcome of the Management Team discussions on IT risk to the next meeting. This was dealt with at Item 11.

4.3 **AOB – Public Sector Internal Audit Standards (Item 13)**

BDO LLP to prepare a paper for the next meeting on the new standards and how they will apply to Audit Scotland. This was dealt with at Item 6.

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.

Following discussion, the Audit Committee noted the paper and agreed that review of the Audit Committee's Terms of Reference would remain an annual standing item on the agenda.

Following discussion, it was agreed that the Self Assessment evaluation would be concluded every 2 years, unless there was a change in membership of the committee, or there were significant external changes in expectations of audit committees.

Action(s):

- *Reviewing terms of reference of the Audit Committee to remain an annual standard item on the agenda.*
- *Self-assessment to be completed every two years, or as membership or expectations of audit committees' change.*

6. **Public Sector Internal Audit Standards**

There was submitted a report by BDO LLP on the new Public Sector Internal Audit Standards, which had been previously circulated.

Following discussion, the Audit Committee noted that all relevant public sector internal audits standards are currently met and will continue to be met after the introduction of the new standards in April 2013.

The Audit Committee noted the report.

7. **Internal Audit Annual Plan – 2013-14**

There was submitted a report by BDO LLP on the draft Internal Audit Annual Plan for 2013-14, which had been previously circulated.

Following discussion the Audit Committee noted that 3 new items are added to the 2013-14 plan:

- Performance Management Framework

- Community Planning Partnerships(CPP)
- IT Procurement.

The Audit Committee noted that the draft plan had not yet been considered by the Management Team, and it was agreed that the draft plan would be considered for approval by the Audit Committee at its next meeting in April following Management Team discussions.

Action(s):

- *Internal Audit Plan to be presented for approval at next Audit Committee meeting.*

8. Internal Audit Plan – Progress Report 2012-13

There was submitted a report by BDO LLP on the Internal Audit Plan Progress Report, which had been previously circulated.

Following discussion the Audit Committee noted the progress on the programme of internal audit for 2012-13 and that the outstanding audits would be reported to the next Audit Committee.

9. Internal Audit Recommendations – Progress Report

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

The Chief Operating Officer informed the Audit Committee that, subject to the approval of the Audit Committee, a new process would be implemented when a change is sought to the implementation date for an action. It was proposed that the responsible manager agree a revised date with either the Chief Operating Officer or Assistant Auditor General and the revised date and an explanation for any change would be included in the report to the Audit Committee, for approval.

Following discussion, the Audit Committee noted the report and approved the new process for approving and monitoring changes to implementation dates for actions.

Action(s):

- *Future internal audit recommendation progress reports to include details of changes to implementation dates.*

10. Internal Audit 2012-13

There were submitted 2 internal audit assurance reports by the Chief Operating Officer, which had been previously circulated.

- Risk Management
- Financial Systems.

BDO LLP introduced the reports and informed the Audit Committee that the Risk Management report contained 2 recommendations and the Financial Systems report contained no recommendations. BDO LLP also advised that both reports were positive and provided a substantial level of assurance.

There was also submitted one Internal Audit Advisory report by the Chief Operating Officer, which had been previously circulated on One Organisation.

Following discussion, the Audit Committee noted the reports and the levels of assurance provided on the Risk Management and Financial Systems reports.

11. Corporate Risk Register

There was submitted a report by the Assistant Auditor General on the Corporate Risk Register, which had been previously circulated. It was noted that two changes had been made to the Corporate Risk Register:

- In line with internal audit recommendations, there was a change to risk appetite response definitions
- A new risk has been added ' ICT services are unavailable for a significant period'.

Following discussion, the Audit Committee noted the report.

12. **2012-13 Statutory Accounts Timetable**

David Hanlon, Corporate Finance Manager, joined the meeting

There was submitted a report by the Chief Operating Officer on the 2012-13 Statutory Accounts Timetable, which had been previously circulated.

The Corporate Finance Manager introduced the report outlining the timetable for the 2012/13 annual accounts. Following discussion, the Audit Committee noted the report.

David Hanlon, Corporate Finance Manager, left the meeting

13. **EWP Savings Update Report**

Fiona Kordiak, Director of Audit Services joined the meeting.

There was submitted an update report by the Director of Audit Services on the EWP Savings, which had been previously circulated.

The Director of Audit Services outlined the purpose and benefits of the Electronic Working Papers (EWP) package. She also identified the difficulties attributing efficiencies solely to the impact of the EWP system, in part because the system still evolving, but also because of other changes to resources and skill mix that were being introduced. However she advised the Audit Committee that the introduction of the system was considered successful and has contributed to a reduction in the cost of audit.

Following discussion, the Audit Committee noted the report and requested that lesson learnt be applied across the organisation when considering other efficiency changes.

Fiona Kordiak, Director of Audit Services left the meeting.

14. **Standing Orders - Annual Review**

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

Following discussion, the Audit Committee noted this report and agreed to recommend it to the Board.

Action(s):

- ***The Standing Orders to be recommended to the Board for approval.***

15. **Mid-year Information Governance Report**

Lynn Bradley, Director of Corporate Programmes & Performance joined the meeting

There was submitted a report by the Director of Corporate Programmes and Performance on the Mid-year Information Governance Report, which had been previously circulated. The Director of Corporate Programmes & Performance introduced the report highlighting the progress of the new Knowledge Information Technology Governance Group and the findings from the YB@R survey.

Following discussion, the Audit Committee noted the report, and that an annual report would be prepared to support the Governance Statements in the annual accounts.

Action(s):

- ***The Director of Corporate Performance and Programmes to prepare an annual report on Information Governance by June 2013***

Lynn Bradley, Director of Corporate Programmes & Performance left the meeting

16. Data Incident Loss

There was submitted a report by the Chief Operating Officer on a Data Incident Loss, which had been previously circulated. 3 data incidents/losses were reported and the

Following discussion, the Audit Committee noted that there is a review under way on password management. The Audit Committee noted the actions that would be taken to raise awareness further, including, developing case studies to share lessons learned from breaches in policy.

It was also agreed that the Audit Committee would revisit information risks on the corporate risk register at its next meeting.

Action(s):

- ***It was also agreed to revisit the retention of information security risks in the Corporate Risk Register at the next meeting of the Audit Committee.***

17. Any Other Business

The Chair requested that consideration be given to holding meetings in the new Glasgow offices once it is open.

18. Date of Next Meeting

The next meeting will be held on **Thursday, 25 April 2013** 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, 23
May 2013** at the conclusion of the Remuneration &
Human Resources Committee

PRESENT: J Maclean (Chair)
J Baillie

APOLOGIES: K Bryan

IN ATTENDANCE: R Cleland, Chair of Audit Scotland Board
C Gardner, Auditor General for Scotland / Accountable Officer
R Frith, Assistant Auditor General
D McGiffen, Chief Operating Officer
L Bradley, Director, Corporate Programmes & Performance
D Hanlon, Corporate Finance Manager
A McBean, Alexander Sloan, External Auditors
D Jeffcoat, Alexander Sloan, External Auditors
A Hewitson, BDO LLP, Internal Auditors
M Malone, BDO LLP, Internal Auditors
C Cockburn, Executive Assistant

Item No

Subject

1. Apologies
2. Declaration of Interest
3. Minutes
4. Matters arising
5. Audit Committee's Terms of Reference
6. External Auditor's Plan for year ended 31 March 2013
7. Co-operation between Internal & External Auditors
8. 2013/14 Internal Audit Annual Plan
9. 2012/13 Internal Audit Annual Report
10. 2012/13 Internal Audit Reports
11. 2012/13 Annual Assurance Report on Information Governance and Security
12. 2012-13 Annual Review of Financial Regulations & Scheme of Delegation
13. 2012/13 Annual Report on Whistleblowing
14. 2012/13 Annual Report on Hospitality and Gifts
15. Corporate Risk Register
16. Revising the Corporate Quality Framework
17. Draft Statutory Accounts
18. Data / Incident Loss
19. Briefing on Competition Commission Investigations into Statutory Audit Services Market
20. Audit Committee Succession Planning
21. Any Other Business
22. Date of Next Meeting

1. **Apologies**

Apologies were received from Katharine Bryan.

2. **Declaration of Interest**

There were no declarations of interest.

3. **Minutes**

The minutes of the meeting of 24 January 2013 were approved as an accurate record.

4. **Matters arising from the minutes of 24 January 2013**

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

This was dealt with at Item 5.

4.2 **Internal Audit Annual Plan 2013-14 (Item 7)**

This was dealt with at Item 8.

4.3 **Internal Audit Recommendations (Item 9)**

The action was noted and would be implemented by BDO LLP on future internal audit recommendation progress reports.

4.4 **Data Incident Loss (Item 16)**

This was discussed at item 18.

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.

Following discussion, the Audit Committee noted the terms of reference. The Audit Committee discussed meetings between the Chair and the internal and external auditors. It was agreed that, in addition to the standing offer at each Audit Committee for the auditors to meet privately with the Audit Committee, the Chair would meet with the Internal Auditors at the planned quarterly meeting with the Chief Operating Officer.

Action(s):

- **The Chief Operating Officer to advise the Chair of the next quarterly meeting with the internal auditors. (June 2013)**

6. **External Auditor's Plan for year ended 31 March 2013**

There was submitted a report by Alexander Sloan on the External Auditor's Plan (Plan) for year ended 31 March 2013, which had been previously circulated.

Andy McBean advised the Audit Committee that the Plan had been submitted to the Scottish Commission for Public Audit. Andy McBean confirmed that the Audit Fee remained unchanged for the past three years.

Following discussion, the Audit Committee noted the Plan.

7. **Co-operation between Internal & External Auditors**

There was submitted a joint report by BDO LLP and Alexander Sloan on Co-operation between Internal and External Auditors, which had been previously circulated.

Following discussion the Audit Committee thanked the Auditors for their report and noted the good working relationship between the two organisations.

8. 2013/14 Internal Audit Annual Plan

There was submitted a report by BDO LLP on the 2013/14 Internal Audit Annual Plan, which had been previously circulated.

Alistair Hewitson highlighted the areas of change and confirmed that a more detailed discussion of the Phasing of the Plan would take place at the next quarterly meeting with the Chief Operating Officer.

There was discussion of the internal audit on the independence of auditors and it was noted that the scope of that work was not now accurately reflected in the plan. The draft terms of reference for the audit now more accurately captured the focus for the work which would be on Audit Scotland's internal processes to ensure auditor independence.

Following discussion, the Audit Committee noted the report.

Action(s)

- **BDO LLP to discuss the Phasing of the Plan at the next quarterly meeting with the Chief Operating Officer. (June 2013)**

9. 2012/13 Internal Audit Report

There was submitted a report by BDO LLP on the 2012/13 Internal Audit Report, which had been previously circulated.

The Audit Committee noted that a final version of the report would be prepared for the June 2013 meeting of the Audit Committee and would include the SharePoint audit. The Audit Committee noted the annual statement of assurance provided in the report that risk management activities and controls were suitably designed and that related risk management, control and governance objectives were achieved for the period under review.

Action(s):

- **BDO LLP to submit final Internal Audit Report 2012/13 to the next Audit Committee meeting. (June 2013)**

10. 2012/13 Internal Audit Reports

There were submitted a report by BDO LLP accompanying five internal audit reports from the 2012/13 internal audit programme, all of which had been circulated.

Maureen Malone, BDO LLP, briefed the Audit Committee on the internal reports, and highlighted the assurance levels provided:

- **Expenses and car fleet**
Substantial assurance, very well controlled with good sound internal procedures. No recommendations.
- **Corporate Planning**
Substantial assurance – low risk with sound system of internal controls being consistently applied. No recommendations.
- **VfM use of agency staff**
Substantial assurance, with five low level recommendations.
- **Community Planning Partnership (CPP)**
Substantial assurance, with two low level recommendations.
- **Follow-up Review**
Very good progress had been made and it was agreed that the two outstanding recommendations be closed.

Following discussion, the Audit Committee noted the reports and recommendations.

The Chair, on behalf of the Audit Committee, thanked the Controller of Audit and Director of Best Value & Scrutiny and the team for their outstanding work on the CPP audit and asked that

the Committee's appreciation be conveyed to the team. The Audit Committee also welcomed the very high level of completion of internal audit actions.

Action(s):

- **The Chief Operating Officer to convey the Audit Committee's appreciation to the Community Planning Partnership team (May 2013)**

11. 2012/13 Annual Assurance Report on Information Governance and Security

Lynn Bradley, Director of Corporate Programmes & Performance joined the meeting.

There was submitted a report by the Director of Corporate Programmes & Performance on the 2012/13 Annual Assurance Report on Information Governance and Security, which had been previously circulated.

Lynn Bradley highlighted the key messages and findings from the annual assurance process which provided positive assurance about Audit Scotland's governance arrangements and would inform the Accountable Officer's remarks in the Governance Statement in the Annual Report and Accounts.

Following discussion, the Audit Committee noted the contents of the report.

Lynn Bradley, Director of Corporate Programmes & Performance left the meeting.

12. 2012-13 Annual Review of Financial Regulations & Scheme of Delegation

There was submitted a report by the Chief Operating Officer on the 2012-13 Annual Review of Financial Regulations and Scheme of Delegations, which had been previously circulated.

Following discussion, the Audit Committee approved the changes to the Financial Regulations and Scheme of Delegation and recommended that they be presented, for approval, to the Board on 23 May 2013.

13. 2012/13 Annual Report on Whistleblowing

There was submitted an update report by Chief Operating Officer on the 2012/13 Annual Report on Whistleblowing, which had been previously circulated.

Following discussion, the Audit Committee noted that there had been no issues raised with Audit Scotland by staff under the whistleblowing arrangements. The Audit Committee noted that information on whistleblowing about audited bodies is captured and reported separately to Management Team.

14. 2012/13 Annual Report on Hospitality and Gifts

There was a report submitted by the Chief Operating Officer on the 2012/13 Annual Report on Hospitality and Gifts, which had been previously circulated.

Following discussion, the Audit Committee noted the assurance provided by the annual report on the governance arrangements for hospitality and gifts.

15. Corporate Risk Register

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

Russell Frith highlighted the following points:

- Corporate Priorities – the three priorities for 2013, Expectations of audit, Streamlining the audit and the Audit Intelligence have all been incorporated as actions against a number of risks.

- The formation of a new business group for Performance and Best Value Audit has been recognised in relation to Risk 5 (Audit Quality and Risk) and Risk 10 (Working Effectively Across the organisation).
- Minor updates and amendments have been made to several actions to keep them current and to reflect the Director of Performance Audit Group's retirement.

Following discussion, the Audit Committee noted the updated Corporate Risk Register.

16. Revising the Corporate Quality Framework

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

Russell Frith highlighted the key principles of the existing Corporate Quality Framework and the five key elements in the International Framework, which are:

- Exhibiting appropriate values, ethics and attitudes.
- Being sufficiently knowledgeable and experienced and having sufficient resources allocated to perform audit work.
- Applying a rigorous audit process and quality control procedures.
- Providing valuable and timely reports.
- Interacting appropriately with a variety of different stakeholders.

Following discussion, the Audit Committee noted the proposal to incorporate the International Quality Framework and agreed to recommend the revised Corporate Quality Framework to Board, for approval, at their meeting on 23 May 2013.

17. Draft Statutory Accounts

There was submitted a report by the Corporate Finance Manager on the Draft Statutory Accounts, which had been previously circulated.

Simon Ebbett highlighted two additional inclusions to the Draft Statutory Accounts since circulation, which were:

- Community Planning Partnership text on Page 11.
- Freedom of Information (Scotland) Act 2002 – Assessment of Compliance Audit 2012 on Page 17.

David Hanlon advised the Audit Committee of the next steps in the processes, which were:

- 27 May 2013 - Audit Clearance meeting, attended by Alexander Sloan, External Auditors, Auditor General for Scotland and the Assistant Auditor General.
- 6 June 2013 – Draft Statutory Accounts presented to the Audit Committee and Board meetings for further comment.
- 12 June 2013 – Signing of the Accounts.

Following discussion, the Audit Committee considered the draft accounts and provided comment. The Audit Committee also noted the ongoing work and agreed to provide David Hanlon and Simon Ebbett with any further comment as soon as possible.

It was noted that the circulation of an early draft set of accounts and the draft set included with the Audit Committee papers had caused some confusion for Audit Committee members, and it was agreed that the arrangements would be revisited for future years.

ACTION(s):

- ***Audit Committee members to provide the Corporate Finance Manager with further comments as soon as possible;***
- ***The final accounts process and timetable to be revisited for 2013/14 (January 2014)***

18. Data Incident Loss

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.

19. Briefing on Competition Commission Investigations into Statutory Audit Services Market

There was submitted a report by the Assistant Auditor General on the Briefing on Competition Commission's Investigations into Statutory Audit Services Market, which had been previously circulated.

Russell Frith briefed the Audit Committee on the findings and possible remedies following the Competition Commission's investigation into the statutory audit services market.

Following discussion, the Audit Committee noted the contents of the report.

20. Audit Committee Succession Planning

The Chair of the Audit Committee gave a verbal report on the Audit Committee's Succession Planning.

The Chair outlined the issues for continuity of membership of the Audit Committee over the next 12-18 months, and the Committee agreed to consider further options for co-opting an additional member to the Audit Committee and/or the Remuneration & Human Resources Committee, following initial discussion by the Chair of the Board with the Scottish Commission for Public Audit.

21. Any Other Business

There was no other business.

22. Date of Next Meeting

The next meeting will be held on **Thursday, 6 June 2013 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, 6 June 2013** at 10.00hrs.

PRESENT: J Maclean (Chair)
J Baillie
K Bryan

APOLOGIES: None

IN ATTENDANCE: R Cleland, Chair of Audit Scotland Board
C Gardner, Auditor General for Scotland / Accountable Officer
R Frith, Assistant Auditor General
D McGiffen, Chief Operating Officer
D Hanlon, Corporate Finance Manager
A McBean, Alexander Sloan, External Auditors
D Jeffcoat, Alexander Sloan, External Auditors
S Cunningham, Alexander Sloan, External Auditors
C Wright, BDO LLP, Internal Auditors
M Malone, BDO LLP, Internal Auditors
A Devlin, Corporate Planning and Data Protection Officer
D Blattman, Human Resources & Organisational Development Manager
J Stevenson, Audit Manager

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declaration of Interest
3.	Minutes
4.	Matters arising
5.	Audit Committee Terms of Reference
6.	Internal Audit Report – SharePoint
7.	Internal Audit Annual Report – 2012/13
8.	2012/13 Transparency and Quality Report
9.	2012/13 Annual Report on Bribery and Fraud
10.	2012/13 Annual Report on Health & Safety
11.	2012/13 Governance Statement and Certificate of Assurance
12.	Audit Management Letter
13.	Draft Annual Report and Accounts
14.	2012/13 Annual Report from the Chair of the Audit Committee to the Board
15.	Any Other Business
16.	Date of Next Meeting

1. **Apologies**

There were no apologies received.

2. **Declaration of Interest**

There were no declarations of interest.

3. **Minutes**

The minutes of the meeting of 23 May 2013 were approved subject to one change to reflect that Simon Ebbett joined the meeting for item 17.

4. **Matters arising from the minutes of 23 May 2013**

4.1 Audit Committee Terms of Reference (Item 5)

The Chair advised that he had attended the quarterly meeting with the Chief Operating Officer and the internal auditors, which had taken place immediately prior to the Audit Committee meeting.

4.2 2013/14 Internal Audit Annual Plan (Item 8)

The Chief Operating Officer confirmed that the phasing of the plan had been discussed at the quarterly meeting with BDO LLP.

4.3 2012/13 Internal Audit Report (Item 9)

This was dealt with at item 6.

4.4 2012/13 Internal Audit Reports (Item 10)

The Chief Operating Officer advised that she had conveyed the Audit Committee's appreciation to the Community Planning Partnership audit team.

4.5 Draft Statutory Accounts (Item 17)

This item was dealt with at item 13.

5. **Audit Committee Terms of Reference**

The Chair invited comments from members on the Terms of Reference, which had been previously circulated. Members noted the Terms of Reference.

6. **Internal Audit Report**

There was submitted a report by BDO LLP on the SharePoint audit, which had been previously circulated.

BDO LLP provided an overview of the SharePoint audit scope and findings and explained the nature of their recommendations.

The Audit Committee discussed the pace, cost and benefits of the SharePoint implementation. The Chief Operating Officer advised that the implementation had been paced to complement the ongoing development of other key IT systems such as MKI.

The Audit Committee emphasised the importance of the costs and benefits of Phases 3 and 4 of ishare being set out in the IT Plan.

Following discussion, the Audit Committee noted the report.

Action(s)

- ***The Director of Corporate Programmes and Performance to ensure the costs and benefits of Phases 3 and 4 are set out in the IT Plan.***

7. Internal Audit Annual Report – 2012/13

There was submitted a final report by BDO LLP on the Internal Audit Annual Report for 2012/13, which had been previously circulated.

BDO LLP informed the Audit Committee that the report had been updated to include the final audit of the 2012/13 programme on SharePoint.

Following discussion the Audit Committee thanked the internal auditors and noted the report.

8. 2012/13 Transparency and Quality Report

Joanna Stevenson, Audit Manager joined the meeting.

There was submitted a report by the Assistant Auditor General on Transparency and Quality 2012/13, which had been previously circulated.

The Assistant Auditor General introduced the new report and informed the Audit Committee that this type of reporting is required by large audit firms and has been adopted by some other national agencies.

The Audit Committee discussed, sought and received clarification from the Assistant Auditor General and Joanna Stevenson, Audit Manager on a number of points in the report.

Following discussion, the Audit Committee noted the report and the assurance that it provided.

Joanna Stevenson, Audit Manager left the meeting.

9. 2012/13 Annual Report on Bribery and Fraud

There was submitted the annual report by the Chief Operating Officer on Bribery and Fraud, which had been previously circulated.

Following discussion, the Audit Committee noted the arrangements in place during the year to prevent and detect fraud and that there were no instances of bribery or fraud identified during 2012/13.

10. 2012/13 Annual Report on Health & Safety

David Blattman, HR & OD Manager joined the meeting.

There was submitted the annual health and safety report by the HR & OD Manager, which had been circulated.

The HR & OD Manager introduced the report and informed the Audit Committee that there had been no significant issues to bring to the Audit Committee's attention. He then highlighted the slight increase in staff sickness and slight decrease in accidents. The Audit Committee was informed that staff sickness at Audit Scotland remained lower than the public sector as a whole, and there was a discussion about the balance of long-term and short-term sickness absence.

The Audit Committee requested that the HR & OD Manager report back on how sickness absence at Audit Scotland compares to the private sector and on health and safety training for non-executives.

Following discussion, the Audit Committee noted the report.

Action(s):

- ***The HR & OD Manager report back to the Audit Committee on how sickness absence at Audit Scotland compares to the private sector and to investigate health and safety training for the Board's non-executive members.***

David Blattman, HR & OD Manager left the meeting.

11. 2012/13 Governance Statement and Certificate of Assurance

There was submitted a report by the Chief Operating Officer on the 2012/13 Governance Statement and Certificate of Assurance, which had been previously circulated.

The Chief Operating Officer provided a brief overview of the work undertaken to complete the Certificate of Assurance process and advised that no significant matters had arisen which required the Accountable Officer's attention.

The Audit Committee noted the report.

12. Audit Management Letter

There was submitted a report by Alexander Sloan on the Audit Management Letter, which had been previously circulated.

Andy McBean informed the Audit Committee that he had provided an unqualified audit opinion on Audit Scotland's accounts. He also highlighted section six (other audit matters) of the Audit Management Letter to the members and that there were no recommendations for management.

Following discussion, the Audit Committee noted the report and thanked the external auditors for completing the audit against a tight timescale.

13. Draft Annual Report and Accounts 2012-13

There was submitted an update report by the Corporate Finance Manager on the Draft Annual Report and Accounts 2012-13, which had been previously circulated.

The Corporate Finance Manager briefly introduced the report and the Draft Annual Report and Accounts. He informed the members that he had received feedback on this latest version of the Draft Annual Report and Accounts from members prior to the meeting.

Following discussion, the Audit Committee agreed to recommend the Draft Annual Report and Accounts 2012-13 to the Board for approval at its meeting on 6 June 2013.

Action(s)

- ***The Chair of the Audit Committee to recommend the draft annual accounts to the Board for approval at its meeting on 6 June 2013.***

14. 2012/13 Annual Report from the Chair of the Audit Committee to the Board

There was submitted a report by the Chair of the Audit Committee on the Annual Report from the Audit Committee to the Board, which had been previously circulated.

Following discussion, the Audit Committee approved the report for consideration by the Board at its meeting on 6 June 2013.

15. Any Other Business

There was no other business.

16. Date of Next Meeting

The next meeting will be held on **Thursday, 19 September 2013 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, 24 October 2013** at 10.00hrs.

PRESENT: J Maclean (Chair)
J Baillie
K Bryan

APOLOGIES: None

IN ATTENDANCE: R Cleland, Chair of Audit Scotland Board
C Gardner, Auditor General for Scotland / Accountable Officer
R Frith, Assistant Auditor General
D McGiffen, Chief Operating Officer
D Hanlon, Corporate Finance Manager
A McBean, Alexander Sloan, External Auditors
C Robertson, BDO LLP, Internal Auditors
A Devlin, Corporate Governance Manager

Item No

Subject

1. Apologies
2. Declaration of Interest
3. Minutes
4. Matters arising
5. Audit Committee Terms of Reference
6. Annual Review of Members' Code of Conduct
7. Internal Audit 2013/14
8. Internal Audit Recommendations – Progress Report
9. Internal Audit Progress Report – 2013/14
10. Information Governance and Risk Management: Mid Year Update
11. Corporate Risk Register
12. Internal Audit Procurement
13. Data/Incident Loss
14. Any Other Business
15. Date of Next Meeting

1. **Apologies**

There were no apologies received.

2. **Declaration of Interest**

There were no declarations of interest.

3. **Minutes**

The minutes of the meeting of 6 June 2013 were approved. However, it was noted that the date of the next meeting in the minutes said Thursday 19 September. This meeting was postponed until 24 October; the minutes are to remain unchanged at 19 September.

4. **Matters arising from the minutes of 6 June 2013**

4.1 Internal Audit Report (Item 6)

The Chief Operating Officer informed the Audit Committee that this item is on-going.

4.2 2012/13 Annual Report on Health & Safety (Item 10)

The Chief Operating Officer reported back and provided figures to the Committee on Audit Scotland's sickness absence compared to the private sector, and progress on health and safety training for the Board's non-executive members.

4.3 Draft annual Report and Accounts (Item 13)

The Chair confirmed that the draft annual accounts were recommended to the Board for approval at the Board meeting on 6 June 2013.

5. **Audit Committee Terms of Reference**

The Chair invited comments from members on the Audit Committee's Terms of Reference, which had been previously circulated. No changes had been made or were required. The members noted the Terms of Reference.

6. **Annual Review of Members' Code of Conduct**

The Chief Operating Officer introduced a report on the annual review of the Members' Code of Conduct, which had previously been circulated. The Chief Operating Officer invited the Committee to recommend the Code to the Board for approval.

Following discussion, the Audit Committee agreed to recommend the Members' Code of Conduct be submitted to the Board for approval.

Action(s)

- ***The Chair to recommend the Members' Code of Conduct.***

7. **Internal Audit 2013/14**

Three internal audit assurance reports, which had been previously circulated, were submitted by the Chief Operating Officer on:

- Corporate Governance Arrangements.
- Key Financial Systems.
- National Fraud Initiative.

BDO LLP provided an overview of the audits and their findings. K Bryan requested that the titles and scope of the reports be clearer in future reports to reflect the detail in the reports.

Following discussion the Audit Committee noted the reports and the assurance these provided.

8. Internal Audit Recommendations – Progress Report

There was submitted a report by the Chief Operating Officer, which had been previously circulated, on progress made to implementing Audit Scotland's internal audit recommendations.

Following discussion, the Audit Committee noted the report and the significant progress made.

9. Internal Audit Progress Report – 2013/14

There was submitted a report by BDO LLP on their progress of conducting the 2013/14 internal audits against the audit plan, which had been previously circulated.

The Chair asked if there had been any changes to the agreed plan. BDO LLP informed the members that the NFI audit had been undertaken at Audit Scotland's request and therefore had been an addition to the plan.

Following discussion, the Audit Committee noted the progress on the programme of internal audits for 2013/14 and that the remaining audit reports would be submitted to the January and April 2014 Audit Committee meetings.

10. Information Governance and Risk Management: Mid Year Update

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

In the absence of the Director of Corporate Programmes and Performance, the Corporate Governance Manager introduced the report highlighting recent developments in the legislative environment, the progress of the work of the Knowledge, Information and Technology Governance Group and their priorities for 2013/14.

Committee members highlighted the onerous requirement in the draft data protection regulation of reporting all data losses within 24 hours. Following further discussion, the Audit Committee noted the report, and that an annual report would be prepared to support the year end annual assurances.

11. Corporate Risk Register

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

In the absence of the Director of Corporate Programmes and Performance the Assistant Auditor General provided the update. The Assistant Auditor General highlighted that the number of risks remained the same and that no amendments have been made to the overall net risk scores.

A discussion took place on potential risks due to the changing constitutional landscape in Scotland and that so far this had not created further risks for Audit Scotland. Following discussion, the Audit Committee noted the report.

12. Internal Audit Procurement Report

This item was moved to the end of the agenda to avoid a conflict of interest for BDO LLP.

13. Data / Incident Loss

There was submitted a report by the Chief Operating Officer on data incidents, which had been previously circulated.

The Chief Operating Officer informed the members that most of the incidents in the report were minor in nature, and that greater knowledge of data protection amongst staff had resulted in more incidents being reported. The Committee were also informed that swift action was taken on the few more serious incidents.

R Cleland asked the Chief Operating Officer what lessons had been learnt from the incidents and what action Audit Scotland had taken to prevent a reoccurrence of incidents. The Committee were informed that additional staff guidance had been produced and distributed and discussions had taken place at team meetings on data protection.

The Audit Committee noted the report.

14. Any Other Business

On conclusion of the day's business the Chair of the Audit Committee thanked John Baillie for his contribution to the Committee over past years and wished him well for the future. This was echoed by the other Committee member and attendees at the meeting.

15. Date of Next Meeting

The next meeting will be held on **Thursday, 23 January 2014 at 10.00hrs** and will be held in the offices of Audit Scotland, 110 George Street, Edinburgh.

C Robertson, BDO LLP left the meeting.

12. Internal Audit Procurement Report

There was submitted a report by the Chief Operating Officer on the procurement of future internal audit services, which had been previously circulated.

The Chief Operating Officer informed the members of discussions that had taken place at Audit Scotland's management team on future internal audit provision.

The members of the Committee discussed the options presented by the Chief Operating Officer. The members agreed to continue to procure internal audit services externally.

Following discussion, the Audit Committee requested that the Chief Operating Officer keep them apprised of developments at the Scottish Commission for Public Audit for their appointment of Audit Scotland's external auditor, and to prepare a further procurement paper for the January 2014 meeting.

Action(s)

- *The Chief Operating Officer is to produce a paper on internal audit procurement for the January 2014 meeting.*