

Minutes

Meeting: Audit Committee

Date: 18 September 2015

Time: 1.30 pm

Venue: Room 0.24, Compass House, Dundee

Present: Mike Cairns, Convener
Ilan Doig
Christine Dunlop
Linda Pollock

In Attendance: Paul Edie, Chair
Karen Reid, Chief Executive
Gordon Weir, Director of Corporate Services
Kenny Dick, Head of Finance and Corporate Governance
Peter Lindsay, Audit Scotland (except item 15)
Neil Reid, Audit Scotland (except item 15)
Robert MacKenzie, Scott-Moncrieff (except item 15)
Susan Mackay, Scott-Moncrieff (except item 15)
Gillian Berry, Senior Accountant
Anne Forsyth, Directorate Support Officer

Apologies: Cecil Meiklejohn, Board Member

Item	Action
<p>The Convener welcomed everyone to the meeting, particularly Gillian Berry, Senior Accountant.</p> <p>The Convener gave thanks to Ian Doig, Board Member, for Convening the Committee on 28 August 2015.</p>	
<p>1.0 APOLOGIES FOR ABSENCE</p> <p>Apology for absence, as listed above, was noted.</p>	

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2.0 DECLARATION OF INTEREST

The following declaration of interest was noted:

- Linda Pollock in respect of holding the position of member of the Accounts Commission.

3.0 MINUTES OF MEETINGS HELD ON 12 JUNE 2015 AND 28 AUGUST 2015

3.1 Minute of Meeting Held on 12 June 2015

The minute of the meeting held on 12 June 2015 was approved as an accurate record. **DSO**

3.2 Minute of Meeting Held on 28 August 2015

The minute of the meeting held on 28 August 2015 was approved as an accurate record. **DSO**

4.0 ACTION RECORD OF MEETING HELD ON 12 JUNE 2015

The action record of the meeting held on 12 June 2015 was discussed and updated. **DSO**

5.0 MATTERS ARISING

5.1 There were no matters arising.

Internal Audit Reports

6.0 INTERNAL AUDIT PLAN 2015/16 PROGRESS REPORT

Scott-Moncrieff presented the report which provided the Committee with information on the internal audit work performed to the end of August 2015 and summarised its progress against the 2015/16 Plan. The following point was noted:

- That there had been two reviews completed in line with the 2015/16 Plan:
 - B2 Sustainability (Phase 1).
 - C7 Communication with Stakeholders (Internal).

The Committee:

- Noted the report.

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7.0 B2 FINANCIAL SUSTAINABILITY

Scott-Moncrieff presented the report which set out the review of how the Care Inspectorate was planning to deliver its services and strategic objectives within anticipated funding levels. The following points were noted:

- That the Resources Committee was taking forward the development of a longer-term financial strategy and had established a member-officer working group to oversee the consideration of various efficiency and best value initiatives to address the potential funding shortfall.
- That Scott-Moncrieff had taken a helpful and constructive approach with this review by scheduling it as a two stage audit, with a further update due later in the year.

The Committee:

- Noted the progress to date and that the Phase 2 report would be issued in December 2015.

S-M

8.0 C7 COMMUNICATION WITH STAKEHOLDERS: INTERNAL

Scott-Moncrieff presented the report which set out the review of the arrangements surrounding communication with internal stakeholders. The following points in particular were noted:

- That there had been four business objectives agreed with management.
- That there had been three recommendations accepted by management.
- That there had been approximately 70 'bright ideas' received and responded to by the Chief Executive.

The Committee:

- Noted the report.

9.0 C1: COMPLAINTS HANDLING

Scott-Moncrieff updated the Committee on its position in respect of the Complaints Handling review. It was noted that this review had been a challenge for both the auditors and management given the ongoing changes in this area.

The Committee:

- Understood that there had been a significant amount of change and understood the complex position.
- Confirmed that it required the review to be completed and the report submitted to its November 2015 meeting.

S-M

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Items for Decision

10.0 CONSIDERATION OF THE ANNUAL REPORT AND ACCOUNTS 2014/15

10.1 Combined ISA260 Report to those Charged with Governance and Annual Report on the Audit

Audit Scotland presented the report and advised that their work on the financial statements was substantially complete and that, subject to the satisfactory conclusion of outstanding matters, and receipt of a revised set of financial statements for final review, it was anticipated that there would be an unqualified auditor's report available at the Board meeting in October 2015. During discussion, the following points were noted:

- That working papers had been of a high standard and officers had provided excellent support which enabled the audit team to complete on-site fieldwork by the planned target date.
- That only presentational and disclosure adjustments were required to the financial statements presented for audit.
- That the Care Inspectorate had operated within its resource budget for 2014/15.
- That the financial objective was for a balanced budget of income and expenditure for the three year period to 2017.
- That the Care Inspectorate faced a challenge to keep operating costs within its projected income budget in the medium to long-term.
- That the Care Inspectorate had sound governance arrangements.
- That systems of internal control had operated effectively during 2014/15.
- That the register of interests, extended to all Care Inspectorate Board members, was renewed annually.
- That the 2015/16 FReM had been extensively re-written and Audit Scotland would meet with the Head of Finance and Corporate Governance and Senior Accountant early in 2016 to ensure everything was in place for 2015/16 reporting.
- That the project to implement PULSE, the Care Inspectorate's payroll and human resources information systems had successfully implemented the payroll modules but continued to have ongoing system development issues for the implementation of specific human resources modules. Once implemented, these would help to ensure benefits realisation of the new system was achieved.

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- That Audit Scotland was content with all the management responses to the key audit risks.

The Committee:

- Noted the presentation and thanked Audit Scotland for their report and the Finance Team for their hard work.

10.2 Annual Report and Accounts 2014/15

The Convener introduced the draft Annual Report and Accounts and advised that the Committee had commented on this extensively and it had been amended on the basis of previous comments.

The Committee:

- Approved the Annual Report and Accounts for onwards consideration by the Board at its meeting on 2 October 2015 subject to minor amendments.

HoF&CG

10.3 Draft Audit Committee Annual Report to the Board

The Convener introduced the draft report and advised that the Committee had commented on this previously and had been amended on the basis of previous discussions.

The Committee:

- Approved the report, subject to one amendment for submission to the Board meeting to be held on 2 October 2015.

HoF&CG

Items for Discussion/Information

11.0 AUDIT RECOMMENDATIONS PROGRESS REPORT REPORT NO: A-10-2015

The Head of Finance and Corporate Governance presented the report which provided the Committee with the progress on the implementation of agreed management responses to internal audit recommendations. The report was based on actions due to be implemented on or before 31 August 2015. The following points were noted:

- That there were four recommendations carried forward from 2014/15 that were not due for implementation until 2015/16. One had been completed and three were not yet due for completion.

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- That there had been a further 13 recommendations made up to 31 August 2015, four of which had been completed, one partially completed and eight which were not yet due for completion.

The Committee:

- Noted the progress to date.

12.0 SCHEDULE OF COMMITTEE BUSINESS

The Committee noted and updated the Schedule of Committee Business. DSO

13.0 HORIZON SCANNING

The Director of Corporate Services highlighted a number of Audit Scotland reports that had been published since the meeting of the Committee in June 2015, in particular, members attention was drawn to two reports which would be circulated to all Board members: DSO

- Managing ICT contracts in central government.
- Scotland's public sector workforce.

14.0 REVISED STRATEGIC RISK REGISTER REPORT NO: A-11-2015

The Director of Corporate Services presented the report which provided the Committee with the outcome of the review of the risk register session held on 26 June 2015. The following points were noted:

- That there had been a reduction of three risks to eight from the 2014/15 register.
- That the Risk Appetite Statement was available at a final draft stage and would be circulated for comment. DSO

The Committee:

- Noted the summary Strategic Risk Register and noted that detailed schedules for each risk would be drafted by the Executive Team for initial consideration by the Committee. DoCS
- Noted that the Risk Appetite Statement would be submitted to the Board at the same time as the Strategic Risk Register.

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Confidential Item

**15.0 INTERNAL AUDIT PROCUREMENT
REPORT NO: A-12-2015**

The Head of Finance and Corporate Governance presented the report which provided the Committee with an opportunity to review and revise the Invitation to Quote for Internal Audit Services prior to advertising on Public Contracts Scotland. Following consideration and full discussion, the following points in particular were noted:

- That the Panel composition was agreed but the Convener still had to conclude the appointment of a Committee member.
- That the framework would be checked in relation to potential sub-contracting of audit activity.

The Committee:

- Reviewed the statement of requirements.
- Reviewed the evaluation criteria that would be used to select the Internal Audit provider.
- Reviewed the technical response document.
- Reviewed the proposed performance measurement and reporting arrangements.
- Agreed the proposed evaluation panel and procurement timetable subject to the confirmation of the final Panel member.

Convener

16.0 AOCB

There was no other competent business.

17.0 DATE OF NEXT MEETING

The date of the next meeting was confirmed as 27 November 2015 in Compass House, Dundee.

Signed:

Mike Cairns
Convener

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