RISK MANAGEMENT AUTHORITY

AUDIT & ASSURANCE COMMITTEE MEETING

17 August 2020, Video Conference

MINUTES

Present
Mr Stephen Swan, Chair
Mr Terry Powell, Board Member
Mr Chris Hawkes, Board Member
Mr Stephen McAllister, Board Member

In Attendance
Mr Paul Keoghan, Director Corporate Services
Mr Denis Songoro, Finance Administrator
Ms Julie Taylor, Internal Auditor, Scottish Government Internal Audit
Mr Jim Montgomery, Internal Audit Manager, Scottish Government Internal Audit
Mr David Meechan, External Audit, Audit Scotland
Mr Jim Rundell, External Audit, Audit Scotland

Welcome

1. The Chair called the meeting to order and welcomed all present.

Apologies

2. The Chair noted no apologies were submitted.

Declarations of Interest

3. There were no declarations of interest.

Approval of Previous Minutes

4. The Committee reviewed and approved the minutes of the meeting held on the 6th of May 2020

Matters Arising

5. There were no matters arising

6. **Internal Audit – Internal Audit Charter – Audit Committee Paper 370**

6.1. Mr. Montgomery introduced the report and informed the Committee that this paper sets out the purpose, authority, scope and governance of internal audit. The purpose of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve its client's operations.

6.2. The Committee was also advised that Internal Audit clients consist of Scottish Government and a range of public sector bodies including Executive Agencies and Non-Ministerial Bodies. The mission of Internal Audit is to enhance and protect organizational value by providing risk based and objective assurance, advice and insight. Internal Audit helps its clients accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

6.3. The Committee noted internal audit charter report presented by Internal Audit

7. **Internal Audit – Internal Audit Progress Update Report - Audit Committee Paper 380**

7.1. Ms Taylor introduced the paper and updated the committee on the progress of the main assignments for 2020-21 Internal Audit Programme.

7.2. The Committee was advised that the main audit assignment for 2020-21 which is Stakeholder Engagement and Communications has been postponed until 3rd quarter with the final report to be presented to Audit & Assurance Committee scheduled for February 2021.

7.3. The Committee was informed that Internal Audit will monitor progress on actions resulting from 2019-20 Audit Work on General Data Protection Regulations.

7.4. The Committee noted the Internal Audit Progress Update Report presented by Internal Audit.

8. **Internal Audit – Annual Assurance Report for SG Corporate Services - Audit Committee Paper 381**

8.1. Mr. Montgomery introduced the paper and informed the Committee that audit work was undertaken on the Scottish Government Corporate Systems which provided a reasonable assurance on the arrangements for risk management, control and governance over the key corporate systems.

8.2. The Committee was advised that the 2019-20 plan identified assurance reviews that involved corporate systems work including a series of reviews of Business As Usual Core Systems Processes and Procedures. The fieldwork for all reviews is complete, but given response circumstances at the time of writing this report, it's not been possible to obtain final responses to some

reports. However the Committee should note that Internal Audit are content that sufficient work has been completed and discussions held around findings which allowed to reach an overall conclusion.

8.3. The Committee noted the annual assurance report on SG Corporate Areas presented by Internal Audit.

9. **Internal Audit – Annual Report on the Directorate of Internal Audit and Assurance 2019-20 - Audit Committee Paper 382**

9.1. Ms Taylor introduced the paper and advised the Committee that this is the first year of the existence of the wider Directorate of Internal Audit and Assurance, which has been a year of amalgamation and the initial progress towards a more integrated approach to assurance.

9.2. The Committee was made aware that Internal Audit continues to generally conform to public sector internal audit standards. The key performance indicators show that the range of assurance services are valued by customers, though there are still areas for improvement. The Internal Audit has made significant successful recruitment campaigns which has reduced the reliance on contractors.

9.3. The Committee was informed that Internal Audit entered into a co-source partnership with Ernst & Young in September 2019 and this has already delivered significant benefits in helping to drive the continuous improvement programme.

9.4. The Committee noted the Annual Report on the Directorate of Internal Audit and Assurance 2019-20 presented by Internal Audit.

10. **Internal Audit – Annual Assurance Report - Audit Committee Paper 371**

10.1. Ms Taylor introduced the paper and advised the Committee that the audit 2019-20 audit covered a key area of business activity which was to evaluate and report on the controls in place to manage risks surrounding General Data Protection Regulation.

10.2. The Committee was informed that the audit report contained two medium and three low priority recommendations for the RMA to consider.

10.3. The Committee was made aware that Internal Audit have provided a substantial assurance for the RMA' s risk management, control and governance arrangement with regards to GDPR.

10.4. The Committee noted the annual assurance report presented by Internal Audit.

11. **Annual Fraud Report – Audit Committee Paper 372**

11.1. The Director Corporate Services introduced the paper and advised the Committee that the RMA has an established Fraud Policy which is subject to annual review. The Committee was informed that there were no instances of know fraud to be reported for the financial year 2019-20

11.2. The Committee noted that when presenting future reports, the wording should note if there is any Identified or Suspected Fraud.

11.3. The Committee noted the Annual Fraud Reported presented by The RMA.

12. **Annual Write Off Report - Audit Committee Paper 373**

12.1. The Director Corporate Services introduced the paper and informed the Committee that The RMA has an established Debt Management and Write Off Procedure which is subject to annual review. The procedures are drawn from best practice within the public sector which include approval limits regarding the management of debt and write offs.

12.2. The Committee was made aware that the RMA incurred no write offs for the financial year 2019-20.

12.3. The Committee noted the Annual Write Off Report presented by the RMA.

13. **RMA Annual Report and Accounts 2019-20 – Audit Committee Paper 374**

13.1. The Director Corporate Services provided the Committee with an overview of the Annual Report and Accounts 2019-20. The Director outlined the content of the report which includes The Convener's foreword, Performance Report (which includes a concise summary, what we do, business plan performance, KPIs, financial summary, public interest reports, payment performance, FOI, and future strategic developments); The Accountability Report (including a director's report, the statement of accountable officer responsibilities, governance statement, remuneration and staff report, and the independent auditor's report); and the Financial Statements.

13.2. The Committee was made aware that infographics had been used to make the report more accessible. The Committee were informed that elements of the performance report also utilized financial infographics providing further financial details on how funds were utilized.

13.3. The Director highlighted Covid-19 had impacted the RMA and the risk register was subsequently reviewed which resulted in three additional very high risks emerging. This are;

i. Risk of Business Interruption-The RMA envisages it will have to maintain a state of high risk of business interruption until such time as the symptoms of the Covid-19 become manageable.

ii. Insufficient Funding to fulfil statutory functions- The worldwide economic impact of Covid-19 is significant and challenges are expected to existing funding arrangements.

iii. Delivery of Training Courses- it is assessed the risk to the delivery of training courses is very high as the delivery model is based upon physical attendance. The RMA will aim to convert current courses to an online delivery model.

13.4. The Director informed the Committee that the RMA had a Grant in Aid funding of £1,345,000 and a drawdown of £1,308,000 with the expenditure for the year amounting to £1,228,000. The RMA recorded income of £87,000 which relates to a court judgement awarding the RMA reimbursement of court expenses. The RMA however anticipates that the reimbursement is highly unlikely to be received and therefore have created a bad debt provision to cover this liability.

13.5. The Committee was informed that there are a number of IFRSs, amendments and interpretations that have been issued by the International Accounting Standards Board that are effective for future reporting periods. IFRS 16 Leases will replace IAS 17 Leases and related interpretations. The effective date is will be 1st January 2021 and will be applied in UK Public Sector from 1st April 2021, therefore in the financial year 2021/22

13.6. The Committee were content with the 2019-20 Annual Report and Accounts.

14. **External Audit – Letter of Representation(ISA 580) & Proposed Audit Opinion – Audit Committee Paper 375**

14.1. Mr. Rundell introduced the report and advised that the it provided an opinion on the financial statements, which asserts that these provide a true and fair view in accordance with the relevant Acts; and that the financial statements were properly prepared in accordance with the relevant Acts. The report also outlines the accountable officer's responsibilities for the financial statements and the independent auditor's responsibilities for the audit of the financial statements.

14.2. The Committee was advised that the financial statements that were audited comprised of the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the accounts, including a summary of significant accounting policies.

14.3. The auditor's opinion on the regularity of expenditure and income confirms that expenditure and income were in line with the relevant legislation and guidance.

14.4. The report also outlines the auditor's opinion on matters prescribed by the Auditor General and on matters to report by exception, of which there was nothing to report.

14.5. The Committee noted the Letter of Representation and Proposed Audit Opinion

15. **External Audit – Annual Audit Report - Audit Committee Paper 376**

15.1. Mr. Rundell introduced the Annual Audit Report and advised the Committee of the report's key messages, which were that the Risk Management Authority's financial statements gave a true and fair view of the state of the body's affairs; and that the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers

15.2. Mr. Rundell informed the Committee that the auditor's opinion highlights that in terms of Financial Sustainability, the Financial impact of Covid-19 has still to be fully determined. The Management consider it highly likely that future funding will be adversely impacted by the economic effect of Covid-19 and are developing range of scenarios to address different funding outcomes. The risk is that insufficient funding to meet statutory service obligations of the organization.

15.3. The Committee noted the Annual Audit Report

16. **Approval of Annual Report & Accounts 2019-20 - Audit Committee Paper 377**

16.1. The Chair noted this paper sought the Committees approval for the Annual Report and Accounts 2019-20.

16.2. The Committee being satisfied with the assurances provided by the Accountable Officer, Internal Auditor and External Auditor approved the Annual Report and Accounts for 2019-20.

17. **Internal Audit Recommendations – Progress Report - Audit Committee Paper 378**

17.1. The Director Corporate Services introduced the paper and informed the Committee that the 2019-20 plan comprises of one main assignment, which was General Data Protection Regulation, which has been delivered in full and on time.

17.2. The Committee was advised that the review identified two medium and three low recommendations which were accepted by RMA management.

17.3. The Committee noted the Internal Audit Recommendations Progress Report.

18. **External Audit Recommendations 2018-19 Progress Report - Audit Committee Paper 379**

18.1. The Director Corporate Services introduced the paper and advised the Committee that the External Auditor's report covering 2018-19 identified 2 recommendations or management consideration. The Director confirmed the

RMA management accepted the recommendations and agreed appropriate actions.

18.2. The Committee was made aware that following ongoing discussions with the Sponsor Department, The RMA has secured a 33% increase to current funding which will be applied to funding year 202021 . The new funding reduces the forecasted 5 year funding gap from £1.06 million to £0.345 million which significantly reduces the risk previously posed to the delivery of certain services required by legislation.

18.3. The Committee noted the External Audit Recommendations 2018-19 Progress Report.

Date of Next Meeting

19. The Committee noted the date for the next meeting 19 October 2020.

Date of Next Meeting

20. The Chair asked if there was any other competent business.

21. There being no other business the Chair thanked all in attendance for their contributions and called the meeting to a close.