

Risk Management Authority
AUDIT COMMITTEE MEETING
20 June 2016, RMA, Paisley
MINUTES

Present:

Mr Stephen Swan, Chair
Mr Chris Hawkes, Board Member
Prof. Hazel Kemshall, Board Member

In attendance:

Ms Yvonne Gailey, Chief Executive
Mr Paul Keoghan, Director of Business Performance
Mr Asif Haseeb, External Auditor, Audit Scotland
Mr David Docherty, External Auditor, Audit Scotland
Mr Jim Montgomery, Internal Audit Manager, Scottish Government Internal Audit
Ms Alison Thomson, Internal Auditor, Scottish Government Internal Audit

Apologies:

No Apologies where noted

1. Introductions

1.1. The Chair called the meeting to order and welcomed those in attendance.

2. Apologies

2.1. The Chair noted no apologies where received.

3. Declarations of Interest

3.1. The Chair enquired if Committee Members wished to record any declarations of interest.

3.2. The Chair noted no declarations of interest required to be recorded.

4. Minutes of meeting on 21 March 2016

4.1. The Committee reviewed and approved the minutes of the meeting held 21 March 2016.

5. Matters Arising

5.1. There were no matters arising noted.

6. Annual Fraud Report – Audit Committee Paper 234

- 6.1. The Director of Business Performance introduced the Annual Fraud Report to the Committee advising that there have been no instances of known fraud to be reported for the year 2015-16 and advised this was reflected in the annual report and accounts.
- 6.2. The Committee noted the contents of the Annual Fraud Report.

7. Internal Audit Annual Report – Audit Committee Paper 235

- 7.1. The Internal Auditor introduced the Internal Audit Annual Report to the Committee advising that the 1st paper attached is the evaluation of the RMP's for which there is substantial assurance and which resulted in 1 medium and 3 low recommendations. The Internal Auditor confirmed the report contained valid responses from Senior Management in relation to all recommendations.
- 7.2. The 2nd paper is a summary of the annual assurance paper to support the Chief Executives Governance Statement. The paper summarises the work performed by Internal Audit throughout the year, confirming that in terms of the overall assessment of risk control and governance, Internal Audit are giving a substantial assurance for the RMA. It also provides that in terms of the Internal Audit work on Scottish Government systems there was a reasonable insurance provided for that.
- 7.3. The Committee noted the contents of the Annual Report submitted by Internal Audit.

8. Record of Agreed Recommendations 2012-13 – Audit Committee Paper 236

- 8.1. The Internal Auditor introduced the Record of Agreed Recommendations for 2012-13 to the Committee advising that all recommendations have been implemented.
- 8.2. The Committee noted the Contents of the Record of Agreed Recommendations 2012-13.

9. Record of Agreed Recommendations 2013-14 – Audit Committee Paper 237

- 9.1. The Internal Auditor introduced the Record of Agreed Recommendations for 2013-14 to the Committee advising that all recommendations have been implemented.
- 9.2. The Committee noted the Contents of the Record of Agreed Recommendations 2013-14.

10. Record of Agreed Recommendations 2014-15 – Audit Committee Paper 238

- 10.1. The Internal Auditor introduced the Record of Agreed Recommendations 2014-15 to the Committee advising that there were 3 recommendations. The Internal Auditor confirmed 2 recommendations had been completed and one recommendation remains partially completed which relates to the publication of the Communications Strategy on the RMA website.
- 10.2. The Committee noted the contents of the Record of Agreed Recommendations 2014-15.

11. RMA Annual Report and Accounts 2015-16 – Audit Committee Paper 239

- 11.1. The Director of Business Performance submitted the RMA Annual Report and Accounts 2015-16 to the Committee for approval. The Committee agreed the following minor changes:
- On page 68 KPI 2 a footnote to be added explaining the percentage of target and result for example 14 of the 15 RARs instructed in the last year.
 - The first sentence on page 44 is to be a sub heading and not part of the paragraph.

Action: DBP

- 11.2. The Committee approved the RMA Annual Report and Accounts 2015-16.

12. Auditor's Report to those charged with Governance (ISA 260) – Audit Committee Paper 240

- 12.1. The External Auditor introduced the Auditors Report to those charged with Governance (ISA 260) paper to the committee advising that the 1st part is a covering letter address to the Chief Executive which addresses the Annual Audit Report 2015-16, the last of Audit Scotland's 5 year Audit appointment. The letter proposes a standard clean Audit opinion. There are 4 key opinions:

- Opinion on Financial Statements – which is a true and fair view that the accounts have been prepared in accordance with legislation.
- Opinion on regularity – the RMA's expenditure is in accordance with ministerial guidance and Act materially.
- Opinion on other prescribed matters – is in accordance with regulations and also the information in the Annual Report and Accounts performance report.
- Report by exception – nothing to report in respect of these matters.

- 12.2. The Auditor reviewed the second part, a draft Letter of Representation, and informed the committee the letter is required to be submitted by the RMA to support the audit process.

- 12.3. The Committee noted the content of the Auditors Report to those charged with Governance (ISA 260).

13. Annual Audit Report – Audit Committee Paper 241

- 13.1. The External Auditor introduced the Annual Audit report to the Committee advising that work commenced on the 21 May 2016 and completed by 26 May 2016 and confirmed all errors and disclosure issues were corrected by management during the course of the field work.
- 13.2. The External Auditor outlined the following key messages as:
- Unqualified independent auditor's report on the 2015-16 financial statement.
 - The Authority's outturn on cash basis was £1.132 million which was £0.050 million within their total Scottish Government funding for the year.
 - The RMA has sound governance arrangements in place and considers best value agreements and is proactive in their approach.
 - There are cash reserves of £0.610 million held at 31 March 2016 and it is recommended management identify the level of cash reserves that are required to meet abilities and return the remaining balance to the Scottish Government.
 - In terms of the MFMC funding there was £13,500 not utilised throughout the year, we recommend that the MFMC funding be drawn down in future years once the actual costs have been incurred.
 - The Authority is holding £65,000 for the EEPICS project despite the project now becoming unlikely to be taken forward, if the project does not commence the funding should be returned to the Scottish Government.
 - A new convenor of the Board is due to be appointed in 2016-17, the Authority should ensure that they provide adequate support and inductions to allow them to undertake their role effectively.
 - Pension information for the remuneration report was not included in the unaudited financial statements as it had not been provided by MyCSP via the Scottish Government.
- 13.3. In response to the matter of cash reserves, the Director of Business Performance advised the Board the RMA is in discussion with the Sponsor Department regarding the status of cash reserves and proposals are currently being considered. The Director advised the committee will be updated on developments as they arise.
- 13.4. The Committee discussed the statement that the full set of unaudited accounts were not received until midway through the Audit fieldwork. It was agreed going forward that the timelines for the preparation of the annual accounts be reviewed
- 13.5. The External Auditor noted this was the teams 5th and final year to audit the RMA and expressed his thanks to individuals within the RMA for their help over the last 5 years.
- 13.6. The Committee noted the contents of the Annual Audit Report and expressed their thanks to the External Auditor and team for their support and guidance over the past five years.

14. Approval of Annual Report and Accounts 2015-16 – Audit Committee Paper 242

- 14.1. The Committee, being satisfied with the matters presented under papers 234 – 241, were asked to consider for formal approval the Annual Report and Accounts 2015-16.
- 14.2. The Committee agreed to approve the Annual Report and Accounts 2015-16.

15. Corporate Risk Register Review – Audit Committee Paper 243

- 15.1. The Director of Business Performance introduced the Corporate Risk Register Review to the Committee advising that there are 11 risks, 0 high risks, 6 medium risks and 5 low risks.
- 15.2. The Committee reviewed the risk register and noted there were similarities between the presentations of risk O2 (The risk that the RMA's resources are inadequate to deal with workload) and F2 (The risk of inadequate budgetary provision and/or wrong allocation of resources within overall budget). The Committee agreed that risk F2 may should be brought back to the September Committee for in-depth review.

16. Corporate Risk Register “Deep Dive” – Audit Committee Paper 244

- 16.1. The Director of Business Performance introduced the Corporate Risk Register “Deep Dive” to the Committee informing that there are 2 risk to Deep Dive:
 - E3 ‘The risk of the RMA not being able to fulfil statutory duty to advise ministers in relevant areas’ – The Director informed that advise is generally provided through contribution and participation in national projects, national working groups and reviewing working practices. Going forward there is a risk of not sustaining this function due to resources. The Committee agreed that there is an overarching risk in regards to diminishing resources in the face of rising caseload and the ability to deliver across the whole spectrum of the RMA's functions and that this issue should be raised with the Sponsorship Department.
Action: Chief Executive
 - R1 ‘Security Systems inadequate, allowing disclosure of confidential information’. - The Director of Business Performance advised that this is a low risk but recommends it remains on the risk register until a fully operational case management system is implemented.
- 16.2. The Committee nominated Risk F2 ‘The risk of inadequate budgetary provisions and/or wrong allocation of recourses within overall budget’ as the

the next risk for in-depth review. The Committee requested this review considers the RMA's process for prioritisation and allocation of resources.

Action: DBP

17. Internal Audit Charter and Strategy – Audit Committee Paper 245

- 17.1. The Internal Auditor advised that the Internal Audit Charter and Strategy paper is submitted to the Committee Annually and there are no major changes.
- 17.2. The Committee noted the contents of the Internal Audit Charter and Strategy.

18. Strategic Review Update – Audit Committee Paper 246

- 18.1. The Internal Audit Manager updated the Committee on the Strategic Review advising that due to resourcing the current Internal Auditor will be moving on from the RMA and a new Internal Auditor will be appointed.
- 18.2. The Committee noted the contents of the Strategic Review update.

19. AOCB

- 19.1. The Chair thanked all those in attendance and closed the meeting.