

**Risk Management Authority**

**AUDIT COMMITTEE MEETING**

**21 August 2017, RMA, Paisley**

**MINUTES**

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**Present:**

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

**In attendance:**

Ms Yvonne Gailey, Chief Executive  
Mr Paul Keoghan, Director of Business Performance  
Ms Mabel Hall, Internal Auditor, Scottish Government Internal Audit  
Ms Elaine Barrowman, External Audit, Audit Scotland

**Apologies:**

Mr Jim Montgomery, Internal Audit Manager, Scottish Government Internal Audit

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**1. Introductions**

1.1. The Chair called the meeting to order, welcoming those in attendance.

**2. Apologies**

2.1. There were no apologies submitted.

**3. Declarations of Interest**

3.1. There were no declarations of interest.

**4. Minutes of meeting on 20 March 2017**

4.1. The Committee reviewed and approved the minutes of the meeting held on the 20<sup>th</sup> of March 2017. Prof. Kemshall highlighted that the minute advised of her suspension from the Committee whilst she fulfilled the role of Acting Convener; noting for this minute that she was no longer the Acting Convener and thus eligible to participate in the Audit Committee once more.

## **5. Matters Arising**

5.1. There were no matters arising noted.

## **6. Certificate of Assurance – Research, Training and Policy – Audit Committee Paper 268**

6.1. The Director of Business Performance introduced this paper, advising that this certificate of assurance had been provided by the Head of Development, in which he confirmed that a review of the internal control arrangements for the Development Team had been conducted and that there were no matters arising.

6.2. The Committee accepted the certificate of assurance.

## **7. Annual Fraud Report – Audit Committee Paper 269**

7.1. The Director of Business Performance introduced this paper and advised the Committee there were no instances of known fraud to be reported for the financial year 2016-17.

7.2. The Committee accepted the report and requested that future reports consider if the wording ‘..instances of known or suspected fraud..’ would be more appropriate.

**Action Point: DBP**

## **8. Internal Audit – Board and Committees Structures Report - Audit Committee Paper 274**

8.1. Ms Hall presented the report to the Committee, which assigned a ‘reasonable’ category of assurance to the RMA (affirming that controls were adequate but require improvement) and outlined a set of four recommendations, which had all been accepted. The one high level recommendation concerned Board Member succession planning and the importance of this consideration upon future Board Member recruitment processes. To this end, the Director of Business Performance advised that a succession plan was expected for presentation at December’s Committee meeting. The Committee raised that previous difficulties / delays in Board Member recruitment were attributable to factors out with the RMA’s control. In mitigation against this, the Committee were advised that the succession plan would seek to enhance the RMA’s involvement in future recruitment processes, to provide a greater degree of control and thus reduce the level of risk.

8.2. The Committee were also advised that the RMA keep a log of Internal Audit recommendations, with records made of the actions taken to complete them. It was agreed that it would be useful for Internal Audit to be copied in to any Committee updates as they arise, to allow Internal Audit to update their own recommendation records.

**Action Point: DBP**

8.3. Prof. Kemshall highlighted that the skills audit conducted as part of the recent Board Member recruitment process had proved to be very useful, as

it had helped to clearly identify the mix of expertise / knowledge required, thus allowing the subsequent advert specifications to be suitably targeted.

- 8.4. The Committee advised a change to paragraph 3.12 of the report, advising that all members received training on the RMP role.

**Action Point: IA**

#### **9. Internal Audit – Management Letter – RMP Approval Process - Audit Committee Paper 275**

- 9.1. The Committee discussed the paper, which concerned Internal Audit's consideration of the new RMP Approval Process. An important element of the paper was to provide a level of assurance on the potential risks of moving from the current process to the new process. The report contained a set of suggestions and observations to take forward, but identified no new risks regarding moving to the new RMP Approval process. The Committee identified that the wording within paragraph 2.3, bullet point 3 should be amended to read a 'minimum of two individuals to a case' and not a minimum of two cases to each individual.

**Action Point: IA**

#### **10. Internal Audit – Annual Assurance Report - Audit Committee Paper 276**

- 10.1. Ms Hall presented the report and advised the Committee that an assurance rating of reasonable had been identified for 2016/17, which meant in general terms that controls were adequate but required improvement. It was acknowledged that progress had been made and that the rating was impacted by documented staff and Board member recruitment issues.
- 10.2. The Committee were content with the report.

#### **11. Internal Audit – Audit Plan - Audit Committee Paper 277**

- 11.1. The Committee were advised that the audit plan for 2017/18 comprised one assurance and one advisory assignment, these being Annual Implementation Report (assurance) and Certificate of Assurance process (advisory). Dates for these will be scheduled with the RMA in due course. The Director of Business Performance highlighted that these two elements were chosen for 2017/18 as part of the five-year plan developed in 2015, which sought to broaden audit considerations beyond purely financial elements to wider aspects of RMA operations.
- 11.2. The Committee were content with the Audit Plan.

#### **12. Internal Audit – Annual Report on Internal Audit – Audit Committee Paper 278**

- 12.1. Ms Hall introduced the Annual Report on Internal Audit, advising that the report outlined a series on on-going developments to improve performance; that Internal Audit now had a full complement of staff following a recruitment campaign; that a review of Internal Audit had been conducted by Ernst & Young two years ago, with a follow up review recently carried out; and that the report highlighted improvements in staff engagement. The Committee were also advised that Internal Audit did experience some difficulties in

recruiting fully qualified auditors, and were working on options to improve in this area.

12.2. The Committee noted the Annual Report.

**13. RMA Annual Report & Accounts 2016-17 – Audit Committee Paper 270**

13.1. The Director of Business Performance provided an overview of the annual report and accounts, taking the Committee through each section in turn. These sections comprised the Performance Report, which outlines the key achievements of the RMA over the past year, the results against objectives and KPIs; details on external engagement and future strategic developments. This is followed by an Accountability Report section, which details governance, remuneration, accountability information and the independent auditor's report. The final section provides the financial statements, notes to the accounts and details of the RMA's statutory functions.

13.2. The Committee were content that the annual report and accounts provided a detailed analysis of the RMA's activities for 2016-17 and commented upon its comprehensive structure and accessible format. The Committee noted the reference to the UK Border Agency on Page 13 of the report was incorrect and for future reference this should be changed to the Home Office.

**Action Point: DBP**

13.3. The Committee asked whether the RMA published details of freedom of information requests and responses, and were advised that the RMA does not do this currently but would consider doing this in future. The Committee also queried whether the Director's accrued pensions benefits were correct, but were advised that these figures were supplied by the pensions provider directly and thus were accepted as being accurate.

**14. Auditor's report to those charged with governance (ISA 260) – Audit Committee Paper 271**

14.1. Ms Barrowman introduced the Auditor's report and referred the Committee to the covering letter provided, which outlined Audit Scotland's summary and audit opinion. Ms Barrowman advised that under auditing standard 260, Audit Scotland were required to report to this Committee and outline any issues identified. Ms Barrowman advised that work on the financial statements was complete and thanked the Director of Business Performance and his team for their assistance during this process.

14.2. Audit Scotland proposed to issue an unqualified auditors report, with no unadjusted mis-statements. Ms Barrowman sought confirmation from the Committee that there were no references to fraud or attempted fraud, no events after the balance sheet; and confirmation of no instances of non-compliance with laws and regulations.

14.3. The Committee were advised of the key aspects of the independent auditor's report. These were that:

- i. The report provided a basis for the auditor's opinion, noting that the accounts represented a true and fair view and were properly prepared;
- ii. The report was prepared in accordance with the Criminal Justice (Scotland) Act 2003;
- iii. The report provided an opinion on regularity, noting that in all material respects, expenditure and income within the financial statements were incurred in compliance with guidance and enactments;
- iv. The report provided an opinion on those auditable parts of the remuneration and staff report, noting that these were properly prepared;
- v. The report provided an opinion on the performance report and governance statements, noting that these were in line with the auditor's understanding of the RMA.

14.4. Ms Barrowman confirmed that there was nothing to report by exception.

## **15. Annual Audit Report – Audit Committee Paper 272**

15.1. Ms Barrowman took the Committee through the annual audit report, advising that it covered all areas of audit responsibility including financial statements, general financial management, financial sustainability, governance and value for money. The Committee were advised that the overall opinion of the audit report was positive.

15.2. Ms Barrowman provided an overview of the key messages and drew the Committee's attention to the one significant issue, which concerned the litigation claim against the RMA. The auditor's view was that this was an ongoing area of potential cost, but that they were content with how the RMA had accounted for it within the accounts, where it was highlighted as a contingent liability; and accepted that it was not possible to quantify the cost at present. The auditors also accepted that this issue is being kept under review.

15.3. In terms of financial management and sustainability, the auditor concluded that arrangements for monitoring were good and effective; that budget setting and reporting to members was good; and that short term financial planning arrangements were adequate. The auditor acknowledged that there were financial pressures upon the RMA and that the RMA has been proactive in resolving them.

15.4. The audit report highlights that the RMA Corporate Plan is still to reach a conclusion, accepting that this is due to issues out with the RMA's control.

15.5. The Committee noted a small typo within appendix 1, section 14, to change the word 'appraise' to 'advise'.

15.6. The Committee approved the RMA Annual Report and Accounts 2016-17.

## **16. AOCB**

16.1. There was no other competent business.

**17. Date of next Meeting:** 16 October 2017.