

Risk Management Authority
AUDIT COMMITTEE MEETING
19 October 2015, RMA, Paisley

MINUTES

Present:

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

In attendance:

Mr Paul Keoghan, Director of Business Performance
Ms Yvonne Gailey, Chief Executive
Mr Asif Haseeb, External Auditor, Audit Scotland
Mr Jim Montgomery, Internal Audit Manager, Scottish Government Internal Audit
Dr Katharine Russell, Board Member

Apologies:

Ms Alison Thomson, Internal Auditor, Scottish Government Internal Audit

1. Introductions

- 1.1. The Chair called the meeting to order and welcomed those in attendance.
- 1.2. The Chair noted that as part of the Board Member induction process Dr Katharine Russell was in attendance to observe the function of the Committee. The Chair informed Dr Russell that a nomination to join the Audit Committee could be submitted at the November Board and would be welcomed.
- 1.3. The Chair further welcomed Professor Hazel Kemshall as a newly appointed member of the Audit Committee.

2. Apologies

- 2.1. The Chair noted apologies were received from Ms Alison Thomson.

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 15 June 2015

- 4.1. The Committee reviewed the minutes of the meeting held 15 June 2015 and agreed it was an accurate record of the meeting'.

5. Matters Arising

- 5.1. The where no matters arising noted

For Monitoring

6. Corporate Risk Register – Audit Committee Paper 213

- 6.1. The Director of Business Performance presented the Corporate Risk Register to the Committee advising the period of review covered January 2015 through to September 2015. The Director reported the risk register contained 11 active risks and 3 residual risks and provided a summary of the risk register as follows:

- High risks – Zero
- Medium risks – Six
- Low risks – Five
- Risks introduced to the register – Zero
- Risks increased over the period – Zero
- Risks reduced over the period - Three

- 6.2. The Director reviewed, with the Committee, the mitigating factors which led to the reduction of the following three risks:

- 02 - the risk that the RMA's resources are inadequate to deal with workload
- 03 - the RMA RMP approval and monitoring systems not sufficiently robust
- 01 - Systems for Accreditation of Assessors and performance monitoring of assessors not sufficiently robust and risk there is not adequate number of assessors accredited.

- 6.3. The Committee discussed the reduction of risk of 02, and noted in the short term the risk had reduced due to the recruitment of temporary staff. The Committee reviewed the factors surrounding the risk and agreed the risk should not reduce but remain at the previous rating and a comment be added to advise there had been interim mitigation which alleviated the position of risk in the current financial year but beyond that timeframe the risk continues to remain a serious concern.

Action: DBP

- 6.4. The Committee noted the concerns raised by the Board regarding the reporting of corporate risks. The Committee reviewed the current system of reporting and agreed it would undertake to “deep dive” a selection of high and medium risks each quarter and provide a supplementary report to the Board on the outcome of the “deep dive”. The Committee agreed this proposal be tabled at the next Board meeting for consideration.

Action: DBP

- 6.5. The Committee selected the following risk for “deep dive” at the next Committee meeting:

- 04 - The RMA's research and training programme is not deliverable
- R1 - Security systems inadequate, allowing disclosure of confidential information
- E3 - The risk of the RMA not being able to fulfil its statutory duty to advise ministers in relevant areas.

Action: DBP

- 6.6. The Committee noted the contents of the Corporate Risk Register.

7. Internal Audit Recommendations (progress report) – Audit Committee Paper 214

- 7.1. The Director of Business Performance informed the Committee that Internal Audit made 3 recommendations following the 2014-15 audit and that all risks were categorised as low. The Director presented a progress report regarding the implementation of recommendations which reported the following:

- One recommendation has been fully implemented
- One recommendation is currently being implemented
- One recommendation is scheduled for implementation in December 2015

- 7.2. The Committee noted the internal Audit Recommendations progress report.

8. External Audit Actions (progress report) – Audit Committee Paper 215

- 8.1. The Director of Business Performance presented the progress report on External Audit Actions and advised the External Auditor identified 4 key risks for management to consider. The Director reported the following actions for the 4 risk items.

- i. The RMA has received a copy of the revised FReM and has met with external auditors to review the FReM. A further meeting is scheduled for February 2016 to agree amendments to the Annual Report and Accounts.

- ii. All costs associated with the MFMC budget continue to be monitored and reported upon. The MFMC programme continues through to March 2016 with a budget provision of £200,000. A mid-year budget review will be submitted to the Sponsor department in November which will account for the additional funds drawn in 2014-15.
 - iii. The RMA met with the Sponsor Department in September and advised them of the position with cash reserves. The Sponsor Department are awaiting on options paper from the RMA which is scheduled for submission in October.
 - iv. The development and implementation of the Risk Practice Course has impacted progress on the EEPICs project. Staff resources have now been restructured which will provide support to this project and bring it to implementation stage. The timetable for implementation of the pilot is currently being revised.
- 8.2. The Committee noted the contents of the External Audit Actions progress report.

For Noting

9. Corporate Risk management Strategy - Audit Committee Paper 216

- 9.1. The Director of Business Performance presented the Corporate Risk Management Strategy to the Committee advising the Board reviewed the Corporate Risk Strategy on 18 May 2015. The Director reported that following this review the Board requested the Audit Committee review the reporting of corporate risks outlined under section 7.3:
 - That escalating and emerging risks could be lost within the overall report and are not highlighted for attention.
- 9.2. The Committee noted the Board's request and agreed the implementation of the new system to "deep dive" risks as proposed under section 6.4 of the minutes will be submitted to the Board as a proposal to address the concerns raised.

10. Fraud Policy – Audit Committee Paper 217

- 10.1. The Director of Business Performance presented the Fraud Policy to the Committee for Annual Review. The Director informed the Committee the Fraud Policy underwent a significant review last year and that no further changes were being recommended.
- 10.2. The Committee reviewed and approved the Fraud Policy without amendments.

11. Audit Committee Terms of Reference - Audit Committee Paper 218

11.1. The Director of Business Performance presented the Audit Committee Terms of Reference for Annual review to the Committee, advising the only changes made were to the Committee Membership to reflect the current Committee structure.

11.2. The Committee agreed that in point 7.1.3 'Head of Internal Audit' should be changed to 'a representative from Internal Audit'.

Action: DBP

11.3. The Committee noted and agreed the contents of the Audit Committee Terms of Reference subject to the above change.

12. Internal Audit Progress Report – Audit Committee Paper 219

12.1. The Internal Auditor presented the Internal Audit Progress report to the Committee.

12.2. The Committee agreed that Internal Audit will carry out an independent review on the RMA proposal for the revised RMP process.

12.3. The Internal Auditor advised the Committee to changes within Internal Audit. The Scottish Government has commissioned Christine Dickson from Ernest and Young with a remit to assume the role of Temporary Head of Internal Audit and also to complete a strategic review on Internal Audit going forward.

12.4. The Committee noted the contents of the internal Audit Progress Report.

13. External Audit Progress Report

13.1. The External Auditor presented the External Audit Progress report to the Committee, advising the planning process for the 2015-16 audit has commenced with an initial meeting held with the Director of Business Performance. The External Auditor reported the audit timetable and planned outputs for the year will be included with the Annual Audit Plan which will be tabled at the next Committee meeting.

13.2. The committee noted the External Audit Progress Report.

14. AOCB

14.1. The Chair was informed of apologies for the Audit Committee meeting scheduled for 21 December 2015. The Committee agreed that given the number of apologies the meeting scheduled for December will be rescheduled to 18 January 2016.

14.2. There being no further business the Chair thanked those for attending and closed the meeting.