

Risk Management Authority
AUDIT COMMITTEE MEETING
16 June 2014, RMA, Paisley
MINUTES

Present:

Dr. Anne Macdonald, Chair
Mr Chris Hawkes, Board Member
Mr Stephen Swan, Board Member

In attendance:

Mr. Paul Keoghan, Director of Business Performance
Mr Asif Haseeb, External Auditor, Audit Scotland
Mr. William Wilkie, Internal Auditor, Scottish Government Internal Audit
Ms Jennifer Inglis-Jones, Internal Auditor, Scottish Government Internal Audit

Apologies:

Ms. Yvonne Gailey, Chief Executive

1. Introductions

- 1.1. The Chair of the Audit Committee opened the meeting and welcomed those in attendance. The Chair informed Committee Members the meeting had been extended to allow adequate time to conduct business regarding the annual report and accounts.

2. Apologies

- 2.1. The Chair noted apologies from the Chief Executive.

3. Declarations of Interest

- 3.1. The Chair asked Committee Members for declarations of interest.
- 3.2. The Chair noted no declarations of interest be recorded.

4. Minutes of meeting on 17 March 2014

- 4.1. The Committee reviewed and approved the minutes of the 17 March 2014.

5. Matters Arising

- 5.1. The Director of Business Performance informed the Committee all matters arising from the previous meeting were implemented with the exception of a draft internal audit plan. The Director reported action on this outstanding item has commenced, a meeting having been held with the Head of Internal Audit in May. It is now expected that the plan will be communicated to Members prior to the September meeting.
- 5.2. The Director stated the remaining actions relating to pay analysis and benchmarking are currently being reviewed.

Annual Report & Accounts 2013-14

6. DBP Certificate of Assurance – Audit Committee Paper 172

- 6.1. The Director of Business Performance presented the Certificate of Assurance paper and informed the Committee internal control processes were considered to be performing well and no significant matters required to be raised within the Governance Statement.
- 6.2. The Committee asked if the certificate should include reference to key risks facing the organisation.
- 6.3. The Director informed Members the certificate of assurance relates to the maintenance of sound systems of internal control and reference to specific risks would be reported separately within the Strategic Report. The Committee considered it would be helpful for this to be cross-referenced.
- 6.4. The Chair informed Members that as the Chief Executive was unable to attend the Audit Committee meeting the Chair and Chief Executive had had a discussion reviewing both the Certificate of Assurance and the Annual Report & Accounts. The Chair reported the Chief Executive had no concerns in relation to the reports being presented to the Committee.
- 6.5. The Committee noted the Certificate of Assurance.

7. Annual Fraud Report – Audit Committee Paper 173

- 7.1. The Director of Business Performance presented the Annual Fraud Report to the Committee and informed members that no instances of fraud occurred during 2013-14.
- 7.2. The Committee noted the contents of the Annual Fraud Report.

8. Internal Audit Annual Report 2013-14 – Audit Committee Paper 174

- 8.1. The Internal Auditor presented the Annual Audit Report to the Committee and informed members the report contained substantial assurance.

- 8.2. The Internal Auditor highlighted to the Committee the report contained six recommendations of which two were medium priority and four were low priority. The Internal Auditor informed Members that as the RMA utilises Scottish Government systems such as SEAS for finance Annex 1 references internal audit assurance in relation to key Scottish Government corporate systems.
- 8.3. The Committee noted the Internal Auditors' Annual Audit Report and expressed its thanks to Ms Jennifer Inglis-Jones and Internal Audit Staff for the work conducted in preparing the 2013-14 Audit Report.

9. RMA Annual Report & Accounts 2013-14 – Audit Committee Paper 175

- 9.1. The Director of Business Performance presented the Annual Report & Accounts to the Committee.
- 9.2. The Director reviewed with the Committee the principle elements of the Annual Report including:
- Convener's Foreword
 - Management Commentary
 - Business Plan Performance Report
 - OLR Performance Data
 - Governance Structures
 - Future Strategic Objectives
- 9.3. The Committee noted the contents of the annual report and requested the following amendments:
- Various Pages – Amend title for Jim McManus from Mr to Professor.
 - Pg. 16 (Key Performance Indicators) – provide reference for quote; remove the % sign noted under KPI 1; amend the target financial expenditure to £970,000 being the funding available, and insert note referring the Corporate Plan indicated a funding requirement of £1,312,000 for 2013-14.
 - Pg. 19 (OLR Process Flowchart) – remove *(AIR) reviewed by RMA* in the area indicating RAO's carried forward from the previous year.
- Action: DBP**
- 9.4. The Director presented to the Committee the principal elements of the Annual Accounts and informed the Committee changes to FrEM required the Annual Accounts to contain a Strategic Report and a Directors Report.
- 9.5. The Director informed the Committee the **Strategic Report** provided a brief overview of the functions of the RMA and of the organisation's approach to strategy and business planning. The Director stated the report informed that organisational expenditure for 2013-14 was £917,000 which was funded through Scottish Government via grant in aid. The report contained a section for key risks/uncertainties under which the RMA reports resourcing issues due to the growth in OLR cases. The reports also notes the RMA acquired £70,000 in non-current assets which related primarily to office relocation. The report also highlights an increase in the application of digital communications through the use of the corporate website to reduce publications expense and carbon footprint.

- 9.6. The Director reviewed the **Directors Report** which reports on the management structure of the RMA and on key activities that demonstrate impartial governance arrangements such as register of interest, audit information, political expenditure. The Director highlighted that the report contains information on supplier payment performance which was maintained at 90% within 5 days of invoice receipt, staff absence reduction from 3.1% to 1.9% and confirmation of no personal data incidents.
- 9.7. The Director reviewed the **Remuneration Report** with the Committee and confirmed that all pension information is supplied from MyCSP. The Committee noted that pension information from MyCSP cannot be independently verified, and requested a note be added to the Remuneration Report highlighting that MyCSP is responsible for pension information supplied.
- Action: DBP**
- 9.8. The Director reviewed the **Statement of Comprehensive Net Expenditure** with the Committee and reported the RMA's total expenditure for 2013-14 was £917,000 which represented a £22,000 reduction on the previous year. The Director informed Members that staff costs, which include salaries, pension and NI costs, represent 74% of the RMA's total expenditure. The Director reported the statement indicated a £17,000 increase in other admin costs and confirmed this related primarily to the relocation to new premises and unaccrued internal audit charges relating to 2012-13.
- 9.9. The Director reviewed the **Statement of Financial Position** with the Committee and reported the net book value of non-current assets increased by £46,000 and confirmed this related to the acquisition of £70,000 in assets to support office relocation. The statement reported Trade and other receivables reduced by £23,000, which the Director confirmed related to a reduction in invoicing for the LSCMI contract, which is now serviced through grant in aid. The Director informed Members Trade Creditors and Accruals increased by £75,000, which related primarily to outstanding payroll charges from Scottish Government. The Director reported provisions had increased by £12,000 to £60,000 and relates to expected dilapidation costs for the RMA's old premises.
- 9.10. The Director reviewed the Notes to the Accounts and reported no changes to accounting policies.
- 9.11. The Committee noted the contents of the Annual Report and Accounts for 2013-14.

10. Auditor's report to those charges with governance (ISA 260 – Audit Committee Paper 176

- 10.1. The Auditor summarised for members the audit process noting that while the accounts were produced to timescale, unexpected RMA staff absences required auditors to schedule an additional day to complete testing and there was a delay in the receipt of pension information from MyCSP.
- 10.2. The Auditor presented the ISA 260 report to the Audit Committee and informed the Committee an unqualified opinion is expected in relation to the

financial statements subject to an outstanding matter being resolved. The Auditor informed the committee the RMA requires to obtain confirmation from Scottish Government regarding the treatment of a £14,000 saving from prior year accrual.

Action: DBP

- 10.3. The Auditor reviewed the proposed Independent Auditor's Report and requested members to note the draft Letter of Representation under Appendix B of the report.
- 10.4. The Auditor informed the Committee the audit contained five recommendations as detailed under Appendix A of the draft Annual Report. The Auditor discussed with the Committee the details of the recommendations, agreed management actions and timescale for implementation.
- 10.5. The Committee noted the ISA 260 report, the supporting independent auditor's report, draft Letter of Representation and the Annual Report and expressed their thanks to Mr Haseeb and his staff for their support during the audit process.

11. Approval of Annual Report & Accounts 2013-14 – Audit Committee Paper 177

- 11.1. The Chair introduced the paper requesting Committee to consider for approval the signing of the Annual Report and Accounts by the Chief Executive.
- 11.2. The Committee noted the papers presented in support of the Annual Report and Accounts and recommended the Chief Executive to sign the Annual Report & Accounts 2013-14, subject to the amendments requested.

Decision

12. Terms of Reference Review – Audit Committee Paper 178

- 12.1. The Director of Business Performance presented Paper 178, which required the Committee to review the re-drafted annual business calendar under Appendix 1.
- 12.2. The Committee reviewed the calendar with the External Auditor and agreed that the external audit plan for the forthcoming year continue to be presented at the December committee meeting.
- 12.3. The Committee reviewed the timetable with the internal auditor and agreed the internal audit plan for the forthcoming year be presented at the March Committee meeting for final approval.
- 12.4. The Internal Auditor informed the Committee the current Service Level Agreement will be replaced by a Memorandum of Understanding (Shared Service Agreement). The Committee noted that a transfer of funds is also required, and requested that service arrangements relating to costs and

deliverables be incorporated into the annual audit plan. The Committee requested the Memorandum of Understanding and draft audit plan be presented at the December meeting. The Committee noted internal audit will have prior engagement with senior staff in relation to the drafting of the plan

Action: IA

- 12.5. The Committee requested that when developing the plan Internal Audit be flexible regarding implementation dates in accordance with need, and that the final plan should include agreed timescales. The Internal Auditor confirmed this should not present any major difficulty.

13. Audit Committee Annual Report – Audit Committee Paper 179

13.1. The Director of Business Performance presented the draft Annual Report for the Committee to review. The Director informed members several items required completion.

13.2. The Committee noted the contents of the self assessment and agreed the following responses for outstanding items:

- Under the section of internal control, the Committee requested the outstanding item be split into two questions, the first part ending in *Governance Statement*. The committee agreed a response to Yes for part 1 and No for part 2. The Committee requested a comment be noted that the No response did not represent a concern.
- Under financial reporting the committee agreed a response of Yes for the remaining item
- Under internal audit the committee agreed a response of Yes for the remaining item
- Under external audit the committee agreed a response of No for the remaining item
- Under priorities for the forthcoming year the Committee agreed this should include monitoring the impact of the resource issue involving the OLR process and to consider the impact of controlling the number of accredited assessors.

13.3. Subject to the above additions, the Committee approved the Annual Report be submitted to the Board.

Monitor

14. Corporate Risk Register – Audit Committee Paper 180

14.1. The Director of Business Performance presented a summary of the Corporate Risk Register and advised the Committee the risk register currently contained 13 active risks of which zero were classified as high risk, 7 were classified as medium risk and 6 were classified as low risk.

14.2. The Director reported that over the period of review no new risks were identified, zero risks increased and 5 risks reduced. The Director highlighted to the Committee the mitigating reasons for the reduction in the five risk items.

14.3. The Director informed the Committee several risks were removed from the register as they were considered no longer reportable. The Committee noted the removal of the following risks from the register:

- *E6: Impact of SG Consultation on redesigning the Community Justice System*
- *E1 The risk that the First Minister's Review and Cabinet Secretary's proposal that the RMA cease to be an NDBP results in a loss of corporate identity and threaten the ethos of integrated risk assessment and management*
- *E5 The risk that the RMA's office accommodation sub-lease cannot be renegotiated and renewed*

14.4. The Director informed the Committee a full review of the corporate risk register is scheduled for July and an update will be provided to members at the September meeting.

14.5. The Committee noted the contents of the Risk Register Report.

15. Internal Audit Recommendations Progress Report – Audit Committee Paper 181

15.1. The Director of Business Performance presented the report regarding implementation of internal audit recommendations resulting from the 2013-14 audit.

15.2. The Director informed the Committee that following the audit work in 2013-14 Internal Audit made six recommendations; 2 medium priority and 4 low priority. The Director informed the Committee all recommendations were planned for completion by September 2014.

15.3. The Director noted that two low priority recommendations from the previous year audit remained outstanding and these were scheduled for completion by August 2014.

15.4. The Committee noted the contents of the audit update report.

16. External Audit Recommendations Progress Report – Audit Committee Paper 182

16.1. The Director of Business Performance presented the report regarding implementation of external audit recommendations resulting from the 2012-13 audit.

16.2. The Director informed the Committee that following the audit work in 2012-13 Internal Audit made five recommendations and that all recommendations were implemented.

16.3. The Committee noted the contents of the audit update report.

Note

17. Business Continuity Plan – Audit Committee Paper 183

- 17.1. The Director of Business Performance presented the Business Continuity Plan to the Committee.
- 17.2. The Committee noted the contents of the plan and agreed it would be beneficial to “Test” the plan. The Committee commented the most likely scenarios of business interruption would be restricted access to premises, IT systems failure or accessibility to employees.
- 17.3. The Director informed the Committee a desktop test would be scheduled for Q2 and a report on the outcome of the “Test” will be submitted to the Committee

18. AOCB

- 18.1. The Chair asked the Committee if there were any other items of business.
- 18.2. There being no other business the Chair thanked those in attendance and closed the meeting.

Date of next meeting – 15 September 2014