

**MINUTES: AUDIT & ASSURANCE COMMITTEE MEETING
2 December 2022, Virtual Meeting**

Present

Mr Jim Farish
Ms Jane Davey
Mr Stephen McAllister

In Attendance

Mr Mark McSherry, Chief Executive
Mr Paul Keoghan, Director Corporate Services
Ms Margaret Smith, Communications Officer
Ms Julie McCullagh, Finance and Governance Officer
Mr Jim Montgomery, Scottish Government – Internal Audit
Mr Gary Gibb, Scottish Government - Internal Audit
Mr David Meechan, Audit Scotland - External Audit
Ms Liz Maconachie, Audit Scotland – External Audit

Welcome

1. The Chair called the meeting to order at 14:00 and welcomed all present.

Apologies

2. The Chair noted apologies submitted for Mr Terry Powell.

Declarations of Interest

3. The Chair called for any declaration of interest and noted none were declared.

Approval of Previous Minutes

4. The Committee reviewed and approved the minutes of the meeting held on 15 August 2022.

Matters Arising

5. The Chair delivered a verbal update from the National Audit & Risk group regarding emerging fraud trends and seeking opportunities to collaborate.

Chief Executive

6. Chief Executive Update – Committee Paper 468

- 6.1. The Chief Executive presented the paper and informed the committee of RMA's ongoing consultation in the Domestic Abuse Bill and the National Care Service, the involvement in scoping the review of the Independent Review of Victim Notification Scheme and engagement with agencies and groups over responses to the Victim's Code for Scotland, the Restorative Justice Action Plan and counter terrorism.
- 6.2. The Chief Executive also updated the Committee on the review of the Sponsorship Framework and emerging budget discussions with Sponsor dept. The Chief Executive confirmed updates on these matters will be provided to the Board in December.
- 6.3. The Committee members noted the contents of the Chief Executive update.

Items for Monitoring

7. Corporate Risk Register – Committee Paper 470

- 7.1. The Director Corporate Services presented the paper and updated the Committee on the current status of the Corporate Risk Register. There are currently five risks on the register after two were moved to Tolerate and one to Terminate. No new risks have been included in the register.
- 7.2. The Committee was informed of one risk going from medium to high. This is the risk of industrial action. The Committee was advised the management continue to engage with PCS and have advised Scottish Government of possible impact of any such action.
- 7.3. The Committee was informed of one risk decreasing in score due to change in scoring method but still remains a high risk. This is the risk that future funding may not be adequate which is due to the Scottish Government being unable to provide a commitment to meet the increased baseline funding. The management advised ongoing discussions with Scottish Government will continue.
- 7.4. The Committee noted the contents of the Corporate Risk Register.

8. Review Internal Audit Recommendations – Committee Paper 472

- 8.1. The Director Corporate Services presented the paper and updated the Committee on the implementation of recommendations resulting from fieldwork conducted by Internal Audit covering 2020-21. There are currently two recommendations outstanding.
- 8.2. The Committee noted one low risk recommendation has yet to be implemented. This is the recommendation to implement lessons learned into the complaints process.

- 8.3. The Committee noted one medium risk recommendation has commenced and should be completed in Q4. This is the development of an internal communications strategy.
- 8.4. The Committee noted the update report on the Internal Audit Recommendations report.

9. Review External Audit Recommendations – Committee Paper 473

- 9.1. The Director Corporate Services presented the paper and updated the Committee on progress in relation to recommendations contained in the External Auditor's annual report for 2020-21.
- 9.2. The Committee was informed that one recommendation has been delayed due to staff resources but is due for completion by Q1 2023/24. This is the recommendation that the business continuity plan review be brought forward and aligned with hybrid working.
- 9.3. The Committee noted the update report on the External Audit Recommendations.

10. Review Fraud Policy – Committee Paper 474

- 10.1. The Director Corporate Services presented the Fraud Policy to the Committee and advised no amendments to the policy were proposed.
- 10.2. The Committee reviewed and noted the contents of the Fraud Policy and requested a future fraud risk assessment be considered when resources allow.

11. Directorate for Internal Audit & Assurance (DIAA) Progress Report – Committee Paper 480

- 11.1. Mr Gibb presented the DIAA Progress Report to Committee Members.
- 11.2. The Committee noted the proposed 3% increase in internal audit fees.
- 11.3. The Committee noted that fieldwork on governance arrangement is in progress and due for completion in Q3.
- 11.4. The Committee noted there is one follow up item on the report which is awaiting information to confirm progress. This is the Community Readiness for Order for Lifelong Restriction. Mr Gibb verbally informed the committee that information had subsequently been received and would provide an update at the next meeting.
- 11.5. The Committee noted the DIAA Progress Report.

12. Annual Report and Accounts 2021-2022 – Committee Paper 475

- 12.1. The Director Corporate Services presented the Annual Report and Accounts 2021-2022 to the Committee, comprising 3 parts –

a) **Performance Report:**

The Director informed the Committee the performance report presents key achievements and performance matters over the course of the year. The Director highlighted the following information presented in the performance report:

- i) OLR process information – including a focus on growth in OLR population to 217 individuals; age at sentencing and population location.
- ii) Increase in the number of accredited assessors
- iii) Growth in staff resources
- iv) Increase in website engagement
- v) Commencement of research studies to (a) examining the behaviour characteristics of those subject to the OLR (b) exploration of individual experiences of release and recall on the OLR
- vi) Responses to consultations including National Care Service and Bail and Release from Custody Bill
- vii) Publication of literature review relating to counter terrorism
- viii) Financial expenditure of £1,742k and capital expenditure of £4k
- ix) Covid impact statement

The Director also highlighted the report presented the following activities as future priorities:

- i) Commence strategic review of the operation of the OLR
- ii) Publication of a series of research papers on the OLR population
- iii) Commence a review of FRAME

b) **Accountability Report:**

The Director informed the Committee the accountability report reviews governance arrangements evidenced through a Directors' Report; Statement of Accountable Officers Responsibilities; Governance Statement; Staff Report; Parliamentary Accountability Report and the Independent Auditor's Report. The Director highlighted the following information presented in the accountability report:

- i) The Board report reflects changes to Board membership; committee structures; member meeting attendance and board remuneration. The report also highlights the Accreditation Committee required a significant attendance rate in 21-22
- ii) Fair pay data has been updated to include information on quartile data
- iii) Staffing resource increased from 20.5 to 24.3 which resulted in an increase in staff costs from £1,168k to £1,389k
- iv) Sick absences increased from 2.6% to 5.2%

c) **Financial Statements:**

The Director informed the Committee the financial statements present the income and expenditure statement; the statement of financial position; the statement of cash flows and supporting notes to the accounts. The Director highlighted the following information as presented in the financial statement:

- i) Total expenditure amounted to £1,742k which includes staff costs of £1,389k and operating costs of £353k. This represents an overall increase of £161k on the previous year
- ii) Financial reserves reduced by £5k to £244k
- iii) The notes to the accounts have been updated to reflect the implementation of IFRS16 in 22-23 which impacts the treatment of leased assets including office leases

12.2. The Committee noted the contents of the Annual Report and Accounts 2021-2022.

13. External Auditor Annual Report – Meeting Paper 477

13.1. Ms Maconachie thanked all those involved in providing audit information and responding to queries so expediently. She presented the External Annual Audit Report and informed the committee of the following main judgements:

a. 2021/22 Annual Report and Accounts:

- i. The RMA's financial statements give a true and fair view and were properly prepared.
- ii. Expenditure was incurred in accordance with applicable enactments and guidance.
- iii. 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.

b. Financial Sustainability

- i. The RMA achieved financial balance in 2021/22 and is forecasting a break-even position for 2022/23.
- ii. Budget forecasts indicate that the RMA is facing a potential cumulative funding gap of £1.006m over the five years 2023/24 – 2027/28, using agreed 2022/23 budget expenditure as a baseline. RMA expenditure is mainly staff costs and without sufficient funding the RMA may be unable to deliver certain services required by legislation.

c. Governance and Transparency

- i. Disclosures in the Governance Statement are consistent with the financial statements and the statement has been prepared in accordance with the relevant statutory guidance
- ii. The RMA's governance and transparency arrangements are appropriate
- iii. Board and Governance Committees continued to meet on a remote basis throughout 2021/22 due to the ongoing Covid-19 pandemic.

13.2. Ms Maconachie highlighted there were delays in auditing the annual report and accounts due to audit resourcing priorities and the Committee noted the Director Corporate Services' preference of reverting to the original timetable due to competing time pressures within the RMA to provide the audit information.

13.3. ISA 260 requires significant findings to be reported regarding those charged with governance, including qualitative aspects of the RMA's accounting practices. Ms Maconachie advised the Committee that no significant issues were reported from the audit.

13.4. Ms Maconachie highlighted the following recommendations in the report with the agreed Action Plan:

Annual Report and Accounts

- i. Management should review the performance report for the 2022/23 accounts to ensure compliance with the Government Financial Reporting Manual (FReM), consider reducing the length and identify areas that could be improved further.

Governance and Transparency

- ii. Compliance with 2018 accessibility regulations – all public bodies must meet the requirements set out in the Public Sector Bodies (Websites and Mobile Applications) (No.2) Accessibility regulations 2018
- iii. Equalities and Diversity - The RMA should provide appropriate training to existing staff and update the current induction pack for new employees and members to include training materials relating to equalities and diversity.
- iv. Best Value Self-Assessment – The annual Best Value self-assessment should be reviewed and approved the by the Board prior to publication.

13.5. Committee Members noted the External Annual Audit Report and Action Plan.

14. Proposed Audit Opinion and Letter of Representation (ISA 580) – Committee Paper 475

14.1. Ms Maconachie introduced the document which is split into 2 parts –

- b. Proposed Audit Opinion - This states the auditor anticipates to issue an unqualified report, along with a summary outcome of the audit.
- c. Letter of Representation (ISA 580) This letter is to be signed by the Accountable Officer and provides the external auditor with written assurance on aspects of the financial statements including judgements and estimates made.

14.2. The Committee noted the proposed Audit Opinion and Letter of Representation (ISA 580).

Items for Approval

15. Approval of Annual Report and Accounts 2021-2022 – Committee Paper 479

- 15.1. The Audit and Assurance Committee, being satisfied with assurances provided by the Accountable Officer, Internal and External Auditors, therefore approved the Annual Report and Accounts 2021-2022.

Items for Noting

16. DIAA October 2022 Bulletin

16.1. The Committee noted the contents of the DIAA October 2022 Bulletin.

17. EY Thought Leadership Considerations for DIAA Report

AOCB

18. The Committee noted the contents of the EY Thought Leadership Considerations for DIAA Report.

19. The Director informed the Committee Section 22 of the Public Finance and Accountability (Scotland) Act 2000 states the auditor must send the account and audit report to the Auditor General and thereafter the Scottish Ministers with sufficient time to lay before Parliament within 9 months of the financial year end. It was noted this provision was suspended during the covid pandemic and it is unclear if this has been reinstated.

20. The Director Corporate Services advised the Committee that closure of the Cabinet Secretary Office on 13th December 2022 may result in failure to lay the annual report and accounts prior to 31 December.

21. The Committee noted the update on laying annual report and accounts prior to 31 December.

22. There being no other business the Chair thanked all in attendance for their contribution and called the meeting to a close at 15:22.

Date of Next Meeting

23. The Committee noted the date of the next meeting will be 13 February 2023.