

MINUTES

Audit & Risk Committee Meeting

17th November 2022, 1.30pm – 4.30pm

Board Room, Waverley Gate Edinburgh

Present:

David Brew (DB)	Chair and Board Member
Duncan Cockburn (DC)	Board Member
Carol Main (CM)	Board Member
Philip Long (PL)	Board Member
Yahya Barry (YB)	Board Member
Brian Montgomery (BM)	Non-Board Member

In Attendance:

Liz Maconachie (LM)	Audit Scotland
Neil McLean (NMc)	Audit Scotland
Elizabeth Young (EY)	Azets
Ian Stevenson (IS)	Director Finance, Creative Scotland
Anne Langley (AL)	Executive Director
Stephen Valley Allan (SVA)	Finance Manager
Roseann Clark (RC)	Executive Assistant (Note taker)

1.0	Apologies and declarations of interest
1.1	No apologies and no new declarations of interest were noted.
2.0	Draft Minutes of the Audit and Risk Committee – 25 August 2022
2.1	Minutes from the previous meeting were approved as an accurate note of the meeting. IS noted that the minutes will now be published.

3.0	Previous meeting action update and Matters Arising
3.1	<p>IS provided an update on the status of actions and the Committee agreed the following:</p> <p>August 2021 9.2 – IS reported that a Board session on CS systems has been scoped and date is to be arranged.</p> <p>August 2022 3.2 - Charitable Status - IS would draft a policy paper in consultation with DB for consideration at a future Board meeting. Action: IS</p> <p>5.7 - Timing of internal audit Future Funding Framework review to be reconsidered given recent FFF communications- for discussion at item 17- Next Meeting Draft Agenda.</p> <p>9.1.6 – Permission for staff to use cheaper non-economy travel should be reconsidered at time of agency contract retendering (date t.b.a.). Action: AL/IS</p> <p>All other actions were noted as completed.</p>
4.0	Annual Report and Accounts – Creative Scotland
4.1	The Creative Scotland Group Annual Report and Accounts for the year ending 31 March 2022 were presented to the Committee. It was noted that all areas are completed, with the Chair and CEO report subject to a final review.
4.2	SVA explained that a misstatement was detected during the audit process in relation to a grant writeback which was not communicated to funding and finance teams and was not processed in 2022/23. The executive proposed that this should not be adjusted and confirmed it was below Audit Scotland's materiality level. The Committee agreed with this proposal.
4.3	It was noted that the Future Funding Framework commentary required updating following recent external communications on the subject. There were other minor wording suggestions for the Chair and CEO report, and some minor updates for the Performance Report. Action: SVA
4.4	The Committee discussed the composition of the CS Board by sex disclosure within the Remuneration and Staff Report in relation to the upcoming requirements of the Gender Representation on Public Boards (Scotland) Act 2018 that public bodies meet the target that 50% of the board's non-executive members are female. It was agreed that a line would be added to the disclosure noting that Board appointments are the responsibility of the Scottish Ministers. Action: SVA
4.5	The Committee noted that the Nominations Committee had not met for some time and noted that the Committee Chair completes their final term of office in July 2023. DB agreed to discuss this with the Chair of the CS Board. Action: DB

4.6	The disclosure on social matters was discussed, noting this is a standard heading required by the Financial Reporting Manual. It was agreed that further disclosures on EDI may be beneficial in this section of next year's report. It was agreed that YB would discuss EDI reporting in the upcoming Annual Review with the Director of Communications. Action: YB
4.7	The Committee approved the Creative Scotland Group Annual Report and Accounts, subject to the proposed amendments, and agreed that the completed document be presented to the CS Board for approval at its meeting on 1 December 2022.
5.0	Annual Report and Accounts – Creative Scotland National Lottery Distribution Fund
5.1	The Creative Scotland National Lottery Distribution Fund Annual Report and Accounts were presented to the Committee, noting that disclosures highlighted in yellow were identical to those in the Creative Scotland Group Accounts discussed earlier. As discussed for the CS Group Accounts, the Chair and CEO Report requires a final review.
5.2	The Committee approved the Creative Scotland NLDF Annual Report and Accounts, subject to the aforementioned update and agreed that the completed document would be presented to the CS Board for approval at its meeting on 1 December 2022.
6.0	Audit Scotland Annual Report and Letters
6.1	LM and NM presented the Audit Scotland Annual Report for 2022/23, and the ISA 580 requirements (Audit Opinion and Letters of Representation).
6.2	NM confirmed the audit was complete, subject to some minor outstanding issues.
6.3	Key audit issues highlighted were the misstatement noted above in section 4.2, which Audit Scotland confirmed was below their materiality and would not impact their opinion in the CS Group Accounts. NM confirmed that their testing showed this was an isolated item.
6.4	All recommendations in the Annual Report were discussed and noted.
6.5	An additional item, re delays in completion of declaration of interests by some members of the Senior Leadership Team, was noted verbally, and this would be added to the Report prior to publication.
6.6	The Performance Report in the Annual Report and Accounts was discussed, and it was agreed that the wording as presented met the requirements of the Financial Reporting Manual, provided that improvements in data collection were planned for the 2022/23 Performance Report.
6.7	The Committee noted the report and endorsed the proposed management

	representations to be made by the Accountable Officer.
7.0	Shorestage Limited Annual Report and Accounts
7.1	SVA presented the Shorestage Limited Annual Report and Accounts for the year ending 31 March 2022. The Accounts are consolidated into the Creative Scotland Group Accounts and are audited by Chiene and Tait.
7.2	SVA informed the Committee that Chiene and Tait had completed their audit, and there was one minor unadjusted difference in relation to income recognition.
7.3	The Committee noted the Shorestage Limited Annual Report and Accounts.
8.0	CEO, Executive Director, and Directors' Certificates of Assurance
8.1	IS presented the Certificates of Assurance noting that all of them confirmed that internal controls have been operating effectively in their areas and that there was nothing to be raised in relation to the Governance Statement in the Annual Report and Accounts.
8.2	The Committee noted with satisfaction the Certificates of Assurance from Senior Management but agreed the External Auditor's recommendation that they should in future be backed up by a completed checklist. Action: IS to draft checklist
Break	Private Session with External Auditor The Committee met privately with Audit Scotland for its annual review. The Chair undertook to report back to the Accountable Officer on any matters arising for management action. Action: DB
9.0	Internal Audit review- Grant Funding Administration
9.1	EY presented the report, which concluded that there was a generally robust system in place for the administration of grant funding. One minor recommendation was identified with a view to implementing a reporting mechanism to highlight overdue monitoring reports.
9.2	The Committee noted the report.
10.0	Internal Audit review- Follow up
10.1	EY explained that this was the first follow up review undertaken by Azets, and that it aligned the previous internal auditor's grading to those used by Azets, to ensure consistency moving forward.
10.2	The Committee noted the progress made by management in implementing recommendations and updated timescales for some.
10.3	The Committee agreed that Azets & IS would meet to discuss the relevance of

10.4	some of the recommendations and provide an update at the March Committee meeting with final proposals provided at the June meeting. Action: Azets/IS The Committee noted the report.
11.0	Audit & Risk Committee Self Evaluation Questionnaire Results
11.1	The self-evaluation results received from 4 Committee members were reviewed. The following areas were discussed: <ul style="list-style-type: none"> • Training, development and mentoring for new or less experienced members could be improved • EY suggested that an internal audit review of Committee and Board effectiveness could be done - the Committee would consider this alongside the findings of the Corporate Governance Review • DB noted that Committee effectiveness was reviewed at the annual 1-1 Committee Chairs undertook with the Board Chair and that one is due after Christmas • On non-Board members' Committee roles: DB updated that he would be meeting the CEO, Chair and Chair of the F&GP Committee to discuss these roles
11.2	The Committee concluded that it had operated effectively during the 2021/22 financial year.
12.0	Audit & Risk Committee Terms of Reference (ToR) Review
12.1	IS noted the preference to keep all Board Committee ToRs consistent and that the F&GP ToR was under review. As a result, any further amendments to the ToR that require approval out with a committee meeting will be circulated via email by IS in the coming months. Action: IS
12.2	It was agreed to remind other Board members that they are invited to attend committee meetings as observers and that the schedule of meetings should be communicated more widely.
12.3	The committee noted and agreed minor changes that would be incorporated in the updated version to be circulated for electronic approval.
13.0	Audit & Risk Committee Annual Report
13.1	IS presented an overview of the report.
13.2	DB requested that, in the first bullet of section 9.1 re the internal audit opinion, it would be helpful to include the satisfactory subsequent action that has been taken on the points raised. The committee agreed to delegate wording around this to DB and IS and present the final report to the 1 December Board meeting. Action: IS/DB
13.3	The Committee agreed the report subject to the above amendment.

14.0	Risk Register Review
14.1	IS provided an overview of the updated risk register
14.2	YB noted that, given the significant amendments made, it would be beneficial to have a more detailed review in a separate session. The Committee agreed and asked that a session should be planned for late January or early February, and that other Board members should be invited.
14.3	DC also requested that there should be a more in-depth focus on the mitigants, including more significant actions that could be taken e.g., changes in strategic direction. DC stated that he would provide examples of these mitigants so that equivalents for CS could be presented at the in-depth session. Action: DC
14.4	DC also commented that a wider discussion on Risk Policy would be beneficial. It was agreed that IS would update the risk policy document for discussion at this meeting. Action: IS
15.0	Policy Review
15.1	<u>Whistleblowing</u>
15.1.1	IS presented the policy, noting that the previous version underwent a substantial review by the Committee. IS proposed minor changes as there have been minimal changes in legislation and best practice since the last review.
15.1.2	DB indicated that some additional modifications proposed at the time of the last review had not been incorporated. Some of the drafting was also inapplicable to Board Members as opposed to members of staff.
15.1.3	The Committee noted that the guidance had not been put to the test, since no whistleblowing complaints had been made under the policy. DC noted that experience elsewhere suggested that a significant level of process detail was beneficial in order to avoid difficulty where whistleblowing complaints were made.
15.1.4	It was agreed that IS should circulate an updated draft, with greater clarity as to the steps to be taken by staff members on the one hand and Board Members on the other. Consideration might also be given to including guidance on the handling of public interest disclosures from an external source. Action: IS
15.2	<u>Anti-Bribery</u>
15.2.1	IS presented the policy, noting that the legislation and best practice has not changed materially since the last version therefore only minor wording changes are proposed.

15.2.2	The Committee noted the policy and approved the minor changes.
16.0	Other Governance Matters
16.1	IS provided an update on the previously discussed 2020 suspected fraud, noting that legal processes are continuing.
17.0	Next Meeting Draft Agenda
17.1	The draft agenda for the next meeting was discussed and approved with the following noted: <ul style="list-style-type: none"> the Financial Planning internal audit review would be postponed to the June meeting; as regards the second part of the FFF internal review, it was noted that there was to be an update at the 1 December Board meeting which would provide further context in light of the revised timescales: it was agreed that the timing of this review would be considered thereafter.
17.2	It was agreed that the cyber security review would be included on the March agenda, alongside all outstanding recommendations on the IA tracker relating to IT/digital. Gordon Barnes, as action Officer, should be invited to the meeting for these items. The remaining actions on the IA tracker would be reviewed at the June meeting on the basis of an updated report from Azets.
17.3	The Corporate Governance review would be circulated when complete and included in the March agenda.
18.0	Any Other Business
18.1	IS noted that it was the last meeting for LM and NMCL from Audit Scotland, noting that new colleagues will be attending future Committee meetings. The Committee expressed their thanks to Audit Scotland colleagues for all their hard work over the years.