

MINUTES

Audit & Risk Committee

1.30pm – 5.00pm

25 August 2022, Board Room, Waverley Gate, Edinburgh

Present / An Làthair:

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| David Brew (DB) | Chair and Board Member |
| Carol Main (CM) | Board Member |
| Philip Long (PL) | Board Member |
| Yahya Barry (YB) | Board Member |

In Attendance:

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| Liz Maconachie (LM) | Audit Scotland |
| Elizabeth Young (EY) | Azets |
| Andrew Diffin (AD) | Azets (Items 1-6) |
| Stephanie Hume (SH) | Azets |
| Iain Munro (IM) | CEO, Creative Scotland |
| Ian Stevenson (IS) | Director Finance, Creative Scotland |
| Gordon Barnes (GB) | Head of Digital (Item 10) |
| Roseann Clark (RC) | Executive Assistant (Note taker) |

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| 1.0 | Apologies and declarations of interest |
| 1.1 | Apologies received from Duncan Cockburn and Brian Montgomery. There were no Declarations of Interest noted in relation to the items on the agenda. |
| 2.0 | Draft Minutes of the Audit and Risk Committee – 16 June 2022- for publication |
| 2.1 | It was noted that the minutes from the previous meeting were agreed as an accurate record of the meeting through e-mail circulation prior to the meeting. |
| 2.2 | IS noted that the minutes from each meeting will now be published on the CS website. The Committee noted this. |

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| 3.0 | Previous meeting action update and Matters Arising |
| 3.1 | IS provided a brief update on actions noting the following: |
| 3.2 | 4.1 Charitable Status – The Committee noted that Scottish Charity Law could be amended to include provision for CS to meet the charity test (as for the National Museums, Galleries and Library). There was an outstanding action to advise the Board of any implications in order to allow a decision in principle to be taken on whether to approach Ministers. DB requested that, before a decision is made as to whether to request this, a quantification of the financial and other impacts should be provided. Action IS |
| 3.3 | March 2022- 6.2 –Amendment to Internal Audit Performance Report. IS provided revised wording just received from Henderson Loggie which the Committee approved and agreed that the Action was complete. |
| 3.4 | March 2022- 9.2 – Board Digital training- IM updated that the session content has been agreed with the Digital Team and is to be scheduled. |
| 3.5 | June 2022 – 6.2 – The Committee approved the revised Board Approval Cover Sheet attached at Appendix 1. |
| 4.0 | Risks and Issues: |
| 4.1 | IS provided a brief overview of the Board risk workshop discussion which took place on 4 August, and presented a revised approach to managing risks and issues and how this would be developed over forthcoming months. |
| 4.2 | IS noted agreement in principle that the current Board risk appetites be amended in line with best practice to “averse; minimal; cautious; open; and eager/hungry”. |
| 4.3 | IS noted that the Board Risk Workshop concluded that the reduction in Scottish Government funding was the key risk to be focussed on and that the different impacts of this risk needed specific mitigations that should be considered, prioritised, and monitored. The Committee agreed that the presentation of Appendix 2 should be incorporated in the Corporate Risk register with associated scoring and mitigants, adapted in the light of the Committee’s discussion. Action IS |
| 4.4 | It was proposed that, in addition to the Corporate Risk register, sub-registers be prepared at Executive Director level, noting that one is already in place for Screen. IS stated that this was subject to further Executive review, and this was agreed in principle by the Committee. These will be worked at over the next few months with drafts being brought to the November Committee. |
| 4.5 | The Committee agreed the direction of travel of the proposals and noted the update. |
| 5.0 | Internal Audit Review – Multi-year Funding |

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| 5.1 | EY updated that AD would be leaving Azets and introduced SH as the new Senior Auditor who will be undertaking reviews and attending future Committee meetings. DB welcomed SH on behalf of the Committee. |
| 5.2 | EY noted that, at the time of review, the delivery plan had not been finalised, and IM confirmed that the plan had been published on the intranet that morning. It was noted that the design process was comprehensive and robust. It was also noted that there are resource constraints within the organisation which need to be carefully managed within the delivery phase given competing workload priorities. |
| 5.3 | EY noted that the end of the design phase was a key point in time for the organisation to reflect on the achievability of its current plan to go live with applications and consider the steps that need to be taken to meet or amend that goal. CS should consider the allocation of resource and target dates against the outstanding tasks and an assessment made as to any contingency arrangements that may be required. |
| 5.5 | EY recognised that the major uncertainty around the level of funding that will be available to support applicants made the modelling of outcomes of decisions too difficult to undertake at present. EY noted that the available budget will be a major factor in the Fund's perceived success. |
| 5.6 | IS confirmed that all recommendations made in the review had been accepted by the Executive. |
| 5.7 | The Committee requested that the balancing process element be considered for review in 2023. Action: IS to discuss with Azets inclusion in 2023/24 plan. |
| 5.8 | DB noted that the report was helpful and made a series of valid points. The Committee thanked AD for conducting the review and wished him well in his new role. |
| 6.0 | Internal Audit Plan 2022/23 |
| 6.1 | IS noted that the draft plan was discussed at the June Committee and agreed changes included in an updated version sent to the Committee via email in early July and included in the meeting paper. |
| 6.2 | IS noted that the Grant Funding Administration review was proposed to come to the August Committee but has been deferred to November. |
| 6.3 | The Committee agreed the 2022/23 plan. |
| 7.0 | Draft Annual Report and Accounts – Creative Scotland |
| 7.1 | IS provided a brief update, noting that the draft 2021/22 Creative Scotland Group Annual Report and Accounts are presented in draft for the Committee to review pending further review and recommendation for Board approval in November. IS noted outstanding areas for completion and that it had not been reviewed by Audit Scotland yet as their audit starts in October. |
| 7.2 | The Committee discussed the Committee review on 17 th November and subsequent Board review 2 weeks later on 1 December. It was agreed that that |

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| | <p>a placeholder for a Committee review meeting on 27th October should remain in case the 1 December Board meeting date changes. The placeholder could be cancelled if there were sufficient time after 17 November to take account of the Committee's views.</p> |
| 7.3 | <p>The Committee reviewed the draft 2021/22 Creative Scotland Group Annual Report and Accounts and noted the following:</p> <ul style="list-style-type: none"> • Page 18: Looking Forward- 5 bullets on what we commit to- suggest this is reworded but kept in line with the Annual Plan • Page 29: 3rd last para date to be updated to 2021/22 plus add a sentence re Azets taking over as Internal Auditors from Henderson Loggie • Page 30: reword first paragraph re the exceptions to the internal audit opinion • Page 35: double check CETV movements as look unusual (IS confirmed that these numbers come from the actuaries and the actuarial movements are often difficult to rationalise) • Page 37: dates in table should be 2021/22 • Pages 39-42: External audit report to be updated • Page 47: note 1.1 should refer to 2021/22 • Page 51: note 1.9- check whether Arts Council Retirement Plan valuation date should still be 31/3/19 as 31/3/22 valuation is in progress • Page 51: note 1.14 – check the tense of the statement as IFRS16 now adopted and comparatives amended • Page 68 – 2021-22 related party transactions- check to latest disclosures <p>Action: IS to make the noted changes to the document.</p> |
| 7.6 | <p>The Committee requested that Director Certificates of Assurance and CEO & Chair's report be provided at the 27th October meeting, if it goes ahead. Otherwise, they would be considered on 17 November.</p> |
| 8.0 | Draft Annual Report and Accounts – Creative Scotland National Lottery Distribution Fund (NLDF) |
| 8.1 | <p>IS provided a brief update, noting the financial position of the fund and the plans for spend that will be discussed and approved at future Board meetings.</p> |
| 8.2 | <p>The Committee discussed the NLDF's reserve position and the commentary on page 16 was noted.</p> |
| 8.3 | <p>The Committee discussed the Scottish Government directions given under the National Lottery Act and requested that a statement be added regarding compliance with the principles laid down.</p> |
| 8.4 | <p>It was agreed for any further feedback on the accounts be sent via email to SV.</p> |
| 9.0 | <u>Process Reviews</u> |
| | <p>IS provided a brief update noting that, as agreed at the last meeting, a schedule of the process reviews would begin from today's meeting.</p> |
| 9.1 | <u>Travel and Expenses Policy</u> |
| 9.1.2 | <p>IS introduced the detailed guidance for all staff on the procedure for travel,</p> |

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| | accommodation and reclaiming expenses, noting guidance on levels of expenditure and items which can be reclaimed. |
| 9.1.3 | It was noted that the main change is that all staff will use the CTM system (the Government procured travel booking provider) for booking travel and accommodation, enjoying lower rates due to the purchasing power of the Scottish public sector. Previously Office Services booked travel and accommodation on behalf of staff. |
| 9.1.4 | All staff will be given access to, and training on, CTM and the system will have pre-set limits which will prevent high-cost travel or accommodation being booked. The Office Services team will be able to book travel or accommodation above these limits with Line Manager e-mail approval and these will be reported to Directors and line managers. |
| 9.1.5 | CM highlighted the HMRC scale rates for foreign travel, which would be worth CS looking into also, to ensure the most appropriate rates available. Action: IS |
| 9.1.6 | Minor typos were noted in 1.4 and the bullets in 4.3. Action: IS |
| 9.1.7 | The Committee requested that the use of non-economy travel be looked at with a view to permitting such travel where cost savings could be documented as well as in relation to long-haul flights. Action: IS/IM |
| 9.1.8 | The Committee queried the Professional Development section of the policy. IS clarified that it only relates to one part of this area which covers staff gaining a better understanding of the organisations CS supports by buying tickets to see events either hosted or produced by them. |
| 9.1.9 | Subject to the above, the Committee approved the policy. |
| 9.2 | <u>Credit Cards Policy</u> |
| 9.2.1 | IS noted that there have been minor updates to this policy. |
| 9.2.2 | CS credit cards are issued for 3 purposes: <ul style="list-style-type: none"> • Directors: for business costs that cannot be booked through the expenses policy and processes • Film Commission: for activities that cannot be booked through the expenses policy and processes • Finance, Digital, Digital Comms, Office Services: to procure low value items and those which can only be purchased through online transactions |
| 9.2.3 | IS also noted that receipts will be matched to monthly statements by Finance, with any issues around appropriateness challenged by the Director of Finance. |
| 9.2.4 | The Committee queried whether the process would be subject to internal and external audit as described in sections 4. Also, IS was asked to include the removal and cancellation of cards when staff leave. Action: IS to clarify and amend. |
| 9.2.5 | Minor typos were identified in section and 4 and the table on page 5. Action: IS |

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| | to amend |
| 9.2.6 | Subject to the above, the Committee approved the policy. |
| 9.3 | <u>Procurement</u> |
| 9.3.1 | IS noted that the draft policy was based on mandatory Scottish Government detailed guidelines which are detailed and specific. CS's policy is heavily based on this, with hyperlinks to supporting detail. |
| 9.3.2 | IS noted that the policy will be accompanied by a 'How to Procure' guide which summarises the process and will be complemented by spreading awareness through the intranet and refresher training sessions with appropriate staff. |
| 9.3.2 | The Committee approved the policy. |
| 10.0 | Outstanding Internal Audit Recommendations Status Review- including Digital update |
| 10.1 | Gordon Barnes attended for this item to provide an update on progress in the last 9 weeks on the Digital items. The committee thanked GB for the comprehensive update and progress made. |
| 10.2 | IS provided an update on the non-Digital items noting that Azets will undertake a follow-up review and present it to the November Committee. |
| 10.3 | The Committee noted the update. |
| 11.0 | Other Governance Matters |
| 11.1 | IS provided an update on the previously discussed 2020 potentially fraudulent award, noting that CS are helping the Police in their enquiries. |
| 12.0 | Next Meeting Draft Agenda |
| 12.1 | The draft agenda for the next meeting was approved. It was agreed that Certificate of Assurance statements should be added as a separate item. |
| 12.2 | It was agreed that meetings going forward will be from 1.30pm – 4.30pm. RC will update all relevant diary invites. Action: RC |
| 13.0 | Any Other Business |
| 13.1 | There was no other business to discuss. |