

MINUTES

Audit & Risk Committee Meeting

23rd March 2023, 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

In Attendance:

Esther Scoburgh (ES)	External Auditor, Audit Scotland
Anne Marie Machan (AMM)	External Auditor, Audit Scotland
David Fraser (DF)	External Auditor, Audit Scotland
Elizabeth Young (EY)	Internal Auditor, Azets
Stephanie Hume (SH)	Internal Auditor, Azets
Iain Munro (IM)	Chief Executive, Creative Scotland
Ian Stevenson (IS)	Director Finance, Creative Scotland
Anne Langley (AL)	Executive Director Operations, Creative Scotland
Stephen Valley Allan (SVA)	Finance Manager, Creative Scotland
Roseann Clark (RC)	Executive Assistant, Creative Scotland (Note taker)

1.0	Apologies and declarations of interest
1.1	No apologies were received, no declarations of interest were noted. DB noted that Brian Montgomery, non-Board Committee member, has resigned from the Committee due to work commitments.
2.0	Draft Minutes of the Audit and Risk Committee – 17 November 2022

2.1	Minutes from the previous meeting were recorded as approved and 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 2022 – complete</p> <p>June 2022- complete</p> <p>August 3.2 - Charitable Status IS and DB drafting a paper for Board.</p> <p>November 2022:</p> <p>4.6 – YB and Director of Communications to discuss further disclosures on EDI. AL confirmed that the 2021-2022 Annual Review will be published shortly so the discussion will relate to future years.</p> <p>8.2 – Certificates of Assurance checklist will be completed after the 31 March 2023 year-end.</p> <p>10.3 – Outstanding Internal Audit Recommendations are being reviewed and covered by ongoing reviews and will be reported at the June Committee meeting. Action: IS: Gordon Barnes to be invited to this meeting.</p> <p>15.1.4- Whistleblowing policy – revised version with the appropriate amendments was agreed by the Committee.</p>
4.0	New External Audit Team Introduction and External Audit Annual Audit Plan 2022/23

4.1	ES provided an introduction as the newly appointed external auditor from Audit Scotland taking over from Liz Maconachie, noting the appointment is for a period of 5 years. ES is supported by AMM and DF.
4.2	ES noted that as part of preparing the report and getting to know Creative Scotland, meetings have taken place with the Chief Executive, Director of Finance, Finance Manager, Chair of the Audit and Risk Committee and the Internal Auditors.
4.3	The Audit Plan refers to the respective responsibilities for Creative Scotland and Audit Scotland under the new Code of Audit Practice 2021.
4.4	A summary was provided of planned audit work for the 22/23 financial year, noting that the main elements included evaluation of the key controls within the main accounting systems, an audit of the annual report and accounts, and provision of an Independent Auditor's Report.
4.5	The Audit will also consider arrangements in relation to financial management; financial sustainability; vision, leadership, and governance; and use of resources to improve outcomes.
4.6	Climate change and Cyber security are two new areas of audit focus for 22/23 and will be reported on as part of the 2022/23 Annual Audit Report.
4.7	Reporting arrangements and proposed timetable including sign-off of the annual audit has been agreed with management for the 27 November Board Meeting.
4.8	DB suggested that Audit Scotland review its references to the National Lottery Distribution Fund so as to make clear that NLDF was not an autonomous entity and reflect the fact that all of the accounting, preparation of financial statements and stewardship is the responsibility of Creative Scotland. Action: ES
4.9	Paragraph 13: a comma should be removed after 'and' and in the title of Exhibit 1. Action: ES
4.10	The audit fee was disclosed as £62,460 for Creative Scotland and £32,630 for the National Lottery Distribution Fund (an increase of 30% from the previous year). ES noted the reasons for the increase arising from the price charged by external firms in the new tender round. DB stated that the audit fee increase was discussed at Board and that Creative Scotland was dissatisfied with the increase. It did not agree that such a large increase in price was justified but recognised that the fee did not require its agreement.
4.11	The Committee noted the External Audit Plan 2022/23.

5.0	Corporate Governance Internal Audit Review
5.1	EY provided a summary of the review, noting that Creative Scotland has a generally well-designed structure in place with a small number of areas for improvement identified.
5.2	Appointing a governance coordinator was discussed and IM updated that this is currently being considered.
5.3	It was noted that the revised KPIs were approved on 1st March following the review fieldwork and will be included in the implementation of the new Monitoring and Evaluation Framework from April 2023.
5.4	It was agreed that IS & AL investigate developing a one-page dashboard report on KPIs to Board and Committees on a frequency to be determined by the specific KPIs. Action: IS & AL
5.5	On the point that Creative Scotland does not have a gender balanced board, resulting in non-compliance with the aims of the Gender Representation Act, it was highlighted that the Board Member appointment processes was out with CS control. It was noted that the recruitment process is delivered by The Scottish Government and appointments made by Ministers. It was agreed that EY would clarify the wording in the report. Action: EY
5.6	It was discussed and agreed with regards to the Board self-evaluation section that EY would redraft to: <ul style="list-style-type: none"> • reflect that the Audit and Risk and Finance and General Purposes Committees both use self-evaluation checklists; • provide more information on how internal and external feedback on Board performance can be sought other than the staff and external surveys that are currently undertaken. Action: EY
5.7	The Committee noted the review.
6.0	Internal Audit Progress Report
6.1	SH provided a brief overview of the report.
6.2	It was noted that the Corporate Governance review has been completed since the last meeting. Fieldwork is in progress for the Cyber Security review, which will be presented to the June meeting.
6.3	Future Funding Framework Administration fieldwork will now take place in May, to allow further work to be undertaken on the development of guidance. The report will be presented to the June Audit and Risk Committee meeting in addition to the following reports: Cyber Security Health check, Follow-up part 2 and Internal Audit Annual report.
6.4	The Committee noted the review.
7.0	Internal Audit Plan 2023/24

7.1	EY noted that 2023/24 is the second year of the 3-year plan, and the plan has been prepared in discussion with management. Finance, Funding and Cyber Security are covered as regular items plus reviews of the Future Funding Framework, Environment Strategy and Digital Strategy.
7.2	The Committee asked that the plan be cross-referenced to the risk register and brought back to the June meeting. Action: IS
7.3	It was agreed that IS & AL would investigate a potential tabletop test for the whistleblowing policy, potentially based around business continuity scenarios. Action: IS & AL
8.0	Risk Register Review
8.1	IS/AL gave an update on the development of the subsidiary registers, noting that escalating to the Corporate Registers has been explained to the sub-register owners and is overseen by AL/IS.
8.2	The draft reporting slide pack was reviewed and was welcomed overall with the heatmap providing additional clarity. Further possible improvements were noted. Future packs will include additional slides that examine specific risks in more detail and expand on the trend and mitigation information.
8.3	The Committee agreed that the current number of risks on the Corporate Registers is satisfactory and is sufficient for Board reporting. A&RC will flag relevant risks to Board as required and there will be an annual risk workshop with Board.
8.4	It was noted that minimising the number of risks to report to Board was advised so that Board could engage with the most important risks.
8.5	It was suggested that measures of the effectiveness of the risk management approach might usefully be added to the upcoming dashboard. The Executive will investigate whether effective metrics can be included. Action: AL/IS
8.6	It was agreed that the Risk Management Policy and supporting documents should be updated to reflect that identification of risks for the risk register will be both top down and bottom up. Typically, "bottom up" would be delivered through the newly established process and then A&RC and the annual risk review by Board would provide "top-down" identification. Roles and responsibilities 3.1 and risk register process 4. should be updated accordingly to better reflect the role of the Board. Annual risk review by Board should also be added to the policy. The revised policy would be circulated for final comment prior to publication. Action: IS
8.7	The Committee noted the risk update and DB thanked AL & IS for their ongoing development work and the good progress made.
9.0	Policy Reviews

9.1	2023/24 Delegated Authority and Budget Control Guidelines
9.1.1	IS provided brief background and stated that, as Funds and budgets are largely the same as last year, there has been minimal change to the 2022/23 document.
9.1.2	The only addition is the new Open Fund Extended Programme Fund; and the Executive Director of Operations role has been added in certain delegations.
9.1.3	IM noted in relation to the Budget Control Guidelines that decisions continue to be reported through the F&GP Committee.
9.1.4	The Committee agreed to recommend the 2023/24 Delegated Authority and Budget Control Guidelines to Board for approval.
9.2	Acceptance of Gifts and Hospitality
9.2.3	IS introduced the policy, noting that amendments had been made to align the policy with the relevant part of the newly published Board Code of Conduct.
9.2.4	It was queried how sections 3.8 and 4.2 and sections 3.4 and 4.1 interact and IS stated that he would clarify the wording and resubmit the policy to the June Committee. Action: IS
9.2.5	The acceptance of isolated gifts of a trivial character (Section 4.2) was discussed, noting that the proposed staff policy was not in line with the new Board Code of Conduct. The Committee requested that this area be considered further, and options presented to the next meeting. Action IS
9.3	Declaration of Interests
9.3.1	SVA provided a summary of the declaration of interest's policies in place for board members and CS staff, noting minor updates from the previous versions.
9.3.2	DB requested that the process be renamed "registration of interests" as the term "declaration of interests" referred to individual meeting governance and one-off agenda items.
9.3.3	It was noted that the policy was reviewed at SLT in March, with a recommendation made for directors to action in relation to the upcoming exercise in April 2023, to ensure completion in their respective directorates.
9.3.4	The policy for Board members has been updated to take account of the revised Code of Conduct for Board members, and the main changes are: requirements to disclose interests for close family members, and directorships of subsidiary companies.
9.3.5	The Committee requested minor changes in terminology for the CS staff policy, and requested clarification on the definition of close family members and what constituted a household in the guidance. Action: SVA

9.3.6	The Committee approved the policy subject to the above amendments.
10.0	Other Governance Matters
10.1	IS provided a brief update on an ongoing legal matter relating to a grant award where recovery had been sought.
10.2	Process for the Publication of Committee Minutes
10.2.1	The process of the publication of Committee Minutes was reviewed. It was agreed at DB's suggestion that the timescale for Committee Chair and Member reviews (Steps 4 and 7) be changed from 5 to 7 days. Action: RC
10.2.2	The committee approved the process subject to the above amendments.
11.0	Next Meeting Draft Agenda
11.1	The agenda for the next meeting was agreed. It was agreed to move the 15th of June meeting to 13 th June, with DC joining online. RC would send an updated diary invite. Action: RC
12.0	Any Other Business
12.1	There was no other business to discuss.