



ALBA | CHRUTHACHAIL

MINUTES

Audit & Risk Committee Meeting

16th November 2023, 1.30pm – 4.40pm

Board Room Waverley Gate Edinburgh/MS Teams

Present:

Patrick Brown (PB)	Board Member (Committee Chair)
Carol Main (CM)	Board Member
Yahya Barry (YB)	Board Member

In Attendance:

Esther Scoburgh (ES)	External Auditor, Audit Scotland
David Fraser (DF)	External Auditor, Audit Scotland (item 6)
Elizabeth Young (EY)	Internal Auditor, Azets
Rachel King (RK)	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
Kenneth Fowler (KF)	Director, Communications (for item 9)
Gordon Barnes (GB)	Head of Digital (for item 10)
Rachel Wilson (RW)	Internal Auditor, Azets
Roseann Clark (RC)	Executive Assistant, Creative Scotland (Notes)

1.0	Apologies and declarations of interest
1.1	Apologies received from Duncan Cockburn and Philip Long. YB noted that he is Chair of Glasgow Film, no other declaration of interests were noted.
2.0	Minutes of the Audit and Risk Committee August 2023
2.1	The Committee approved the minutes of the August meeting and PB requested that future minutes are to be approved electronically by Committee members.

3.0	Previous meeting action update and Matters Arising
3.1	<p>IS provided an update on the 5 incomplete actions:</p> <p>4.6 - Social Matters disclosure in statutory accounts- to be developed for 2023/24 accounts</p> <p>5.4 – KPI dashboard report on KPIs - deferred dashboard and implement with 2024/25 KPIs.</p> <p>7.3 - tabletop test – rescheduled for Q4, will be shared at the March meeting, YB & CM noted they would be happy to contribute if appropriate</p> <p>10.6 - Board Risk session -Due to new Board appointments date is still under consideration, IM noted that risks will be discussed at the November Board with a plan for the Board session to take place in the early 2024</p> <p>11.4 - full Policy listing provided for March 2024 meeting</p> <p>PB requested that delivery dates are included for future incomplete actions. Action IS</p>
4.0	Creative Scotland Annual Report and Accounts for the year ended 31/3/23
4.1	<p>IS provided a brief update noting the accounts also consolidate the financials of the subsidiary company, Shorestage Limited, which includes the required adoption of IFRS 16 regarding lease accounting.</p> <p>The Committee noted the follow minor amendments: P6- Multi-year risk reword section re Internal Audit P8 Comment re National Lottery reserves P17- the word 'data' should read 'date' P21 – 'Current' removed in relation to Board members</p> <p>Action IS to process.</p> <p>Subject to the changes noted above, the Committee recommended Board approval of the Creative Scotland Annual Report and Accounts for the year ended 31/3/23.</p>
5.0	Annual Report and Accounts for the year ended 31/3/23 – Creative Scotland National Lottery Distribution Fund
5.1	<p>IS provided a brief update re the National Lottery position, noting reserves at 31 March 2023 and our financial Position within the accounts.</p> <p>IS noted the reserves are shown at 31 /3/23 are £21m, however, £10m has been allocated at the September 2023 Board to cover a £6.6m Scottish Government Funding reduction and a £3.4m increase in open funds. This means that, if the 2023/24 budget is delivered, reserves at 31/3/24 will be £11m.</p> <p>The Committee noted the follow minor amendments: P7- Multi-year risk reword section re Internal Audit P17 comment re a significant part of the reserves having been used</p>

	<p>Action IS to process.</p> <p>Subject to the changes noted above, the Committee recommended Board approval of the Creative Scotland National Lottery Distribution Fund Annual Report and Accounts for the year ended 31/3/23.</p>
6.0	Audit Scotland Annual Report for the year ended 31/3/23 and Related Letters
6.1	<p>ES provided an overview of the audit and the related letters noting that the Annual Report was still being drafted.</p> <p>PB expressed disappointment at the Annual Report not being available and emphasised the importance that the Committee see the report before the Board approval decision to ensure the committee provided the relevant level of scrutiny expected. ES confirmed that the report would be provided as soon as possible.</p> <p>ES noted that work on both 22/23 audits is substantially complete, and it is anticipated she will be able to provide unqualified opinions for both Creative Scotland and the National Lottery Distribution Fund for the accounts to be presented at the Board meeting on 27 November.</p> <p>No adjustments were found during the audit and there were no unadjusted misstatements identified.</p> <p>Written representations are obtained from the Accountable Officer as part of the completion process and a standard letter is provided, in which the letters will be signed following the Board’s approval of the accounts.</p> <p>ES thanked all officers especially those in Finance for their support in her first year of a 5-year appointment.</p>
7.0	Shorestage Limited Annual Report and Accounts for the year ended 31/3/23
	<p>IS noted the draft accounts presented to the Committee at its meeting in August and that the Committee and Board are not required to approve these accounts as this will be done separately by the Directors, IM, and IS.</p> <p>A summary of the adjustments made IN relation to IFRS 16 lease accounting were provided.</p> <p>The Committee noted the accounts of Shorestage Limited for the period to 31 March 2023, noting their consolidation into the Creative Scotland Annual Report and Accounts for the year ended 31/3/23.</p>
8.0	Executive Director, and Directors Certificates of Assurance for the year ended 31/3/23 and Certificate of Assurance Internals Control Checklist
	<p>IS noted the certificates were completed in the summer and will be brought to the August Committee meeting in future. In addition, the related internal</p>

	<p>controls checklist has been completed with all areas marked green as complied with, or not applicable, with two minor exceptions.</p> <p>PB queried:</p> <ul style="list-style-type: none"> • checklist items 5.2/5.3 re whether finance procedures and delegated authority are in place. IS confirmed CS operate in compliance with the Scottish Public Finance Manual • checklist item 5.16 as to what Annual Accounts returns procedures are in place- IS responded that year end procedures are in place • checklist item 11.3 re Health & Safety training that it would be good to see the completion rates. Action: IS <p>IS noted the Director Assurance Statements confirmed that there are no significant matters arising which would require to be raised in the governance statement in the annual report and accounts.</p> <p>The Committee noted the certificates and checklist.</p>
9.0	Stakeholder Engagement Internal Audit Review
	<p>IS and RB provided an update, noting the of the 4 areas reviewed, 2 met the control objective with 2 recommendations for improvement and 2 met the control objectives with controls being adequate, effective, and efficient with no improvement recommendations.</p> <p>The recommendations related to the documented approval of the Communications plan and improvements to the Annual Applicants survey.</p> <p>CM queried how the Communications Plan is currently presented and KF noted that an overview will be presented to Board and IS noted that SLT agree the plan. KF agreed that the Team will more clearly demonstrate the activities they support, the protocols used and the strategies for media channels.</p> <p>The Committee noted the report.</p>
10.0	Internal Audit Follow-up Review Update
	<p>RK provided a summary of progress, noting the positive movement in completion of audit recommendations between August 2023 and November 2023.</p> <p>In an update to the report provided 4 recommendations are incomplete and 5 are partially complete.</p> <p>PB noted that despite the outstanding recommendations management have provided assurances via the certificates discussed earlier. Also, AL assured that the revised timescales for delivery of these recommendations will be met.</p> <p>The committee noted the report.</p>
11.0	Internal Audit Review Status Update

	<p>RB provided an update of the 2023/24 review schedule noting that good progress has been made.</p> <p>It was noted that Financial Planning review, which was planned to be presented to the November Committee had been slightly delayed with the review beginning the following week and will be presented at the March Committee meeting.</p> <p>EY noted that the internal audit 2024/25 plan will start in April, therefore spreading reviews out more evenly throughout the year.</p>
12.0	Internal Audit Draft 2024/25 Plan
	<p>EY provided an overview of the draft plan with the proposed final version to be brought to the March meeting. EY noted that the plan is not fixed, and reviews and timing can be altered as the year progresses.</p> <p>The Committee discussed the plan and that it would be useful to add a corporate governance review to the schedule. IM agreed and recommended that this should take place at a later date.</p> <p>The Committee also agreed that the review time allocated to the Multi-Year programme should be kept under review as the process progresses and that the final review should occur promptly after decisions are made to provide additional assurance to stakeholders.</p> <p>The use of data analytics in review was noted and the change this creates in the way audits are carried out.</p> <p>PB also requested that a review of the new Finance System is undertaken as part of the Payables review to provide assurance that the key controls are operating effectively.</p> <p>Action IS/AL/EY to reflect the changes discussed above.</p>
13.0	Audit & Risk Committee Self Evaluation Results
	<p>IS provided an overview noting that the questionnaire was based on one provided for Audit Committees by the Scottish Government. IS noted that responses received from three committee members, noting generally positive responses.</p> <p>The Committee discussed the following areas:</p> <ul style="list-style-type: none"> • 3.12- Coordinating with other Board Committees on risk management- it was agreed that attending other Board Committees would be further encouraged. The Committee also agreed that relevant internal audit reports should be shared with other Committees e.g. the Financial Planning review should be shared with F&GP. • 5.8- Internal Audit performance and the use of the Annual Plan and progress updates at each meeting • 6.7- Assessing External Audit Performance- the annual Audit Scotland feedback questionnaire was discussed and the expectation that it would be in place for 2022/23 audits

	<p>It was also agreed that there should be separate private sessions between Committee and members and Internal and External Audit. Action: IS to schedule.</p> <p>PB noted the importance of being aware of changes in regulation and best practice. The Committee discussed the availability of Audit Scotland and Azets updates and the Scottish Governments Governance Hub. Action: AL to provide information to Committee members on accessing the Governance Hub.</p>
14.0	Audit & Risk Committee Terms of Reference Review (ToR)
	<p>IS presented a tracked-change version of the Committee’s ToR for review and recommendation for approval from Board.</p> <p>On appraisal of Committee member performance, PB proposed that there are annual meetings with himself and Committee members rather than being solely covered through individual meetings with the Board Chair.</p> <p>PB noted that Committee members should not wait until their annual review to raise any issues and can raise them at any point during the year and for regular meetings to take place.</p> <p>The Committee approved the changes and recommended the revised ToR for Board approval.</p>
15.0	Audit & Risk Committee Annual Report
	<p>CM noted a correction is required to the number of meetings attended during the year. Action: IS.</p> <p>Subject to the above change the Committee approved the report to go to the November Board meeting.</p>
16.0	Risk Review
	<p>AL provided a brief overview, noting 17 corporate risks, with 3 risks deescalated 2 new risks escalated regarding operating cost management and the development of proposals for additional SG funding.</p> <p>Current Scottish Government-wide public sector reform was discussed noting that Board Committees will be kept informed of emerging proposals and their implications.</p> <p>AL noted that business continuity has been strengthened during the year and that this will be made more visible to the Committee.</p> <p>The Committed noted the risk review.</p>
17.0	Fraud Management Policy Review
	IS provided overview of the tracked changes proposed to the existing policy.

	<p>PB noted the document is detailed and lengthy, and to improve understanding it would be preferable to create a summary and for the check list to the front of the document to improve its visibility. Action: IS</p> <p>Subject to the above change, the committee approved the revised policy.</p>
18.0	Other Governance Matters
	<p>IS noted the link to The Scottish Government's workforce challenges (audit-scotland.gov.uk) as useful context to other matters discussed in the meeting.</p>
19.0	Next Meeting Draft Agenda
	<p>The draft agenda for the next meeting was agreed, noting that a Multi-Year Internal Audit review will be reviewed at the meeting.</p>
20.0	Any Other Business
	<p>There was no other business to discuss.</p>