

Architecture & Design Scotland

Ailtearachd is Dealbhadh na h-Alba

ARCHITECTURE & DESIGN SCOTLAND

MINUTES OF AUDIT COMMITTEE MEETING [48]

Online via MS Teams

10:30 on Tuesday 7th June 2022

Present: Kirsty Macari (Chair), Angela Bonney (AB), Bruce Ross (BR) and Lynn Wilson (LW)

Staff: Jim MacDonald (JM) (CEO), Sue Reynolds (SR), Lynne Lineen (LL) Emelie Borg (EB) and Val MacBeath (VM - Minutes)

Guests: Louisa Yale (LY) (Audit Scotland), Jane Butterfield (TIAA)

Apologies: Martin Ritchie (TIAA)

1. APOLOGIES & DECLARATIONS OF INTEREST

Apologies were received from Martin Ritchie. The Committee welcomed Jane Butterfield from TIAA who was attending in his place.

There were no declarations of interest.

2. PREVIOUS MINUTES AND MATTERS ARISING

The previous Minutes of 1st March 2022 were AGREED.

The Committee noted that both Matters Arising items were closed. The current Q4 performance report covers the majority of the bullet points within the update and No 2 was on the agenda for the June 2022 Board meeting.

3. CEO GOVERNANCE STATEMENT AND MT STATEMENT OF INTERNAL CONTROLS

Committee noted the following from the report:

Absence

- The short-term absence comparison figures reports that our sick days have increased from 87 in 20/21 to 135.5 in 2021/22 – an increase of 48.5 days. This is mainly due to the fact that as covid issues relaxed during 21/22, sickness figures began to rise again due to external factors, whereas in 20/21 all colleagues were mostly at home with no outside influences to affect sickness numbers.

Committee asked for a comparison in the short-term figure of 135.5 in 2021/22 to pre pandemic figures.

ACTION 01: SR TO PREPARE FIGURES COVERING THE LAST 4 YEARS TO COMMITTEE

The Committee **NOTED** the content of the report.

4. 2021/22 Q4 PERFORMANCE REPORT

4.1 Finance

Budget for 2021/22

- Version 1 was presented and approved by the Board on 18 March 2021.
- Version 2 was presented and approved by the Board on 1 July 2021.

Management Accounts 2021/22 Highlights

Income

- The report shows that the total actual income for 2021/22 was £2,213,711 (2021/20 – total income £2,143,419), including c/fwd Income of £312,711 which is made up of Scotland+Venice of £162,451, Digital Strategy of £60,000, Decarbonisation 2020/21 Grant monies of £16,000 and Core Grant c/fwd 2020/21 of £59,716.
- The budgeted income for 2021/22 was £2,228,711. The variation of £15,000 between budget and actual is due to £28,000 not drawn down in relation to Climate Action Town work and income of £13,000 received from Scottish Forestry which will be carried forward to be spent in 2022/23.

Summary of Income for 2021/22:

INCOME

£

GRANT IN AID

CORE	1,465,000
LEARNING ESTATE	175,000
HEALTH	130,000
CLIMATE ACTION TOWNS	118,000

TOTAL GRANT IN AID INCOME 2021/22

1,888,000

FUNDING C/FWD FROM 2020/21

DECARBONISATION GRANT MONIES C/FWD SALARIES 2020/21	16,000
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SCOTLAND+VENICE - GRANT UNSPENT	162,451
DIGITAL STRATEGY	60,000
MATERIALS LIBRARY	9,544
BRITISH COUNCIL GRANT	5,000
C/FWD GRANT FROM 2020/21	4,716
C/FWD CANCELLED POs DUE TO COVID - GRANT FROM PREVIOUS YEARS	55,000
TOTAL GRANT C/FWD PREVIOUS PERIODS	<u>312,711</u>
OTHER INCOME	
SCOTTISH FORESTRY - MATERIALS LIBRARY	13,000
TOTAL 2021/22 OTHER INCOME	<u>13,000</u>
TOTAL 2021/22 INCOME	<u><u>2,213,711</u></u>

Expenditure

- The total actual spend for the year to 31 March 2022 was £1,943,000 representing 88% of total income (M12 2020/21 - £1,916,000 - 89% of total income).
- A further £240,000 of expenditure was committed by Purchase Orders at 31 March 2022 representing 11% of total budgeted income (M12 2020/21 - £173,000 - 8%).
- Rent expenditure in relation to the Edinburgh office was prepaid in 2021/22 in relation to 2022/23 in the same manner as previous years.
- Income of £4,000 in relation to the Scotland + Venice project will be carried forward to be spent in 2022/23 on events relating to What if?.... Scotland.
- Income of £15,000 in relation to the Promoting Low Carbon project will be carried forward to be spent in 2022/23.

Net Income less Spend and Committed

- The total net income not spent or committed at 31 March 2022 was £11,000. This represents 0.5% of our total budgeted income (M12 2020/21 - £55,000 – 2.57%).

The Committee noted that the resource spending review had been concluded and announced. SG have advised us that a 3% reduction in our budget was likely for 23/24.

The Committee congratulated the team for a well managed budget.

4.2 Risk

The Committee's attention was drawn to the following risks:

- **Risk ID 1 – Cybercrime** – Remains our number 1 risk. A cyber audit was completed in Q3 of 2021/22 and recommendations are now being implemented – with revised policies and training. This ensures we are keeping our cyber risk as low as possible.

- **Risk ID 2 – Loss of any key individual** – This risk remains on the register and a further related risk is highlighted at no8. Further work on implementing a staff development programme and improving further conditions and work environments, along with hybrid working, will hopefully mitigate this risk, along with results for the recently completed staff survey.

Committee were informed that the implications of the spending review may have an impact on filling empty posts. However, the Director of Design was a key post which we are keen to fill and look to make savings elsewhere. JM will liaise closely with the Board regarding this and would hope to have something in place by September 2022. This will result in this risk being increased on the risk register.

- **Risk ID 7 – Failure to comply with GDPR** – SIRO completed certified training in Quarter 3 and organisational wide training is scheduled for end of Q1 2022/23 - this training has been postponed from end of Q4 2021/22 due to staff availability.
- **Risk ID 8 Loss of staff confidence in the organisation** – There is evidence that bedding in the strategy, new systems and Home Teams functions still remain an issue with colleagues which could create a loss of confidence in the organisation. As a Leadership Team we are taking this extremely seriously and work continues with staff on exploring the strategy and how the work relates to the outcomes and colleagues' roles within that; improving project and reporting IT systems; and staff wellbeing. Work also continues on the infrastructure to support the Home Teams.

The Committee also noted that the staff survey has concluded and a report comparing results to last years staff survey would be presented to Board in the autumn.

The Chair thanked the Leadership Team for their work on the risk register.

4.3 Business Plan

The Committee noted that the 2021/22 Business Plan comprised 103 discrete activities. Of these, 61 were either completed as planned or are on track as planned, while 11 did not deliver as planned. Information on the remainder is not currently available and work is on-going to resolve this.

Of the 11 activities which did not deliver as planned, 3 have been put on hold owing to capacity/priority issues within A&DS, 2 have fallen behind schedule owing to the work required taking longer than originally estimated and 6 have been delayed due to client-side issues.

The Committee noted a concern that there were 31 activities for which we did not currently have updates for. The Leadership Team is aware that this is an issue and the Directors are liaising with Home Teams to resolve before for the Q1 report in 2022/23.

ACTION 02: JM TO ENSURE ALL ACTIVITIES HAVE AN UPDATED STATUS FOR END OF Q1

Committee asked about red ratings that related to progress relative to programmed outcomes and red as a set of circumstances outwith the organisations control. It was confirmed there is not significant expenditure from these red projects, but we are keen to

make early and effective use and redeployment of monies and resources to avoid any impact.

The Chair thanked everyone for their contribution to the report.

The Committee **NOTED** the report.

5. AUDIT SCOTLAND – ANNUAL AUDIT PLAN

The Annual Audit Plan was presented to Committee.

The Committee noted that Audit Scotland will continue as external auditors for A&DS for the next five years to the financial period ending 31 March 2027.

The impact of Covid-19 continues to impact Audit Scotland and the scheduling of public sector audit work. As a result, it is likely the audit work for A&DS will be in October/November 2022.

Our Chair and CEO are required to sign the ARA ahead of being submitted to Companies House and laid before Parliament by 31 December 2022.

We don't have any dates currently scheduled for the Audit Committee or Board in December 2022 and will need to agree dates for these meetings. The draft dates we are considering, subject to agreement with our Chair of Audit Committee and Chair of Board, are Tuesday 6 December 2022 for the Audit Committee meeting and Thursday 15 December 2022 for the Board meeting.

ACTION 03: SCHEDULE DATES FOR AUDIT AND BOARD APPROVAL OF ARA

The Committee was alerted to the issue of Planning materiality. Materiality acts as a benchmark to assess the overall impacts of audit adjustments and financial statements and indicates any areas where additional assurances may be required. It has been set at 1.5% of gross expenditure for the year ended 31 March 2022 based on the 2021/22 budget.

One significant risk of material misstatement was highlighted on page 68 of the pack. Audit Scotland are looking to ensure that transactions are accounted for in the correct financial year and they are appropriately recorded in the financial statements.

Audit Scotland have also considered the risk of fraud and revenue and expenditure recognition and have concluded that there is limited opportunity to manipulate the way either income and expenditure is recognised. Therefore, Audit Scotland plan to undertake their standard audit procedures in these areas and do not plan to undertake any additional work.

Audit Scotland noted that auditing standards require auditors to make enquiries around fraud and each year they make enquiries with officers and internal audit. However, internal quality reviews have highlighted they should also be meeting those enquiries with those charged with governance who Audit Scotland view as being the Audit Committee. Committee members were asked if they were aware of any actual, suspected, or alleged fraud at A&DS. None of the Committee members raised any concerns regarding this.

The Committee **NOTED** the Annual Audit Plan

6. INTERNAL AUDIT UPDATE

The Committee noted that there were two reports on the agenda for consideration:

1	Project Management Approach
2	Follow up Review

a) No 1 – Assurance Review of Project Management Approach

The Committee noted that TIAA had issued its final report and has given a “Substantial Assurance” rating for this Audit.

There were two routine actions and two operational action points to take forward. The Committee noted that the Leadership Team had accepted TIAA’s findings, and a plan is in place to take these forward – with dates for completion all before 30/06/22.

b) No 2 – Follow Up Review

The Committee noted that TIAA’s follow up report noted that all 10 follow up actions from previous audits had been implemented to satisfactory conclusions.

c) No 3 – Internal Audit Annual report 2021/22

The Committee noted that TIAA’s annual summary of work concluded that in the areas of work they reviewed in-year, A&DS had reasonable and effective risk management, control, and governance processes in place.

d) No 4 – Audit Strategy and Annual Internal Audit Plan 2022/23

The Internal Audit plan for 22/23 provided the Audit Committee with a summary of internal audit topics for 2022/23, which were noted as:

- 1) **Review of strategic delivery** – a review of arrangements in place to ensure monitoring and effective delivery of plans related to our strategy, corporate plan, and business plan
- 2) **Review of digital strategy implementation** – a review of our Digital Strategy to ensure that appropriate arrangement is in place to meet stakeholder needs and the organisation’s digital requirements

The Committee thanked TIAA for their work on the internal audit for 2021/22.

The Committee **NOTED** the content of all 4 papers above.

7. ANY OTHER BUSINESS

Membership of Audit Committee

The Chair of Audit to discuss Audit Committee membership vacancy with the Chair of the Board.

ACTION 04: KM & AA TO DISCUSS MEMBERSHIP OF AUDIT COMMITTEE

Date of next meeting

Tuesday 6th September 2022.

The Chair thanked everyone for their attendance.

The Meeting closed at 11:40.

Signed: 

Kirsty Macari, Chair

Date: 22 September 2022

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ARCHITECTURE & DESIGN SCOTLAND

MINUTES OF AUDIT COMMITTEE MEETING [49]

Online via MS Teams

10:30 on Tuesday 6th September 2022

Present: Kirsty Macari (Chair), Angela Bonney (AB) and Lynn Wilson (LW)

Staff: Jim MacDonald (JM) (CEO), Sue Reynolds (SR), Lynne Lineen (LL) Emelie Borg (EB) and Val MacBeath (VM - Minutes)

Guests: Louisa Yale (LY) (Audit Scotland) and Aimee MacDonald (AM) (Audit Scotland)

Apologies: Bruce Ross (BR)

1. APOLOGIES & DECLARATIONS OF INTEREST

Apologies were received from Bruce Ross.

There were no declarations of interest.

2. PREVIOUS MINUTES AND MATTERS ARISING

The previous Minutes of 7th June 2022 were AGREED.

The Committee noted that three of the four matters arising from June 2022 had been actioned and were now closed. The CEO would raise the remaining matters arising – namely the Membership of Audit Committee – with the Chair of the Board as no Board members had volunteered for the vacant slot.

ACTION 01: CEO TO DISCUSS MEMBERSHIP OF AUDIT COMMITTEE WITH THE CHAIR OF THE BOARD

3. CEO GOVERNANCE STATEMENT AND MT STATEMENT OF INTERNAL CONTROLS

The Committee noted the following from the report:

It was highlighted that additional information had been added to this report to include:

- A comparison on staff employed in Q1 2022/23 compared with same period of 2021/22.

- A yearly cycle of work as a basis for each meeting (Annex 3). The Committee were asked to note that we would be starting the next 3-year review of the performance of the Audit Committee.
- Home Team structure at Q1 2022/23 including the allocation of staff to each Home Team.

It was reported that the one FoI received in Q1 2022/23 had been responded to within the statutory 20-day deadline. The Committee further noted that in general FoIs are very rarely followed up.

The Committee agreed that the new information around staffing as a comparison was a very helpful addition to the paper enabling members to see the staff allocation within Home Teams particularly given the increase in staff numbers.

The Committee **NOTED** the content of the report.

4. 2021/22 Q4 PERFORMANCE REPORT

At the meeting on 7 June 2022, the committee highlighted there were significant gaps in the performance reporting information and were pleased to note that the gaps had been addressed on the Q1 2022/23 report.

4.1 Finance

Budget for 2022/23

- Budget 2022/23 Version 1 was presented and approved by the Board on 17 February 2022.
- Version 1 has been revised to include additional grant funding for Climate Action Towns work which was confirmed by Scottish Government after the date Budget Version 1 was approved by the Board.

Management Accounts 2022/23 Highlights

Income

- The report shows that the total forecast income for 2022/23 is £2,090,000 (2021/22 – total income £2,192,500).

Summary of Income for 2022/23:

INCOME	£
GRANT IN AID	
CORE GIA	1,515,000
LEARNING ESTATE GIA	175,000
HEALTH GIA	130,000
ADDITIONAL SG GRANT CAT PROJECT	270,000
TOTAL GRANT-IN-AID INCOME 2022/23	<u>2,090,000</u>

Expenditure

- The total actual spend for Q1 2022/23 to 30 June 2022 was £467,000 representing 22% of total income (Q1 2021/22 - £510,000 - 22% of total income).
- A further £1,386,000 of expenditure was committed by Purchase Orders at 30 June 2022 representing 66% of total budgeted income (Q1 2021/22 - £1,176,000 - 51%).
- Rent expenditure in relation to the Edinburgh office was prepaid in 2021/22 in relation to 2022/23. The prepayment of Edinburgh office rent for 2023/24 has not been currently budgeted for in 2022/23.
- A&DS aligns to Scottish Government's Pay Policy for salaries. Scottish Government's negotiations with Trade Unions are ongoing and a settlement has not yet been reached. The budgeted salary cost includes a forecasted 6% increase in salaries.

Net Income less Spend and Committed Expenditure

- The total net income not spent or committed at 30 June 2022 was £34,000. This represents 1.64% of our total budgeted income (Q1 2021/22 - £263,000 – 11.47%).

The Leadership Team will continue to monitor expenditure to ensure budgeted income is fully spent by 31 March 2023.

The Committee asked if there were any concerns around the rent not being pre paid this year. It was reported that we have been in a position to afford to pre pay our rent every year but figures for the current year meant we were unable to do this for next year. The LT will keep this under review in the event it may become affordable noting the outcome of the pay policy could have an impact. Pressures will increase as we move into 2023/24 and we remain in close contact with sponsors about the nature of these pressures.

4.2 Risk

The Committee's attention was drawn to the following risks:

- Risk ID5 - one update (as requested by Board) re: capacity of monitoring and reporting on the climate emergency for A&DS
- Targets reviewed by Leadership Team and remained the same in Q1 2022/23
- Cybercrime remains our number one risk but we continue to monitor as well as we can with limited amount of staff and resource.

The Committee asked if Risk ID 3 should be raised. It was noted that the LT will be considering this risk in the light of recent sponsor team conversations and would expect to see the increased RAG rating as a result. This will be reflected in the next report for Q2 2022/23 at the November committee meeting.

The Chair thanked the Leadership Team for their work on the risk register.

4.3 Business Plan

It was reported that out of the 74 projects recorded on the Business plan, 1 had a red RAG rating; 14 had amber rag ratings; two projects were closed off and 57 projects were on track with a green RAG rating. The Directors will be working with the Home Teams to understand the reasons behind the ratings and addressing any issues.

The Committee's attention was drawn to *No 26 - Work with Local Authorities and other organisations to adopt/embed collaborative, whole-place approaches: Identify and establish as items in the "working business plan"*. It was noted there may be more work to be done on this than we had anticipated, and this may result in targets not being met. The Directors will be looking at how we are engaging with other organisations, and influencing them to change, in the longer term through to the next Corporate Plan and beyond. We need to ensure how we are approaching this is appropriate in terms of those much longer-term horizons.

It was reported, for the one red RAG rating which related to systems for managing and reporting on projects, that a substantial amount of time had been spent scoping out a platform that will be able to help us managing and report on our work. We have agreed to trial Project for the Web, (Microsoft based software) which we are in the process of testing, and plan to use Power BI for reporting purposes. We aim to have the start of a dashboard style of reporting for the next quarter.

The Committee asked if there was a way to show or flag the more strategic long-term projects and making Committee aware of projects where progress is not organisation led and delays are not within our control but that of a third party.

ACTION 02: CIT TO HIGHLIGHT IN THE QUARTER 2 REPORT THE STRATEGIC LONG TERM PROJECTS AND ALSO HIGHLIGHT TO THE COMMITTEE WHERE DELAYS TO PROJECTS ARE NOT WITHIN A&DS CONTROL BUT THAT OF A THIRD PARTY/STAKEHOLDER.

It was noted that this not only helps our reporting but also in the planning of our work and helps colleagues see how it shows we are delivering our Corporate Strategy and Corporate Plan. Huge benefit in terms of the planning of our work and the impact on other organisation beyond A&DS.

The Committee recognised all the work that had gone into this report on the Business Plan and thanked everyone involved.

The Committee **NOTED** the report.

5. ANY OTHER BUSINESS

There was no other business.

Date of next meetings

Tuesday 1st November 2022
Tuesday 6th December 2022 for ARA
Tuesday 7th March 2023

The Chair thanked everyone for their attendance.

The Meeting closed at 11.10.

Signed:

A handwritten signature in black ink, appearing to read 'K Macari', enclosed within a thin black rectangular border.

Kirsty Macari, Chair

Date: 06 December 2022

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ARCHITECTURE & DESIGN SCOTLAND

MINUTES OF AUDIT COMMITTEE MEETING [50]

Online via MS Teams

10:30 on Tuesday 1st November 2022

Present: Kirsty Macari (Chair), Bruce Ross (BR), Alistair Scott (AS), Georgiana Varna (GV)

Staff: Jim MacDonald (JM) (CEO), Sue Reynolds (SR), Lynne Lineen (LL) Emelie Borg (EB) and Val MacBeath (VM - Minutes)

Guests: Louisa Yale (LY) (Audit Scotland), Aimee MacDonald (AM) (Audit Scotland) and Martin Ritchie (TIAA)

Apologies: Angela Bonney (AB), Sam McCabe (SM) and Lynn Wilson (LW)

1. APOLOGIES & DECLARATIONS OF INTEREST

Apologies were received from Angela Bonney, Sam McCabe and Lynn Wilson.

There were no declarations of interest.

2. PREVIOUS MINUTES AND MATTERS ARISING

The previous Minutes of 6th September 2022 were AGREED.

The Committee noted there were no outstanding matters arising.

3. CEO GOVERNANCE STATEMENT AND MT STATEMENT OF INTERNAL CONTROLS

It was reported that the decrease in long term sickness absence this year was due to 2 members of staff being on long term sickness last year. It was noted that short term absence figures had also decreased.

The Committee agreed it would be useful to circulate an analysis of sickness absence recording figures from pre 2018.

ACTION: SR TO CIRCULATE ANALYSIS OF SICKNESS ABSENCE RECORDING FIGURES PRE 2018 TO AUDIT COMMITTEE

The Committee **NOTED** the content of the report.

4. 2022/23 Q2 PERFORMANCE REPORT

4.1 Finance

Budget for 2022/23

- Budget 2022/23 Version 1 was presented and approved by the Board on 17 February 2022.
- Version 1 has been revised to include additional grant funding for Climate Action Towns work which was confirmed by Scottish Government after the date Budget Version 1 was approved by the Board.

Management Accounts 2022/23 Highlights

Income

- The report shows that the total forecast income for 2022/23 is £2,202,000 (2021/22 – total income £2,192,500).

Summary of Income for 2022/23:

GRANT IN AID	£
CORE GIA	1,515,000
LEARNING ESTATE GIA	175,000
HEALTH GIA	130,000
ADDITIONAL GRANT CAT SG	270,000
TOTAL GRANT IN AID INCOME 2022/23	2,090,000
OTHER INCOME	
2022/23 SCOTLAND + VENICE FROM CREATIVE SCOTLAND	111,750
TOTAL 2022/23 OTHER INCOME	111,750
TOTAL 2022/23 INCOME	2,201,750

Expenditure

- The total actual spend for Q2 2022/23 to 30 September 2022 was £860,000 representing 39% of total income (Q2 2021/22 - £806,000 - 36% of total income).

- A further £1,163,000 of expenditure was committed by Purchase Orders at 30 September 2022 representing 53% of total budgeted income (Q2 2021/22 - £928,000 - 42%).
- Rent expenditure in relation to the Edinburgh office was prepaid in 2021/22 in relation to 2022/23. The prepayment of Edinburgh office rent for 2023/24 has not been currently budgeted for in 2022/23.
- A&DS aligns to Scottish Government's Pay Policy for salaries. Scottish Government's negotiations with Trade Unions are ongoing and a settlement has not yet been reached. The budgeted salary cost includes a forecasted 6% increase in salaries.

Net Income less Spend and Committed Expenditure

- The total net income not spent or committed at 30 September 2022 was £179,000. This represents 8% of our total budgeted income (Q2 2021/22 - £494,000 – 22%).
- A further £159,000 was approved to be spent on overheads and projects but not yet committed at 30 September 2022 (Q2 2021/22 - £413,000).
- The total uncommitted income to be allocated to projects is £19,000 (Q2 2021/22 - £80,000).
- The Leadership Team will continue to monitor expenditure to ensure budgeted income is fully spent by 31 March 2023.

It was reported that the annual audit is scheduled to start on 7th November 2022. On completion of the audit a further Audit Committee meeting will take place on 6th December 2022 for scrutiny of the final draft of the Annual Report and Accounts. Audit Committee will then hopefully recommend for final approval by the Board on 15th December 2022. Following Board approval the Annual Report and Accounts will be submitted by the deadline of 31st December 2022 to Companies House and laid before parliament.

The Chair highlighted the need for a quorate meeting on 6th December 2022 and agreed that a reminder is sent to all Board members highlighting the importance of attendance to sign off the Annual Report and Accounts for Board approval on 15th December 2022.

ACTION: SEND A REMINDER TO BOARD MEMBERS HIGHLIGHTING THE IMPORTANCE OF ATTENDING AUDIT COMMITTEE ON 6TH DECEMBER 2022 TO SIGN OFF THE ANNUAL REPORT AND ACCOUNTS

4.2 Risk

It was reported that minor updates had been recorded against most of the risks. Risk ID 5 - *failure to achieve corporate and management targets* was highlighted as it had been downgraded to amber. Following discussion The Leadership Team agreed the likelihood of this happening has reduced and measures have been put in place internally to mitigate the risk.

It was noted that Risk ID 3 – *Insufficient funding* is a reasonable assessment of where we are at the moment.

The Chair congratulated the team noting it was positive to see a reduction in Risk ID 5 highlighting resilience in the organisation around willingness and adaptability alongside delivering on outputs.

4.3 Business Plan

Committees attention was drawn to project 52 – *Establishing a system for business planning and reporting information* which remains red. Discussion has taken place on how to accelerate this process and we are now in a good position to proceed with a system in Q3 to get this back on track.

Committees attention was also drawn to the increase in the number of amber ratings from the previous quarter. This was due to a number of factors including staff absences which are beginning to have an impact such as gaps in reporting. Where there has been a lack of information on a particular activity a precautionary principle has been applied and the activity rated amber. It was reported that we have had a significant increase in new members of staff alongside a number of existing staff moving roles over the previous quarter which has had an impact. The new Director of Design, starting on 7th November 2022, will also provide more capacity to address this and we would expect the amber ratings to begin to come down.

It was reported that staff are not fully embedded with this approach yet but for the most part progress continues to be positive in this ongoing process.

Committee noted that projects 23 *Alness and Invergordon* and 24 *Ballingry* are green but lacked narrative. It was reported they are both early in development and on track but might turn to amber as they progress. It was also noted that Ballingry should only have an entry for Q2 and Q1 should have a narrative to indicate Climate Action Town not approved until Q2.

ACTION: PERFORMANCE REPORT TO BE UPDATED FOR Q3 AS DISCUSSED

The Committee **NOTED** the report.

5. DRAFT GOVERNANCE STATEMENT

It was reported that the draft Governance statement was contained within ARA and separate to Item 3 on the agenda.

It was reported that Audit Scotland have been reappointed as our auditors for the next 5 year period from 2023-26/27.

The Committee **NOTED** the report

6. ANY OTHER BUSINESS

There was no other business.

Date of next meetings

Tuesday 6th December 2022 for ARA

Tuesday 7th March 2023

The Chair thanked everyone for their attendance.

The Meeting closed at 11:20.

Signed: 

Kirsty Macari, Chair

Date: 15 March 2023

Architecture & Design Scotland

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ARCHITECTURE & DESIGN SCOTLAND

MINUTES OF AUDIT COMMITTEE MEETING [51]

Online via MS Teams

09:15 on Tuesday 6th December 2022

Present: Kirsty Macari (Chair) (KM), Bruce Ross (BR), Alistair Scott (AS), Lynn Wilson (LW) Angela Bonney (AB) and Daisy Narayanan (DN)

Staff: Jim MacDonald (JM) (CEO), Sue Reynolds (SR), Lynne Lineen (LL) and Val MacBeath (VM - Minutes)

Guests: Louisa Yale (LY) (Audit Scotland) and Aimee MacDonald (AM) (Audit Scotland)

Apologies: Sam McCabe (SM) and Caroline Parkinson (CP)

Absent: Georgiana Varna (GV)

1. APOLOGIES & DECLARATIONS OF INTEREST

Apologies were received from Sam McCabe and Caroline Parkinson.

There were no declarations of interest.

2. AUDIT SCOTLAND 2021/22 ANNUAL AUDIT REPORT PROPOSED

Audit Scotland noted that they had completed the annual audit and they are able to issue an unqualified opinion.

This is supported by the Independent Auditors Report which details the full audit opinion including the conclusion that the accounts are true and fair and that there are no matters to be reported by exception. The following items were noted:

- Audit Scotland have no significant findings to report on the Annual Report and Accounts (ARA).

- Audit Scotland identified total errors of £5,600 in relation to two accruals recognition. Both errors were adjusted in the Annual Accounts.
After a review of the nature and causes of these misstatements, Audit Scotland performed additional testing to obtain assurance over the completeness and existence of accruals. They found no further errors and were satisfied that there are no further misstatements.
Audit Scotland recommended that A&DS review the process in place for identification of accruals and ensure appropriate checks are performed over accruals raised. A&DS have put this in place.
- Following Board approval Audit Scotland will upload the documents through DocuSign to enable the Annual Report and Accounts to be signed following the meeting on 15 December 2022.

AM thanked the A&DS team for all their help with the audit.

The Chair noted she was pleased to see the recommendations are thoroughly set out in terms of actions that are required going forward.

It was noted that the following processes had been put in place going forward:

- Additional checks on our accruals identification process and training delivered to the appropriate staff.
- Monitoring the financial sustainability of A&DS will continue to be led by the CEO and we will continue to review our five-year financial forecasts when updated information is available/updated from sponsor team.
- Improvements were made in relation to performance reporting within the ARA for the current year. A&DS will continue to build on the presentation and content of the information in the performance reporting in future.

BR asked about the reserves figure in the Annual Accounts. Audit Committee noted that A&DS is a NDPB which is grant funded on an annual basis by Scottish Government. NDPBs are not allowed to build up reserves in the same manner as private companies. The reserves figure shown in the A&DS accounts represents the accounting entries for transactions such as prepayments and accruals at the year end.

The Chair thanked the teams at both Audit Scotland and A&DS for all their hard work in completing the audit to a tight deadline.

The Committee **NOTED** the content of the report.

3. ANNUAL REPORT AND ACCOUNTS FOR YEAR ENDED 31 MARCH 2022

The Annual Report and Accounts was presented to Audit Committee for scrutiny and approval for recommendation for formal approval by the Board on 15 December 2023.

The Audit Committee noted that the Performance Report contained a lot of new reporting with a greater focus on A&DS outcomes. It also contained additional images and information which is a better reflection of A&DS work.

The Report contained a more robust sustainability update, and this will continue to be developed in next year's Report. The Committee noted it was good to see the sustainability element embedded within the Annual Report and Accounts.

Audit Committee noted that :

- Staffing costs have increased largely due to the extra employees employed on a fixed term contract basis to work on the Climate Action Town project.
- Additional project expenditure was largely due to the timing of the Scotland+Venice project work.
- The lower level of energy consumption during 2021/2022 was due to the boiler breaking down in year. The replacement of this boiler was delayed whilst A&DS investigated if an environmentally friendly boiler would be an option. This investigation took several months which resulted in no heating for a number of months.

A small typo was identified on page 52 of the ARA where under Business Travel the word 'begin' should be amended to read 'began'. Committee also noted that one of the images may have become distorted in the Foreword. It was agreed these changes would be updated.

ACTION 01: AMEND TYPO ON PAGE 52 AND CHECK IMAGES ON FOREWORD OF ARA

It was highlighted that all Board members, except the Chair of the Board, are now also members of Audit Committee. This will be reflected in next year's ARA.

Audit Committee were pleased to note the Annual Report and Accounts is now a useful document which reflects the work of A&DS. This year's report was well presented with good graphics that tie into our corporate ethos and will be a useful tool for Board members to use and refer to.

The Chair asked that thanks be passed on to the A&DS team.

LL noted her thanks to the Audit Scotland team for a smooth and successful audit process which resulted from excellent communication and planning.

LY thanked the team at A&DS for a very good working relationship during the audit and providing all the information Audit Scotland required very quickly.

LY noted she would not be our appointed auditor going forward. Our new appointed auditor from Audit Scotland will be in touch in the next few weeks for an introductory meeting.

Audit Committee **AGREED** the draft Annual Report and Accounts for year ended 31 March 2022 should be recommended for formal approval by the Board on 15 December 2022.

4. DATE OF NEXT MEETING

Tuesday 7th March 2023

The Chair thanked everyone for their attendance.

The Meeting closed at 09:55.

Signed: 

Kirsty Macari, Chair

Date: 15 March 2023

Architecture & Design Scotland

Ailtearachd is Dealbhadh na h-Alba

ARCHITECTURE & DESIGN SCOTLAND

MINUTES OF AUDIT COMMITTEE MEETING [52]

Online via MS Teams

10:30 on Tuesday 7 March 2023

Present: Kirsty Macari (Chair), Alistair Scott (AS), Angela Bonney (AB), Lynn Wilson (LW), Caroline Parkinson (CP) and Daisy Narayanan (DN)

Staff: Jim MacDonald (JM) (CEO), Sue Reynolds (SR), Lynne Lineen (LL) Emelie Borg (EB) and Val MacBeath (VM - Minutes)

Guests: Stephanie Harold (SH) (Audit Scotland) and Andrew McCulloch (TIAA)

Apologies: Martin Ritchie, Sam McCabe and Bruce Ross

1. APOLOGIES & DECLARATIONS OF INTEREST

Apologies were received from Martin Ritchie, Sam McCabe and Bruce Ross.

There were no declarations of interest.

2. PREVIOUS MINUTES AND MATTERS ARISING

The previous Minutes of 1 November 2022 and 6 December 2022 were AGREED.

Matters arising

Nov 22 No 3 - The Performance Report remains a work in progress. A lot of the performance reporting will be drawn from Project for the Web and a dashboard will be in place from Q1 onwards.

3. CEO GOVERNANCE STATEMENT AND MT STATEMENT OF INTERNAL CONTROLS

It was reported that absence figures are down slightly in this quarter in comparison to last year. Long term sickness has increased in the quarter due to 2 staff members being on longer term sickness. Both staff members have returned to work in Q4. We are managing this by ensuring there is a referral to our OH assist programme.

A new section has been included in the report for other types of leave. Categories are bereavement leave, special leave, medical appointments, unpaid special leave and training

days which amount to 40 additional days on top of sick leave. It was noted that a number of the amber rated projects within the performance report equate to the absences in this report.

One single tender action was signed off for training for the Climate Action Towns Project. There was only one supplier who could deliver the training.

In addition to the monthly sponsor team meetings the CEO has been in separate discussions with the Chief Architect around shaping some of our deliverables in next years plan to help deliver Scottish Government priorities. Conversations will be around how the combined forces can best deploy the resources they have to deliver that programme. Examples of what we are planning to do are NPF4 and the delivery of the new approach to LDPs which there is interest in working better together on whilst working alongside other key agency staff to support it. It was noted that this is very early as a concept. Other areas which touch on what we are doing, but are not express strands, might be support for architectural awards, passivhaus and issues around retrofit. Colleagues are keeping us sighted on the wider review of how funding across the whole government works. Audit Committee will be kept updated on any specific changes or when impacts on our planned programme start to show themselves. Any decisions on funding will need to wait until new ministers are in post.

There were two FoIs in the quarter. It was noted that we don't receive many FoIs but that could change as we raise our profile through our new comms strategy.

A joint self-assessment of Audit Committee and Board will be carried out this year during April 2023. The results will be brought back to the June 2023 meeting for discussion.

It was reported that to the end of Q3 staffing remained the same as Q2. There have been two resignations in Q4. Both staff members were on fixed term contracts due to our funding situation.

The Committee **NOTED** the content of the report.

4. 2022/23 Q3 PERFORMANCE REPORT

4.1 Finance

This report covers Finance, Risk and Business Plan progress.

a) FINANCE

Budget for 2022/23

- Budget 2022/23 Version 1 was presented and approved by the Board on 17 February 2022.
- Version 1 has been revised to include additional grant funding for Climate Action Towns work which was confirmed by Scottish Government after the date Budget Version 1 was approved by the Board.

Management Accounts 2022/23 Highlights

Income

- The report shows that the total forecast income for 2022/23 is £2,202,000 (2021/22 – total income £2,192,500).

Summary of Income for 2022/23:

GRANT IN AID	£
CORE GIA	1,515,000
LEARNING ESTATE GIA	175,000
HEALTH GIA	130,000
ADDITIONAL GRANT CAT SG	270,000
TOTAL GRANT IN AID INCOME 2022/23	2,090,000
OTHER INCOME	
2022/23 SCOTLAND + VENICE FROM CREATIVE SCOTLAND	111,750
TOTAL 2022/23 OTHER INCOME	111,750
TOTAL 2022/23 INCOME	2,201,750

Expenditure

- The total actual spend in Q3 2022/23 to 31 December 2022 was £1,426,787 representing 65% of total income (Q3 2021/22 - £1,474,000 representing 66% of total income).
- A further £619,792 of expenditure was committed by Purchase Orders at 31 December 2022 representing 28% of total budgeted income (Q3 2021/22 - £451,000 - 20%).
- A&DS aligns to Scottish Government's Pay Policy for salaries. Scottish Government's negotiations with Trade Unions are still ongoing and a final settlement has not yet been reached. The budgeted salary cost includes a forecasted 6% increase in salaries, and an interim payment of 5% has already been paid in the November 2022 salary payment – Scottish Government are still in dispute with the PCS and we may well incur additional costs before the year end, as those negotiations continue.

Net Income less Spend and Committed Expenditure

- The total net income not spent or committed at 31 December 2022 was £155,173. This represents 7% of our total budgeted income (Q3 2021/22 - £303,000 – 14%).

- Of the total net income not spent or committed of £155,73, a total of £105,106 was approved to be spent on overheads and projects but not yet committed at 31 December 2022 (Q2 2021/22 - £210,000).
- The total uncommitted income to be allocated to projects is £50,057 (Q3 2021/22 - £93,000).
- The Leadership Team will continue to monitor expenditure to ensure budgeted income is fully spent by 31 March 2023.

The following points were highlighted from the report:

- We are on track with our spend and aware we need to spend out by Q4. All the IT contracts and licenses spend out in q4 which explains the bigger spend coming up.
- 50k uncommitted some of which will go towards salaries when the pay remit is agreed by SG.
- A decision was taken at the LT to allocate elsewhere two purchase orders that didn't spend out to ensure all funds are spent out by 31 March 2023.

The Chair recognised the budget challenges and congratulated the team on their management of the budget and noted it was good to see we are still on track.

4.2.1 Risk

The following points were highlighted from the report:

- The LT have started to look at the consequences of the budget on staffing in the longer term. CAT funding not yet confirmed meaning we had to issue contracts for another month for CAT colleagues to ensure we can keep them until a decision is made. The LT regularly discuss how to manage this.
- We will be looking at the risk strategy in Q4 and carrying out a review which will come to the June 2023 Audit Committee meeting, with a revised policy on the risk strategy.

The Chair welcomed the rigor going in from the LT in terms of managing those risks and passed on appreciation on behalf of the Board.

4.3 Business Plan

Given the various pressures on capacity, specifically the loss of key staff, some slippage is inevitable and is reflected in the report. The LT are trying to actively prioritise the areas where we focus resources. There is a strong focus on prioritising our work that aligns to and delivers our outcomes and a drive to share our work with our stakeholders. We are working on ensuring our stakeholder strategy is agile.

The following was noted on projects with a red status:

- The two CAT projects relate to external capacity issues.
- Carbon Conscious schools lost a key member of staff along with a delay in the learning estate investment plan. The post has now been filled and would hope this has been addressed
- Project for the Web - the LT have taken steps to resolve this.

ACTION 1: INCLUDE A SECTION IN THE BUSINESS PLAN REPORT CAPTURING 'WHAT NEXT' FOR RED RATED PROJECTS

The Chair noted it was good to see areas around investment in the team. As a small team everyone will have a key part to play. Noted that Alastair McCaw was a good speaker and good resource to point staff towards.

The Committee **NOTED** the report.

5. INTERNAL AUDIT UPDATE

TIAA reported that the first piece of work they looked at was the Digital Strategy review. They identified key strategic findings and were content with the implementation timetable and assigned a reasonable assurance rating.

TIAA were pleased to report on Strategic Delivery. The audit found that our 10-year corporate strategy cascades with the 3-year Corporate Plan as well as the business plan. One recommendation was made, and a reasonable assurance rating was assigned.

On the Follow Up Review around strategic delivery TIAA reported that one recommendation was made in relation to GDPR, which is in progress, and a reasonable assurance rating was assigned.

The Chair thanked Andrew and the team at TIAA for the last 3 years and noted it was reassuring for Audit Committee and the Board to know we are being challenged to be the best we can and be as rigorous as we can.

The Committee **NOTED** the report

6. AUDIT SCOTLAND PLANNING STRATEGY LETTER

The Chair welcomed SH to the meeting who had taken over as our engagement lead at Audit Scotland for the external audit. SH had met with JM and SR to understand some of the challenges we are facing. Planning will be mainly through March this year. Discussed starting the financial statements audit in October-mid-October 2023. SH will continue to liaise with SR regarding the Audit Committee meeting on 7 October 2023 as this timeline might be too tight. When planning work is complete SH will share with JM and SR to check. It will then be brought to the Audit Committee in June for an opportunity to ask questions.

The increase in the Audit fee due to various factors was noted.

The Committee **NOTED** the Audit Scotland fee and draft timetable for audit services.

7. ANY OTHER BUSINESS

There was no other business.

Date of next meetings

- 6 June 2023 - Q4 22/23
- 29 August 2023 - Q1 23/24
- 7 November 2023 - Q2 23/24
- 5 March 2024 Q3 - 23/24
- 11 June 2024 Q4 - 23/24

The Chair thanked everyone for their attendance.

The Meeting closed at 11.40.

Signed:.....*Kirsty Macari*

Kirsty Macari, Chair

Date: 13 June 2023.....