

Architecture & Design Scotland

Ailtearachd is Dealbhadh na h-Alba

ARCHITECTURE & DESIGN SCOTLAND

MINUTES OF AUDIT COMMITTEE MEETING [53]

Online via MS Teams

09:00 on Tuesday 6 June 2023

Present: Kirsty Macari (Chair), Alistair Scott (AS), Caroline Parkinson (CP), Daisy Narayanan (DN) and Bruce Ross (BR)

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)

Apologies: Angela Bonney, Sam McCabe, Georgiana Varna and Lynn Wilson

1. APOLOGIES & DECLARATIONS OF INTEREST

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

There were no declarations of interest.

2. PREVIOUS MINUTES AND MATTERS ARISING

Page 2 Item 3 – Committee asked if the two resignation posts in Q4 had been filled. It was confirmed that the CAT post had been filled. The other post had not been replaced as it was a fixed term additional cover until the 31 March 2023.

Page 3 Item 4 – It was confirmed the figure of £2,202,000 which changes to 2,201,750 is a round up to the nearest thousand. Previous year's figures to be checked against the last Audit Committee papers.

ACTION: SR TO CHECK AND REVIEW FIGURES

Page 4 Item 4 – *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.* Committee asked if it should be noted where the funds were allocated. It was reported that where the funds were to be allocated was not discussed at the meeting. However, it was agreed to update at next Committee meeting.

Page 5 – typo – change 'AUDT' to AUDIT.

The previous Minutes of 7 March 2023 were AGREED subject to the above amendment.

Matters arising

Nov 22 No3 – This remains on Matters Arising as a reminder. It was reported that Project for the Web is now up and running. Dashboards for the reporting elements are being prepared over the end of June/beginning of July and a revised dashboard will be available for Q1 reporting for the Audit Committee meeting at the end of August 2023. Comments on amending the format of the report will be taken into consideration when preparing the dashboards.

Committee asked for confirmation of when the Review of Board and Audit Committee would take place. It was reported that it had been agreed that a joint self assessment would take place over the period from beginning of July to the middle of August 2023. The first cut of results will be brought to the August 2023 Audit Committee meeting and then the Board meeting at the end of September 2023.

3. CEO GOVERNANCE STATEMENT AND MT STATEMENT OF INTERNAL CONTROLS

The following was highlighted from the report:

- Short term sickness absence is down from the same period last year. One member of staff on long term sickness last year took early retirement. No long term sickness for the same period this year. Charts detailing 'other absences' can now be produced through Sage HR.
- Regular catch ups took place with the sponsor team and we continue our discussion with them on accommodation and finance in general.
- There was one FoI in the period which was answered within the standard 20 day period.
- The staffing update highlighted fixed term contracts that ended 31 March 2023 - one colleague on secondment, one colleague on maternity leave due to return in September 2023 and one colleague on a career break due to return in July 2023. Of the 3 fixed term contracts to the end of March 2023, that were not the CAT team, one left in the quarter as reported, and one is covering the secondment. The other is covering the CAT position that was vacant at the end of the last financial year.

The Committee noted it was good to see sickness is going in a downward trend and helpful to see the different types of absence which will be useful in future years to see trends and changes. Committee asked about the rationale for including training within other absences. It was reported this was included to give an indication of when staff were out of the office and therefore would not be delivering the business plan. This could be separated out in future reports.

The Committee noted as we begin to gather more data of the absence breakdowns it helps understand some of the changes and investments that are happening by the Leadership Team in reducing the impact of sickness. The mental health training is a good example of this.

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

4. 2022/23 Q3 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

Detailed management accounts are shown in Appendix A.

Income

- The report shows that the total income for 2022/23 was £2,202,000 (2021/22 – total income £2,214,000).

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 Q4 2022/23 to 31 March 2023 was £2,027,000 representing 92% of total income (Q4 2021/22 - £1,943,000 representing 88% of total income).
- A further £175,000 of expenditure was committed by Purchase Orders at 31 March 2023 representing 8% of total budgeted income (Q4 2021/22 - £241,000 - 11%).
- A&DS aligns to Scottish Government's Pay Policy for salaries. Scottish Government's negotiations with Trade Unions were finalised during May 2023.

Net Income less Spend and Committed Expenditure

- Income in 2022/23 was fully spent or committed by 31 March 2023 (at 31 March 2022 the total net income not spent or committed was £31,000 which represented 1% of total budgeted income).

It was reported that the 22/23 pay award negotiations have concluded and 7 staff members will receive an extra £400 consolidated pay added to their pay band. This means £2,800 costs plus pension and NI to adjust as an accrual at the year end, which sits within our limits.

4.2 Risk

The following points were highlighted from the report:

- The Risk Register has not changed a great deal since the last quarter.
- Throughout Q4 our No 1 risk remains as cybercrime. Further work continues to be carried out and training is planned to take place throughout June 2023.
- Risk ID 3 – Insufficient funding. Noted that salaries went up last year and our grant remained the same. The Leadership Team area already looking at where we can make savings.

Committee noted on Risk ID 8 – loss of staff confidence in the organisation appears to be settling down. It was reported that we can see an improvement from an HR point of view whilst acknowledging it remains a very pressured environment that we are working in. Good progress with staff engaging with our Corporate Strategy. Committee noted it was helpful to hear that whilst we recognise there are still challenges we do recognise and put measure in place to address them. The pressure from outside organisations wanting to work with us is a measure of the value of the work that we do.

Committee asked if the measures we are putting in place is something we are looking at in more detail in terms of risk. It was reported that the Leadership Team are working with the whole staff to ensure that everyone understands what capacity looks like and that there is no expectation to push ourselves beyond what we are capable of. Moves with partners to look at how different ways of working can make the most of what limited capacity we all have. An example of that would be the LDP work with other key agencies and how we can draw colleagues from Scottish Government into that. Conversations into those partners particularly those that directly fund us around the relationship between their demands and our capacity. We would always look to grow the organisation but that would require others to recognise that value.

Committee asked if there were any worries in the long term in relation to the red ratings for the CAT project. It was reported that we are not expecting the funding to be renewed at the end of this year. The red ratings should not be seen in a way that reflects on our performance as we rely on the capacity of others to deliver. Committee suggested the reporting should reflect where red ratings are within or outwith our control. It was also noted that we are adapting how this report looks for the current year.

4.3 Business Plan

It was reported that a table has been included at the start of the report which shows an analysis of the RAG ratings of projects. We have received a good amount of information and are in a good place to understand in terms of performance.

Committee noted it was good to see where projects are closed off and asked if the amber projects would be rolling into the current year. It was reported that if there is a stalling we will seek to get things back on track whilst recognising there is not the resource to make up for that if the stall is significant. Where sometimes we can't get any further, and a project is closed, does not necessarily mean where we have got to has not been worth the effort.

For projects that have been closed, that could be reopened, should this be reported. It was agreed we should look to reflect this in future reporting.

ACTION: REFLECT IN REPORTING WHERE CLOSED PROJECTS COULD BE REOPENED

It was reported that all of the projects via the business plan are now set up on Project for the Web. Home teams are populating with milestones and tasks. We have external resource to help set up the dashboards.

The next 3 year Corporate Plan has been developed and will be shared with the Board at the next meeting on 15 June 2023.

The Committee **NOTED** the report.

5. INTERNAL AUDIT UPDATE

It was reported this paper was a summary round up of what TIAA carried out in 22/23.

The Committee **NOTED** the report

6. AUDIT SCOTLAND UPDATE

Audit Scotland have been appointed to be A&DS auditors for 2022/23. Their annual Audit Plan sets out the scope of the 22/23 audit, including timetable and reporting arrangements. The Audit Committee have already noted the audit fee, which has increased for 2022/23.

Audit Scotland highlighted the following from the report:

- Materiality and Risks
- Para 21 – Area of Focus relating to the implementation of the new accounting standard. This relates to the lease at BHC which will be included in the accounts.
- Wider Scope which will look at governance and financial sustainability.
- Reporting arrangements section which covers fee information and the provisional timetable. Planning mid October leading to conclude early December. Will continue to liaise with SR.
- Final section confirming Audit Scotland's independence and quality control system in place.

The Chair thanked Audit Scotland for their due diligence in preparing the report. Committee were confident with the controls the Leadership Team have in place, particularly in relation to budget, and dialogue they have with sponsor team and recognise it will be a challenge.

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

- 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 10:10.

Signed:.....*Kirsty Macari*

Kirsty Macari, Chair

Date: 20/9/2023.....

Architecture & Design Scotland

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ARCHITECTURE & DESIGN SCOTLAND

MINUTES OF AUDIT COMMITTEE MEETING [54]

Online via MS Teams

09:00 on Thursday 14 September 2023

Present: Kirsty Macari (Chair), Alistair Scott (AS), Caroline Parkinson (CP), Bruce Ross (BR)
Lynn Wilson (LW) Angela Bonney (AB) and Sam McCabe (SM)

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

Guests: Stephanie Harold (SH) (Audit Scotland)

Apologies: Daisy Narayanan

1. APOLOGIES & DECLARATIONS OF INTEREST

Apologies were received from Daisy Narayanan.

There were no declarations of interest.

2. PREVIOUS MINUTES AND MATTERS ARISING

The previous Minutes of 6 June 2023 were AGREED.

Matters arising

It was reported that 2 items were closed off. The remaining item June 23 No 1 was a rounding up exercise. Going forward figures that have been rounded up will be noted within the report.

3. CEO GOVERNANCE STATEMENT AND MT STATEMENT OF INTERNAL CONTROLS

The following was highlighted from the report:

- The CEO signed off one single tender action for Q1 of 2023/24 for Kinharvie Institute (for the LT training day). We used Kinharvie as they carried out the Myers Briggs testing for Leadership Team. AB offered leadership training sessions if helpful through her role at Insights.

- Long and short-term sickness absence is down from the same period last year which is the lowest it has been in this quarter. This is a good sign and could be due to A&DS investing in colleagues together with hybrid working.
- Noted 20 days for various other types of leave under "other absences".
- A wellbeing hour has been introduced as a way of bedding in a reduction to a 35-hour week from October 2024. We are encouraging colleagues to use the hour which has generally been welcomed.

The Committee were pleased to see the reduction in overall sickness absence and noted we may see a rise due to covid but were comfortable that procedures are in place to manage this.

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

4. 2023/24 Q1 PERFORMANCE REPORT

4.1 Finance

Budget for 2023/24

- Budget 2023/24 Version 1 was presented and approved by the February 2023 Board meeting.

Management Accounts 2023/24 Highlights

Detailed management accounts are shown in Appendix A.

Income

- The report shows that the total income for 2023/24 via our grant letter is £2,090,000. In Q1 we drew down £375,000

Summary of Income for 2023/24:

	Version 1 - APPROVED BY BOARD
Income	2023/24 (£)
Grant in Aid	1,465,000
Grant in Aid - CAT	305,000
Grant in Aid - Schools	175,000
Grant in Aid - Venice	15,000
Grant in Aid - Health	130,000
TOTAL	2,090,000

Expenditure

- The total actual spend in Q1 2023/24 to 30 June 2023 was £443,410 representing 21% of total income (Q1 2022/23 - £509,820 representing 23% of total income).
- A further £1,505,960 of expenditure was committed by Purchase Orders at 30 June 2023 representing 72% of total budgeted income (Q1 2022/23 - £1,176,000 - 53%).

- A&DS aligns to Scottish Government's Pay Policy for salaries. Scottish Government's negotiations with Trade Unions are ongoing for 2023/24 and we await the outcome. We have included 5% in the salary budget for pay increases.

Net Income less Spend and Committed Expenditure

There is currently £31,874 from Core that remains unallocated and unspent – this may have to be utilised for salary purposes (depending on the outcome of Scottish Government salary negotiations).

Schools have £39,650 uncommitted and CAT project has £40,215 uncommitted as the end of Quarter 1 of 2023/24. A plan to ensure funds are committed by end of Q3 2023/24 is in place.

The Committee asked how we would ensure there is no underspend moving forward into 2024. It was reported that the projected salary increase will take up the majority of the unallocated figure of £31,874. Whilst on paper the pay offer is affordable it also allows no room for maneuver in relation to any future unexpected costs. We keep in close contact with the Sponsor Team, and they are fully aware of the situation.

The committee suggested extending the wording slightly within the risk register to capture the quarterly funding issue.

ACTION: SR TO EXTEND WORDING IN RISK REGISTER

4.2 Risk

The following points were highlighted from the report:

- **Insufficient funding** is significant enough now to move from green to amber.
- **Cybercrime** – we continue to mitigate as much as we can. We have moved over completely to a cloud-based operating system due to the cloud being more secure than an office-based server and in preparation for working from a hub space.
- **Loss of key individuals** - further work on implementing a staff development programme and improving the work environment, including hybrid working, are in place to mitigate this risk.

The Committee asked if accommodation should be included on the risk register. It was agreed that the LT would discuss how to capture this risk.

ACTION: THE LT TO DISCUSS HOW TO CAPTURE ACCOMMODATION ON THE RISK REGISTER

4.3 Business Plan

Project for the Web (PftW) has now been implemented and the performance report is based on intel from that project management system. It was noted that this was a significant moment in terms of the operation of the business within A&DS with the information presented being generated from a single platform. JM thanked everyone involved in the difficult task of getting us to this point where we will now be in a more confident position collating and presenting our information. The next report will begin to track progress from the previous quarter.

SR gave a short presentation on Project for the Web (PftW) using the Corporate Infrastructure Team information as an example.

The Committee thanked SR for the presentation, welcomed the new reporting system and congratulated the team.

The Committee **NOTED** the report.

5. INTERNAL AUDIT UPDATE

A procurement exercise has taken place for the provision of audit services from 2023-26. One tender bid was received from TIAA. If appointed the LT will discuss what two internal audit reports, we want them to report on for Q3 and Q4.

The Committee **NOTED** the report

6. AUDIT SCOTLAND UPDATE – DRAFT GOVERNANCE STATEMENT

The ARA to 31 March 2023 is being prepared by A&DS and will be audited by Audit Scotland as our external auditors at end October/beginning November 2023. The draft ARA will be issued to all members of the Audit Committee ahead of the audit commencing for noting.

SH noted Audit Scotland will continue to liaise with SR and they are happy to take the accounts at any time they are available in advance of the deadline. A special Audit Committee meeting will be scheduled in December to approve the Annual Report and Accounts to go to the Board.

The Committee **NOTED** the draft Governance Statement

7. ANY OTHER BUSINESS

Board and Audit Committee self-assessments

Board members were reminded to complete the Board and Audit Committee self-assessments by 15/09/23.

ACTION: BOARD MEMBERS TO COMPLETE AND RETURN BOARD AND AUDIT COMMITTEE SELF ASSESSMENTS BY 15/09/23

JM noted we would be reviewing times and dates of all of the meetings for October and November with a shift in dates and times to be discussed at the Board meeting.

Dates of next meetings

- 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 10:20

Signed:.....*Kirsty Macari*.....

Kirsty Macari, Chair

Date:.....09 November 2023.....

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ARCHITECTURE & DESIGN SCOTLAND

MINUTES OF AUDIT COMMITTEE MEETING [55]

Online via MS Teams

09:30 on Thursday 7 November 2023

Present: Kirsty Macari (Chair), Alistair Scott (AS), Caroline Parkinson (CP), Bruce Ross (BR). (DN) and Angela Bonney (AB)

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

Guests: Stephanie Harold (SH) (Audit Scotland), Emma Carrigan (EC) (Audit Scotland) and Martin Ritchie (MR) (TIAA)

Apologies: Sam McCabe

Absent: Lynn Wilson, Daisy Narayanan and Georgiana Varna

1. APOLOGIES & DECLARATIONS OF INTEREST

Apologies were received from Sam McCabe.

There were no declarations of interest.

2. PREVIOUS MINUTES AND MATTERS ARISING

The previous Minutes of 14 September 2023 were AGREED.

Matters arising

14 Sept 23 No 3 – A Self-Assessment questionnaire for Board and Audit Committee was sent out in Q2 for completion by mid-October 2023. Not all board members have completed the survey and therefore we have been unable to complete the analysis. We have reminded the Board members concerned and asked for the survey to be completed by 30 November 2023.

3. CEO GOVERNANCE STATEMENT AND MT STATEMENT OF INTERNAL CONTROLS

The following was highlighted from the report:

- Committee noted the spike in sickness in this quarter in comparison to the last quarter. It was reported this was mainly due to an increase in covid, particularly in the west of Scotland, along with a couple of members of staff on longer than short

term sickness. It was suggested a summary analysis of the year could be produced to provide more realistic reporting on sickness.

ACTION: PRODUCE SUMMARY ANALYSIS OF SICKNESS FOR THE YEAR

- It was noted that there is currently a lower number of staff than in Q2 last year. We have taken the decision not to replace a colleague who went on secondment and has subsequently been offered and accepted at job at Creative Scotland. We currently have a backfill for that post but will continue the backfill until September 2024 if we can which will be dependent on the budget in December 2023.
- The Chair was pleased to report that TIAA have been appointed for a further 3-year period. A paper will be issued to Audit Committee for Q3.

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

4. 2023/24 Q2 PERFORMANCE REPORT

4.1 Finance

Budget for 2023/24

- Budget 2023/24 Version 1 was presented and approved by the February 2023 Board meeting.

Management Accounts 2023/24 Highlights

Detailed management accounts are shown in Appendix A.

Income

- The report shows that the total budgeted income for 2023/24 via our grant letter is £2,090,000. At the end of 2023/24 Q2 we had drawn down £1,377,850 – which equates to 66% of total grant funding.

Summary of Income for 2023/24:

	Version 1 - APPROVED BY BOARD
Income	2023/24 (£)
Grant in Aid	1,465,000
Grant in Aid - CAT	305,000
Grant in Aid - Schools	175,000
Grant in Aid - Venice	15,000
Grant in Aid - Health	130,000
TOTAL	2,090,000

Expenditure

- The total actual spend by end of Q2 2023/24 to 30 Sept 2023 was £905,915 representing 43% of total income (Q2 2022/23 - £860,144 representing 42% of total income).

- A further £1,050,209 of expenditure was committed by Purchase Orders on 30 Sept 2023 representing 50% of total budgeted income (Q2 2022/23 - £1,163,033 - 53%).
- A&DS aligns to Scottish Government's Pay Policy for salaries. Scottish Government's negotiations were concluded in July 2023. The pay award was split into two payments
 - From 1 April 2023 – 5% increase (already budgeted for)
 - From 1 January 2024 – a further 2% increase (not budgeted for but able to fund from uncommitted grant income).

A&DS has a fully committed budget for 2023/24 from 1 September 2023 onwards.

Net Income less Spend and Committed Expenditure

As predicted, the unallocated money from 2023/24 Q1 audit committee paper (£31,874 from Core) has now been allocated to salary due to the additional 2% increase from 1 January 2024 onwards.

Schools have £36,400 uncommitted on POs and CAT project has £39,412 uncommitted on POs at the end of 2023/24 Quarter 2. A plan to ensure grant funds are committed by the end of Q3 2023/24 is in place.

The Chair noted this reinforces the importance of tracking projects and how they are progressing and congratulated the team on managing this in challenging times.

4.2 Risk

The following point was highlighted from the report:

- **Risk ID 3 – Insufficient funding – Remains unchanged** – This risk moved from Green to Amber in Q1 of 23/24 and remains at Amber in Q2. Projections for budgets from 1 April 2024 onwards shows a negative budget and the CEO is in continual discussions with sponsor team in advance of the budget allocations in December 2023. The CEO is confident we are doing everything possible to manage a difficult situation and ultimately the decision lies with SG to address the issues.

It was reported that the risk associated with accommodation and the office move is being mitigated and remains low. The LT discuss regularly, remain in contact with the estates team at SG and updates are shared with staff who will have the opportunity to visit all the proposed locations. The Chair congratulated the team on the approach we have taken and acknowledged it was a big shift for us all.

4.3 Business Plan

It was reported that this was the second quarterly report produced using Project for the Web. We are now starting to get quick feedback making it easier to follow up with teams, which is positive. It was noted this was a great tool for evidence gathering and for sharing information between teams working together. Project for the Web will also be helpful in the evaluation of work in capturing the analysis for our outcomes.

The Chair noted the report shows how well we are progressing through the year and allows the Committee to note projects which have moved ratings. This will be an important document over the years in terms of how we manage our resources. It was clarified that the amber for Venice was due to the mid-point review not taking place but the substantial work on Venice remains on track and external factors were responsible for the CAT amber.

It was agreed SR would produce a scoping paper for discussion at the next Audit Committee meeting on 5 March 2023 on a deep dive of Corporate Infrastructure issues for 2024/25.

ACTION: AGENDA ITEM FOR AUDIT COMMITTEE MEETING ON 5 MARCH 2024

The Committee **NOTED** the report.

5. AUDIT SCOTLAND UPDATE

A verbal update was given on audit progress. SH thanked LL, SR and colleagues for their help with the audit ensuring everything is progressing well. The main issue will be around the lease of Bakehouse Close and this will be the main area Audit Scotland will be reflecting on when they bring the ARA to Audit Committee in December 2023.

The Chair appreciated all the work from Audit Scotland and the team to ensure the process goes smoothly.

The Committee **NOTED** the verbal update

6. ANY OTHER BUSINESS

Dates of next meetings

- 5 December 2023 for Annual Report and Accounts Approval to Board.
- 5 March 2024 Q3 - 23/24
- 11 June 2024 Q4 - 23/24

The Chair asked that Board members prioritise attendance at the meeting on 5 December 2023 for the Annual Report and Accounts Approval to Board.

The Chair thanked everyone for their attendance.

The Meeting closed at 10:40

Signed:.....*Kirsty Macari*.....

Kirsty Macari, Chair

Date: 17 April 2024.....

Architecture & Design Scotland

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ARCHITECTURE & DESIGN SCOTLAND

MINUTES OF AUDIT COMMITTEE MEETING [56]

Online via MS Teams

11:00 on Thursday 30 November 2023

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

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

Guests: Stephanie Harrold (SH) (Audit Scotland) and Emma Carrigan (EC) (Audit Scotland)

Absent: Georgiana Varna (GV)

1. APOLOGIES & DECLARATIONS OF INTEREST

There were no apologies.

There were no declarations of interest.

2. AUDIT SCOTLAND ANNUAL AUDIT REPORT FOR YEAR ENDED 31 MARCH 2023

The Chair noted the items at this meeting are important in terms of how we review ourselves, how we have performed and how we are looking towards next year.

SH started by thanking the Chair, Audit Committee and Board members for accommodating the change of date for this meeting and the subsequent Board meeting. SH also thanked colleagues at A&DS and Audit Scotland who worked hard to support meeting this earlier deadline.

SH highlighted the following points from the covering letter:

- Subject to the satisfactory conclusion of the outstanding matters referred to later in this letter Audit Scotland will be providing an unmodified, independent auditors report once the papers are signed later today following the Board meeting.
- There are no unadjusted misstatements to be corrected.
- In presenting this report to the Audit Committee, Audit Scotland seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention. The Audit Committee confirmed there were no instances of the above.
- A draft letter of representation attached at Appendix B should be signed and returned to Audit Scotland by the Accountable Officer with the signed annual report and accounts prior to the independent auditor's report being certified.

SH highlighted the following points from the 2022/23 Annual Audit Report – PROPOSED

- Audit opinions on the 2022/23 Annual Report and Accounts for Architecture and Design Scotland are unmodified.
- Audit Scotland would like to thank the Board and Audit Committee members, executive directors and other staff, particularly those in the Corporate Infrastructure team, for their cooperation and assistance in this year and Audit Scotland look forward to working together constructively over the course of the five-year appointment.
- Audit Scotland confirmed that they comply with the Financial Reporting Council's Ethical Standard. They also confirmed that they have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £11,240 as set out in our 2022/23 Annual Audit Plan remains unchanged. Audit Scotland are not aware of any relationships that could compromise their objectivity and independence.

The overall materiality threshold was set with reference to gross expenditure, which Audit Scotland judged as the figure most relevant to the users of the financial statements. No changes to the materiality threshold were made from what Audit Scotland brought to us at planning.

Exhibit 2 Risk – **Conclusion:** There is no evidence of management override of controls.

- The implementation of IFRS 16 was mandatory for central government bodies (including A&DS) from 2022/23 onwards. This was an area of audit focus for Audit Scotland's 2022/23 audit as IFRS 16 significantly changed the way in which A&DS accounts for operating leases, including recognising assets and liabilities for the rights and obligations arising from leases previously classified as operating leases.
- Audit Scotland reviewed the implementation of IFRS 16 as part of our audit and identified some errors and required amendments. These were discussed with officers and changes made.
- Audit Scotland discussed some other amendments to the draft performance report to better ensure this complied with the requirements of the FReM which management agreed to implement. Audit Scotland concluded that the information disclosed in the 2022/23 performance report complies with the FReM.
- Audit Scotland raised a risk about financial sustainability position at the start of the year. Aware there is no 5 year forecasts and recommendation is reiterating that regular review of these when new information is made available carries on throughout the year.
- Audit Scotland noted there is limited trend information in the performance report at present, but they were aware that Project for the Web software has come in during the year and have seen it being reported to Audit Committee in 23/34 elements of the year and that might be able to bring out more qualitative and quantitative data and trend information going forward that will be able to be included in the annual accounts.
- Recommendation 1 and 2 have been agreed with management and are summarised in appendix 1 of the document.

Committee asked if the overspend came to light due to the adjustment being made or if there was a declared overspend. It was reported that adjustments made collectively have resulted in moving from a small underspend to a small overspend in accounting terms. A lot of the overspend relates to accruals and prepayments rather than an overspend of our grant income.

It was reported that the lease change anticipated and the fixed term appointments have already been factored into budget forecasts with a £45,000 deficit in the first year. As we don't know what the budget will be there is a degree of assumption around that figure. To manage this situation we remain in close contact with our sponsor team looking at the different scenarios that will flow from a deficit position prior to the budget announcement in December 2024.

The Chair was assured by the steps being taken to manage the deficit and by how it is communicated to the Audit Committee and Board. The financial challenges were recognised but as an organisation the work being undertaken to link performance and how that will sit in terms of outputs and core grants will be an important issue to monitor.

The Committee **NOTED** the Audit Scotland 2022/23 Annual Audit report Proposed

Chair thanked SH and her team at Audit Scotland.

3. ANNUAL REPORT AND ACCOUNTS FOR YEAR ENDED 31 MARCH 2023

The Annual Report and Accounts were presented to Audit Committee for scrutiny and approval for recommendation for formal approval by the Board on 30 November 2023

Key points to note:

- £4,000 came out of reserves to cover expenditure during the year a lot of which was due to timing relating to prepayments and accruals
- The other adjustment from previous years relates to IFRS16 on leasing.

It was reported that we recognise the performance report will improve year on year and has improved greatly in the last 2-3 years in our annual report and accounts. Following the implementation of Project for the Web this summer this is a work in progress and we recognise we will make more improvements next year. The Chair noted the new approach in terms of how we are performance reporting is testament to that.

The Chair reported Audit Committee understand the trajectory of where A&DS are going. The communication we have over the course of the year as Board and as the organisation has been helpful and hopefully means we are going in the right direction and stands us in good stead for some of the more challenging times we may face going forward.

Audit Committee **AGREED** the draft Annual Report and Accounts for year ended 31 March 2023 should be recommended for formal approval by the Board on 30 November 2023

4. AOB

The Chair thanked the team and in particular SR who has supported Audit Committee through audit with the wider team. Audit Committee feel reassured that A&DS is accountable, strong and forward thinking and in the best place to tackle the challenges the Public Sector will be facing in the coming years. The Chair also thanked the team at Audit Scotland.

5. DATE OF NEXT MEETING

The date of the next meeting is Tuesday 5 March 2024.

The Chair thanked everyone for their attendance.

The Meeting closed at 11:40.

Signed:.....*Kirsty Macari*

Kirsty Macari, Chair

Date: 17 April 2024.....

Architecture & Design Scotland

Ailtearachd is Dealbhadh na h-Alba

ARCHITECTURE & DESIGN SCOTLAND

MINUTES OF AUDIT COMMITTEE MEETING [57]

Online via MS Teams

09:00 on Tuesday 5 March 2024

Present: Kirsty Macari (Chair), Angela Bonney (AB) and Daisy Narayanan (DN)

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

Guests: Emma Carrigan (EC) (Audit Scotland) and Martin Ritchie (MR) (TIAA)

Apologies: Alistair Scott, Caroline Parkinson, Bruce Ross, Georgiana Varna, and Sam McCabe

Absent: Lynn Wilson

1. APOLOGIES & DECLARATIONS OF INTEREST

Apologies were received from Alistair Scott, Caroline Parkinson, Bruce Ross, Georgiana Varna and Sam McCabe.

There were no declarations of interest.

Due to two late apologies, the meeting was not quorate. Any decisions will be ratified at the next Audit Committee meeting.

2. PREVIOUS MINUTES AND MATTERS ARISING

The previous Minutes of 7 November 2023 and 30 November 2023 were **AGREED**. This will be ratified at the next Audit Committee meeting.

Matters arising

All matters arising are covered within the agenda.

The Committee noted that the date was missing from matters arising.

ACTION: ADD 27 FEBRUARY 2024 TO MATTERS ARISING

3. CEO GOVERNANCE STATEMENT AND MT STATEMENT OF INTERNAL CONTROLS

The following was highlighted from the report:

- This report includes a summary graph of short-term sickness. It was noted that both short and long-term sickness figures were down in this quarter compared to the same quarter last year. The spike in sickness was mainly due to a spike in covid, particularly in the west of Scotland.
- The CEO and Corporate Infrastructure Team continue to have regular meetings to share ideas/resolve issues and aid communication between the organisation and our Sponsor Team on corporate issues. There have been 3 regular meetings in Q3 of 2023/24. The regular agenda items include:
 - Finance updates
 - Budget updates
 - Accommodation from 1 May 2024
 - Programme for Government
- The Rapid Functional Assessment (RFA) has been carried out by PARD and is near completion. The wider policy delivery review is contingent on the RFA being completed.
- There was one FoI request received in Q3 of 2023/24 and it related to:
 - Info on accounting system used within the organisation
- Seven self-assessment questionnaires have been completed and this forms the basis of the paper on today's agenda. One further questionnaire was received this week which contained comments that were already captured within the paper.
- Staffing update: one staff member on secondment, left in Quarter 3 to take up a permanent position at Creative Scotland. A fixed term appointment is in place (to cover full term of secondment) until 30 September 2024.
- TIAA will present the internal audit forward programme at today's meeting.
- AB has agreed to become deputy Chair of Audit Committee. The terms of reference for Audit Committee will be updated and will go to Board for approval.

The Chair noted it was positive to see that sickness figures have not been driven by work related stress/illness and appreciated the privacy around how the figures were reported. A comparator with other similar sized organisations takes place annually and will be reported on in Q4 at the June meeting

It was reported that the frequency of meetings with the Chief Architect has increased which is a positive channel of communication and a reflection the current financial and landscape issues facing the wider public sector.

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

4. 2023/24 Q2 PERFORMANCE REPORT

4.1 Finance

Budget for 2023/24

- Budget 2023/24 Version 1 was presented and approved by the February 2023 Board meeting.

Management Accounts 2023/24 Highlights

Detailed management accounts are shown in Appendix A.

Income

- The report shows that the total budgeted income for 2023/24 via our grant letter is £2,090,000. At the end of 2023/24 Q3 we had drawn down £1,893,229 – which equates to 90.6% of total grant funding.

Summary of Income for 2023/24:

Version 1 - APPROVED BY BOARD	
Income	2023/24 (£)
Grant in Aid	1,465,000
Grant in Aid - CAT	305,000
Grant in Aid - Schools	175,000
Grant in Aid - Venice	15,000
Grant in Aid - Health	130,000
TOTAL	2,090,000

Expenditure

- The total actual spend by end of Q3 2023/24 to 31 December 2023 was £1,435,250 representing 69% of total income (Q3 2022/23 - £1,426,787 representing 65% of total income).
- A further £557,905 of expenditure was committed by Purchase Orders at 31 December 2023 representing 27% of total budgeted income (Q3 2022/23 - £619,792 - 28%).

Net Income less Spend and Committed Expenditure

- Schools has £24,134 uncommitted expenditure and Climate Action Towns project has £28,360 uncommitted expenditure the end of 2023/24 Quarter 3.
- A plan to ensure grant funds are committed by end of Q4 2023/24 is in place.
- £44,351 (2.12%) was uncommitted at 31 December 2023. This will be allocated and used for the office move out of BHC. For the same period in 2022/23 it was £50,057 (2.27%)

The Chair noted her appreciation of the due diligence coming from the team moving forward in light of the tight budget. The Committee asked if the dilapidation figure was adequate. It was reported that we have made the Chief Architect aware in the event the dilapidation estimate comes back higher than our allocation within the budget.

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

4.2 Risk

The risks were reviewed by the Leadership Team in February 2024. The following risks were highlighted from the report:

- Failure to achieve corporate and management targets and insufficient stakeholder funding have moved up the risk register to become our top 2 risks.
- Cybercrime has moved to risk no 4 due to financial and staff risks taking priority. Cybercrime remains a significant risk for A&DS in general.
- Loss of staff confidence in the organisation has moved from risk no 7 to risk no 3 due to a new Corporate Plan being launched and a new structure being implemented from 1 April 2024. We will monitor this going forward to ensure it does not affect the delivery of our work.

The Chair was conscious there had been significant movement in the risk register and asked how the team would manage this moving forward. It was reported that the risks around the lower end of the scale are not active risks. We would continue to manage but these along with cybercrime are under control. We are in continual dialogue with our sponsor team to mitigate the top two risks. The Committee recognised the risks are where they are due to events that are about to take place and offered Audit Committee support to the mitigations if needed to take clear actions back to the Board. It was reported that a session on risk appetite will be carried out at the Board in May 2024.

The Committee asked if the risk register had been shared with the wider team and noted that openness and transparency is important. It was suggested this could be done at a Tuesday assembly.

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

4.3 Business Plan

It was reported that three items within the Business Plan are sitting at amber. However, we expect the first two to be back on track in Q4 and the third item on CAT is due to external factors.

During this year we are working hard on drawing performance information from project for the web. This has significantly improved but we still have work to do around setting appropriate milestones. It was highlighted this has been a massive transition for us all and continues to be challenging but gains continue to be good.

The Chair was encouraged to see the extent of green ratings on the performance report in this challenging time and this gives the Committee confidence in where we are going with the projects. The importance of the narrative was highlighted, for example in CAT, which allows Committee to understand the tolerances around slippages.

The Chair thanked the team for all the work they are doing on performance.

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

5. INTERNAL AUDIT UPDATE

TIAA have prepared a 3-year programme based on topic recommendations agreed at Leadership Team for internal audit reviews:

Year 1 2023/24

- Review of risk
- Review of appraisal system
- Follow up items from previous year

Year 2: 2024/25

- Review of project management framework
- Review of Records management and data protection
- Follow up items from previous year

Year 3: 2025/26

- Corporate Strategy 2 delivery - one year in - systems and processes
- Stakeholder Engagement
- Follow up items from previous year

TIAA reported the internal audit was starting slightly later due to the tender process but that we remain on track to deliver within this financial year and will aim to have a more even spread next year.

The Chair thanked SR and MR for their work on the Internal Audit topic recommendations and asked if records management and data protection should be the first audit of year 2, as this will be relevant regarding what we have discussed and considering the office move. It was agreed to look at the order of the internal audit programme topics. The Committee also asked, in terms of strategic delivery, if there is something that can happen in the interim in terms of assurance. It was reported that it would be the effectiveness of internal reporting that will be the main source of our assurance. MR assured the Audit committee that follow up actions from previous audits will cover strategic delivery and will be reported in Quarter 4 of 2023/24.

ACTION: REVIEW THE ORDER OF THE INTERNAL AUDIT PROGRAMME TOPICS

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

6. Audit Committee Self-Assessment and next steps

The Chair and co-chair reviewed the results and agreed with the Corporate Infrastructure Manager that the following themes were an accurate reflection of feedback on Audit Committee self-assessment.

The following observations were drawn from the results:

- Induction training required for those Board members who joined the Audit Committee within the last year
- The induction training should include the following topics:
 - Go through in detail the terms of reference (ToR) for Audit Committee
 - Ensure the role of the AC member is clear including governance, risk appetite and responsibilities set out in the ToR
 - Finance – how A&DS manages its core grants
 - Differentiate the distinct roles of Internal and External Audit
 - Review why all members of the Board are on Audit Committee
- Members would find it useful for minutes to be circulated after the meeting instead of with the papers three months later.
- No review currently takes place of legal or regularly issues – could be added to Governance Statement?

It was highlighted that care should be taken not to increase bureaucracy for the sake of it following the review.

It was suggested we schedule two or three bite sized training sessions taking on board some of the bullet points above and to ensure members understand the Audit role. It was noted that the Chair of Audit Committee may have more of a role to play when new members join. It was suggested we build in interim feedback following the sessions to gauge how people have moved on. The Committee asked if it would be appropriate to invite the Chief Architect along to the sessions and it was agreed we could discuss this with him at our next catch.

ACTION: TRAINING TO BE PROGRAMMED IN ACROSS 2024 AND CEO TO DISCUSS ATTENDANCE AT TRAINING SESSION WITH THE CHIEF ARCHITECT

The Committee **NOTED** the content of the report and **AGREED** recommendations. This will be ratified at the next Audit Committee meeting.

7. DEEP DIVE PROGRAMME FOR 2024/25 AUDIT COMMITTEE MEETINGS

The Corporate Infrastructure Manager had prepared a list of deep dive topics for 2024/25 reporting period for consideration by the Audit Committee.

All the topics related to governance and would be followed up, if required, within the CEO governance statement.

The Committee noted the need to ensure everything we do is also on the climate radar.

The Committee **AGREED** the content of the report. This will be ratified at the next Audit Committee meeting.

8. ANY OTHER BUSINESS

Dates of next meetings

- 11 June 2024 Q4 - 23/24
- 3 September 2024 Q1 24/25
- 5 November 2024 Q2 24/25
- 3 December 2024 ARA
- 4 March 2025 Q3 24/25

The Chair thanked everyone for their attendance.

The Meeting closed at 10:10

Signed 

Kirsty Macari, Chair

Date: 26 June 2024