

Statement of the Audit and Risk Committee to the Board

Members of the Audit and Risk committee are appointed by the Board to provide assurance on the governance arrangements within the Board, during the year there were the changes noted below in membership of the committee due to the previous Chair taking on the role of Board Interim Chair, the membership is summarised in the table below:

Members
Interim Chair – P Cox (from 18 March 2016)
K Harriman
J Rae

The Audit and Risk Committee had four formal meetings during the period 1 July 2016 to 30 June 2017.

During the course of the meetings the Committee of the Board conducted a review of the internal control environment within the Board in line with the work plan for the committee. This review was informed by a number of sources including:

- All matters considered by the Committee during 2016/17;
- Annual assurance statements signed by the Executive Directors to give the Accountable Office assurance that all guidance is being followed;
- The annual reports for each Board Committee;
- The Board Risk Register and Risk Management annual report;
- An annual report on Information Governance;
- Submissions by the Board's Director of Finance, eg standing financial instructions;
- Comments made by the External Auditors arising from their audit of the Board's systems; and
- The work of internal auditors and the reports they have issued

The Internal audit opinion which is contained in the PwC annual report is as follows:
Generally satisfactory with some improvements required

During the previous financial year, no significant control weaknesses or issues have arisen and no significant failures have arisen in the expected standards for good governance, risk management and control.

The Audit and Risk Committee also recognised the work performed by Management to address the recommendations identified by audit, and consider that work has been undertaken to ensure that all recommendations have been addressed, both in year and for prior year. The Committee also considered reports from Audit Scotland where applicable to the Board with action plans being implemented for these reports all other reports were considered for information.

In addition the committee considered updates in relation to Fraud with no matters arising that would impact on the Governance Statement. Work was undertaken in partnership with Counter Fraud Services in relation to the outcomes from the National Fraud Initiative work, this again would have no impact on the system of

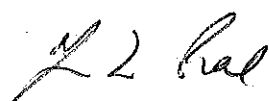
internal control within the Board. The committee also noted the controls in place with regard to the Bribery Act 2010 and approved the establishment of the interim register pending the approval of the final policy.

Having performed this review, taking into account comments made by the Internal and External Auditors, the Internal Auditor's independent opinion on the system of internal control, it is the opinion of the Audit and Risk Committee that, whilst there have been a small number recommendations from the work of internal audit, there are no significant matters relating to the Board's control systems that require to be disclosed in the Governance Statement.

The Audit and Risk Committee can see no reason why the Board should not approve the Governance Statement. The statement, which is reproduced in the Board's Annual Accounts for the year ended 31 March 2017, is considered to have the appropriate disclosures and is therefore recommended to the Board.

The Chair of the Audit and Risk Committee concludes that the Audit and Risk Committee has fulfilled its remit and considers that there are adequate and effective internal control arrangements in place to assure the Board of its corporate governance duties.

The Audit Committee at a meeting on 6 June 2017 approved this statement.

A handwritten signature in dark ink, appearing to read 'J L Rae', is positioned above the printed name and title.

Jack Rae
Interim Chair of the Audit and Risk Committee
6 June 2017