

**MINUTES of tie Audit Committee meeting
Isambard Kingdom Brunel Suite
2nd Floor Citypoint
At 9 am on Tuesday 11th December, 2007**

In Attendance: **Committee members:**
Kenneth Hogg (Chairman)
Willie Gallagher
Peter Strachan
Neil Scales
Other Attendees:
Stewart McGarrity
Pat Diamond
Colin McLauchlan

KH
WG
PS
NS
SMcG
PD
CMcL

Apologies: Allan Jackson

Item

Action by

1. MINUTES OF MEETING of 10th July 2007

1 a) The actions from the meeting on 10th July were reviewed.

Action to update Remit of Audit Committee (AC) – It was agreed that the amended text of points to be considered by the AC in February from ‘Review of individual Directors and committee’s effectiveness’ to ‘Review the processes for assessing individual Directors’ performance and the committees’ effectiveness’.

PD

Action on Accounts Signing – Cleared.

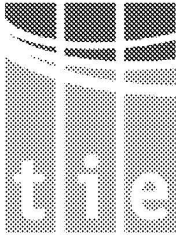
Action on presenting New Audit findings – Cleared (see item 2a below).

Action on D&O liability and Company Articles – following discussion it was agreed to take this item off line and follow up with tie Company Secretary. KH to report back on his findings.

KH

Action on CEC Code of Compliance – Cleared (See item 3b below).

Action on tie bonus system – CMcL took the committee through the mechanism for assessing the bonuses for tie, KH queried which committee (Audit or Remuneration) should be responsible for overseeing the application



of the system. **NS** confirmed that the Remuneration Committee had approved the framework and that the operation and application was vested in the **tie** management. **KH** Queried whether staff had been formally trained in how it operates, **CMcL** confirmed that whilst staff had not been formally trained everyone was aware of how the system works following briefings last year.

It was agreed that the appropriate committee to oversee the bonus system was the Remuneration Committee, including consideration of staff training.

Action on Audit Committee training – **CMcL** circulated hard copies of the options available. **KH** requested that these be issued electronically with any recommendations about preferred options.

CMcL

Action on Register of Directors Interests – Cleared.

The minutes of the meeting of 10th July 2007 were approved. Apologies were received from Alan Jackson.

1 b) Standing Item, minor changes agreed.

1 c) **SMcG** confirmed that as yet the updating of the Delegated Authority Rules could not be completed as the CEC had not yet finalised the **tie** Operating Agreement. It is expected that the Operating Agreement will be concluded prior to Christmas and the DARS can be updated for the next AC in February 2008.

SMcG

2. 2007 Internal Audit reports and 2008 plan

2 a) **PD** discussed each of the reports in turn.

EARL – The AC noted that following the retirement of the EARL project director in January **tie** needs to have in place sufficient resource and procedures to be able to deliver its continuing responsibilities as the Authorised Undertaker for EARL.

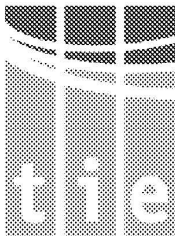
WG

Security – **KH** raised concerns that item 1.3 of the report was not concluded and requested that this be delivered as a matter of priority and be include in the February 2008 AC.

CMcL

Security - On item 5.1 **NS** questioned how **tie** is currently vetting its staff, **CMcL** confirmed that **tie** perform the usual employee checks, but that further detailed Security Vetting was not seen as appropriate. **KH** suggested that **tie** look at possible options such as Disclosure Scotland and bring a report on the

CMcL



pros, cons and recommendation to the next AC in February 2008.

MUDFA – KH suggested the wording on page 1 of the report in relation to Control Objective 2 should be revisited as this was not a full financial audit. **PD**

2 b) **PD** discussed the report on outstanding audit points and ran through the 3 outstanding main points. A further update will be table at the February 2008 AC. **NS** requested an additional column be included to show the revised date for completion to enable AC to track progress. **PD**

3. Governance Matters

3 a) The update on D&O liability was discussed and actioned under Item 1 a) of these minutes.

3 b) **PD** updated the committee on the progress by **tie** with regard to the Compliance with the code of guidance for CEC companies. **PS** requested Noted that item 3.8 of the matrix should be ‘Annual’ rather than ‘Not applicable’. **PD** to amend. **PD**

3 c) Item moved to the main **tie** Board as this was a more appropriate forum.

4. AOB

KH requested a review of the length of term of appointment for the internal and external Auditors for **tie**, and to compare this with industry best practice with a view to recommending replacement timeframes as appropriate. **PD**

KH requested that the review of the AC performance to be presented for the next AC in February 2008. **PD/CMcL**

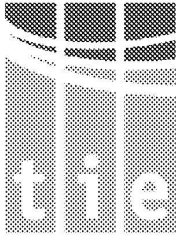
The date of next scheduled meeting will be in **February 2008** – date and time to be advised. **PD**

Signed and approved on behalf of the Audit Committee by:

Kenneth Hogg (Chairman)..... Date.....

Declaration:

*Agenda Items marked * indicate that a report or relevant paper on this subject was attached and will be made available under FOI(S)A but will be subject to review under Section 5b of tie’s publication scheme and The FOI (Scotland) Act 2002. The contents of these minutes will be reviewed by tie prior*



to release and items marked with a (C) may be deemed exempt according to the provisions of The FOI (Scotland) Act 2002.