

MEETING: 10 DECEMBER 2020

REPORT BY: SECRETARY TO THE COMMISSION

AUDIT SCOTLAND BOARD UPDATE

Purpose

1. This report provides an update on the business of the Audit Scotland Board.

Background

2. Audit Scotland is established in statute to “provide such assistance and support as the Auditor General and the Accounts Commission require in the exercise of their respective functions and, in particular, is to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions”.¹
3. Audit Scotland (i.e. its Board) consists of the Auditor General, the Chair of the Commission, and three other members.² These three members, including a Chair, are appointed by the Scottish Commission for Public Audit.³
4. As well as being a member of Audit Scotland’s Board, the Commission Chair is also a member of its two committees, the Audit Committee and the Human Resources and Remuneration Committee.
5. In [*Public Audit in Scotland*](#)⁴, the Commission, the Auditor General and Audit Scotland set out how they together deliver public audit in Scotland. They state that “by working together and each fulfilling our distinct roles, the Auditor General, the Accounts Commission and Audit Scotland will ensure a strong system of public audit works to support transparency and promote improvement in the performance of public bodies.”
6. To this end, the Commission at its meetings considers for its interest the business of Audit Scotland Board.

Current Board business

7. This report provides the Commission with the latest available minutes from the meeting of the Audit Scotland Board, in this case the meeting of 30 September 2020. They are attached in Appendix 1.
8. The most recent meeting of the Board was on 25 November 2020, but the minute of this meeting is not yet publicly available as it is yet to be ratified by the Board. This will be available after the next Board meeting on 27 January 2021 and considered by the Commission at its February meeting.

¹ Public Finance and Accountability (Scotland) Act 2000, Section 10(3).

² Public Finance and Accountability (Scotland) Act 2000, Section 10(2).

³ The Scottish Commission for Public Audit was established under Section 12 of the Public Finance and Accountability (Scotland) Act 2000 and is made up of 5 MSPs. Its main areas of responsibility are to (a) examine Audit Scotland’s proposals for the use of resources and expenditure and report on them to the Parliament; (b) appoint an auditor to audit the accounts of Audit Scotland; (c) lay these accounts and auditor’s report before the Parliament; and (d) appoint three of the five members of Audit Scotland’s Board, including its Chair.

⁴ *Public Audit in Scotland*, Accounts Commission, Auditor General and Audit Scotland, May 2015.

9. The Commission has agreed however that the agenda for the most recent Board meeting be provided (even if the minute is not yet available). The agenda is attached in Appendix 2. The Chair will provide a verbal update on any relevant business for members' interest and invites questions from members to this end.

Conclusion

10. The Commission is invited to consider this update for its interest and seek further information from the Chair as appropriate.

Paul Reilly
Secretary to the Commission
26 November 2020

Minutes



Wednesday 30 September 2020, 10.00am

Audit Scotland by Video conference

Present:

Alan Alexander (Chair)
Stephen Boyle
Heather Logan
Elma Murray
Jackie Mann

Apologies:

There were no apologies.

In attendance:

Diane McGiffen, Chief Operating Officer
Martin Walker, Associate Director, Corporate Performance and Risk
Stuart Dennis, Corporate Finance Manager
Gemma Diamond, Audit Director, Performance Audit and Best Value
Mark Taylor, Audit Director, Audit Services and Performance Audit and Best Value
Fiona Diggle, Audit Manager, Performance Audit and Best Value
Robert Leask, Project Manager, Audit Quality and Appointments
Gayle Fitzpatrick, Corporate Governance Manager
Ian Metcalfe, Corporate Governance Officer
Colin Crosby, Non-executive board member designate (Observing)

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

The Chair welcomed members and attendees to the meeting. The Chair also welcomed Colin Crosby, new member of the Board from 1 October 2020, who had been invited to observe the meeting as part of his induction.

3. Declarations of interest

There were no declarations of interest.

4. Chair's report – verbal update

The Chair informed the Board of regular scheduled meetings with Diane McGiffen, Chief Operating Officer and Stephen Boyle Accountable Officer and Auditor General for Scotland and of discussions with Stephen Boyle and Martin Walker on Audit Scotland's Office of National Statistics classification and confirmed that no further action was required on that matter. In addition, the Chair advised he had met with Stephen Boyle, Elma Murray, Interim Chair, Accounts Commission and Tim McKay, Deputy Chair, Accounts Commission and Diane McGiffen following the last Board meeting to discuss resources and budget (action tracker item ASB122).

The Board welcomed the update.

5. Accountable Officer's report – verbal update

Stephen Boyle advised of regular scheduled meetings with Alan Alexander, Chair and Elma Murray and advised he had attended the New Audit Appointments Steering Group meeting on 23 September 2020.

Stephen advised of progress on the revised forward work programme ahead of consultation with the Public Audit and Post Legislative Scrutiny Committee at the end of October 2020. He invited members to note that he had signed off the independent auditor's report for the Scottish Parliamentary Corporate Body on 28 September 2020 and that the audit report on the Scottish Government accounts was scheduled for completion by December 2020.

Stephen advised members that he had published a blog on the impact Covid-19 on the NHS in advance of the NHS overview report that will be published in January 2021. He also advised of introductory meetings with senior officers at Healthcare Improvement Scotland and Education Scotland and of forthcoming meetings with senior officers from the Scottish Funding Council and the Institute of Chartered Accountants in Scotland.

Turning to internal engagement, Stephen advised of meetings with team members, superteams and business units across Audit Scotland and the communications to colleagues on continuing to work from home for the remainder of 2020.

Stephen also provided an update on recent Parliamentary engagements, including attending Parliamentary Committee meetings virtually and in person, on the impact of Covid-19 on public finances (27 August 2020), the National Fraud Initiative (3 September 2020) and at two private sessions on 10 and 17 September on the Scottish Government's progress of Early Learning and Childcare and Bòrd na Gàidhlig. Stephen advised that the Public Audit and Post Legislative Scrutiny Committee would be considering the Section 22 report on the Highlands and Islands Enterprise: Management of Cairngorm Mountain and Funicular Railway at its meeting on 1 October 2020.

Stephen invited the Board to note the forthcoming informal business planning session with the Scottish Commission for Public Audit on 26 October 2020 and advised that he was looking forward to welcoming new graduates to the organisation at the end of October 2020.

Following discussion, the Board welcomed the update.

6. Accounts Commission Chair's report – verbal update

Elma Murray advised that the Accounts Commission had considered Best Value reports on Moray Council and on Dundee City Council.

Members noted that the Accounts Commission continued to meet twice a month at present. Elma advised of a helpful session on Thursday 24 September 2020 with Diane McGiffen and Stuart Dennis where the Commission discussed the impact of Covid-19 on Audit Scotland's budget and that the Commission had expressed strong agreement on the need for appropriate levels of funding to support the quality of audit.

Elma advised that she and Fraser McKinlay, Controller of Audit, had attended a meeting with the Local Government and Communities Committee on 28 August 2020 to give evidence on the Local Government Overview report, and that there may be further opportunities to join the Committee more informally later in the year.

Elma advised that she and Fraser McKinlay would be meeting with Council Chief Executives on 1 October 2020 to gain insight on the management of public services during the pandemic. She also invited members to note that the Accounts Commission's Insight programme would include engagement with Chief Executives.

Elma advised she had chaired a meeting of the Strategic Scrutiny Group on 25 August 2020 where it was agreed the group would produce a briefing for publication at the start of November 2020.

Elma advised that the Best Value working group had met on 2 September 2020 had agreed new terms of reference and that its next meeting would take place on Friday 2 October.

Elma noted that the final report on Accounts Commission Support Review had been circulated to Commission members following the meeting of the Remuneration and Human Resources Committee on 2 September 2020 and had a further discussion about progressing some of the recommendations from the report.

The Board welcomed the update.

7. Review of minutes: Board meeting 19 August 2020

The Board considered the minutes of the meeting of 19 August 2020, which had been previously circulated.

The Chair invited any comments and, there being none, the Board approved the minutes as an accurate record of the meeting.

The Chair also advised that the current style of Board minutes would form part of the governance review early next year and members agreed to consider adapting the form of minutes in advance of the review.

8. Governance arrangements: Review of Standing Orders

Martin Walker introduced the Governance arrangements: Review of Standing Orders report, copies of which were previously circulated.

Martin invited members to note there were no proposed changes to the current meeting arrangements and advised of the options being explored to accommodate public meetings of the Board.

The Chair welcomed the options to support openness and transparency of future meetings and invited members to contact Martin Walker with their comments on the options set out to inform an update at the next meeting on 25 November 2020.

Following discussion, the Board agreed that the governance arrangements for virtual Board meetings remain in place.

9. Review of action tracker

The Board noted the updates provided on the action tracker.

The Chair invited members to note updates on the three open actions:

- Action ASB118 (on public meetings) had been discussed under the previous item.
- ASB120 (on Covid secure workplaces) was incorporated in the update report at item 10 and members agreed this action be closed.
- ASB122 (discussions on resources) where progress had been discussed at item 6 and members agreed this action be closed.

10. Covid-19 update

Martin Walker introduced the Covid-19 update report, copies of which had been previously circulated.

The Board welcomed the structure of the report, recognising the situation remains dynamic and Covid-19's impact on colleagues and the audit work and the possibility and impact of further 'circuit breaker' suppression measures in October 2020.

The Board noted that Covid-19 was a standing item for each meeting of Management Team, that the Incident Management Team continues to meet weekly and updates colleagues after each meeting. The Board recognised the important role of public audit in challenging times and agreed further discussions would take place on longer term business and continuity planning in the context of the ongoing pandemic and pending EU departure. The members agreed with the Chair's proposal for a

workshop in the first quarter of 2021 to discuss these areas to inform best practice, quality and the role of Public Audit in Scotland.

Following discussion, the Board welcomed the report.

Action ASB123: **A Board workshop to be scheduled in the first quarter of 2021. (March 2021)**

11. 2020/21 Q1 Corporate performance update

Gayle Fitzpatrick, Corporate Governance Manager and Ian Metcalfe, Corporate Governance Officer, joined the meeting.

Gayle Fitzpatrick introduced the 2020/21 Q1 Corporate performance update report, copies of which had been previously circulated.

Gayle invited the Board to review the performance reported for quarter one and to consider whether any additional management action is required.

The Board noted the report, acknowledging that the period under review was at the height of the pandemic and performance was impacted by the move to remote working, with many colleagues balancing work, caring and home-schooling demands during the national lockdown. The Board recognised that further updates on the impact of productivity will follow as part of Q2 performance reporting and Diane McGiffen provided a summary of the responses taken by the other audit agencies in the UK and Ireland.

Following discussion, the Board welcomed the report.

12. 2020/21 Q1 Strategic improvement programme update

Martin Walker introduced the 2020/21 Q1 Strategic improvement programme update report, copies of which had been previously circulated.

Martin invited the Board to note the progress made on the strategic work programme to date and advised of the current review of the improvement programme to support new ways of working in the short, medium and longer term.

The Chair noted the refocus of the overall agenda for the strategic improvement programme and the Board noted the need to be able to provide some flexibility in delivering the new longer-term work programme by March 2021.

Following discussion, the Board welcomed the report.

13. Remuneration and Human Resources Committee performance and future priorities

Jackie Mann introduced the Remuneration and Human Resources Committee (Remco) performance and future priorities report, copies of which had been previously circulated.

The Chair invited members to note Remco's consideration of the report at its meeting on 2 September 2020, the performance reported and invited comments on the proposed priorities for Remco in 2020/21.

The Board welcomed the report and acknowledged the work of Audit Scotland to support diversity, equality and inclusion, which would be discussed at the next Remco meeting on 2 November 2020, when there would be a further discussion on priorities. The Board welcomed the report.

Action ASB124: **A further discussion at the next meeting of the Remuneration and Human Resources Committee on priorities and approach to diversity and inclusiveness. (November 2020)**

14. Scottish Commission for Public Audit: Official report of meeting on 22 June 2020

The Chair invited members to note the Official report of the meeting on 22 June 2020 of Audit Scotland's Annual report and accounts, copies of which had been previously circulated.

The Board noted the report.

15. 2021/22 Draft budget submission

Stuart Dennis, Corporate Finance Manager, joined the meeting.

Stuart Dennis introduced the 2021/22 Draft budget submission report, copies of which had been previously circulated.

Stuart invited the Board to discuss the outline proposal for a budget submission for 2021/22, advising this had been prepared prior to the announcement on the delay of the budget by the UK Government, noting that this would impact on the Audit Scotland's budget process.

The Chair invited any comments or questions on the report.

The Board discussed the key budget assumptions including the options for a significant increased Management Contingency budget to provide greater flexibility, the impact of the devolution of financial powers to Scotland, the pay award proposal, the triannual employer pension contributions, expected fee income and the potential long term impact on productivity.

The Board also discussed scenarios which might flow from the new audit appointments project and the underlying audit market conditions, future investment needs and the property strategy to support a blended approach in the immediate term.

Following discussion, the Board welcomed early consideration of the outline budget assumptions, recognising the current financial rules were never intended to provide for the current levels of uncertainty and noted that a further iteration of the budget proposal is scheduled to come to the next meeting of the Board on 25 November 2020.

Stuart Dennis, Corporate Finance Manager, left the meeting.

16. European Union withdrawal update

Gemma Diamond, Audit Director, Performance Audit and Best Value, joined the meeting.

Gemma Diamond introduced the European Union withdrawal update report, copies of which had been previously circulated.

The Board noted the risks around borders, supply chains and the storage of data. The Board also recognised the potential capacity challenges for public bodies and welcomed the engagement with Audit Scotland colleagues who are EU nationals, recognising the unsettling situation for them.

Following discussion, the Board welcomed the update.

Gemma Diamond, Audit Director, Performance Audit and Best Value, left the meeting.

17. Financial devolution and constitutional change update

Mark Taylor, Audit Director, Audit Services and Performance Audit and Best Value, and Fiona Diggie, Audit Manager, Performance Audit and Best Value, joined the meeting.

Mark Taylor introduced the Financial devolution and constitutional change update report, copies of which had been previously circulated.

The Board noted that the report provided an update on the development of this work, and that

Audit Scotland was in the third year of reporting as financial powers continue to devolve and that the Scottish Government had published a consultation on a draft investment plan and capital spending framework.

Following discussion, the Board welcomed the report.

Mark Taylor, Audit Director, Audit Services and Performance Audit and Best Value, and Fiona Diggle, Audit Manager, Performance Audit and Best Value, left the meeting.

18. New audit appointments update

Robert Leask, Project Manager, Audit Quality and Appointments, joined the meeting.

The Chair introduced the New audit appointments update report, copies of which had been previously circulated.

The Board welcomed the progress reported, discussed the increased risk profile of the project and the mitigating activities underway. The Board noted the project timeline and agreed the need to ensure continued progress. The Board noted that the process of formally extending the current audit appointments was underway with approval being sought from the Auditor General for Scotland and the Accounts Commission.

Following discussion, the Board welcomed the update.

Robert Leask, Project Manager, Audit Quality and Appointments, left the meeting.

19. Annual review of Corporate governance policies

Gayle Fitzpatrick and Ian Metcalfe introduced the Annual review of Corporate governance policies report, copies of which had been previously circulated.

Gayle and Ian invited the Board to approve the current Standing Orders, Financial Regulations and Scheme of Delegation and to approve the revised Codes of Conduct which had been recommended to the Board by the Audit Committee.

The Chair invited comments or questions from members, and there being none the Board approved the Standing Orders, Financial Regulations Scheme of Delegation and the revised Codes of Conduct.

20. Annual policy review of records management policies

Gayle Fitzpatrick and Ian Metcalfe introduced the annual policy review of records management policies report, copies of which had been previously circulated.

Gayle and Ian invited the Board to approve Audit Scotland's Records Management Policy for a further year.

The Chair invited comments or questions from members, and there being none the Board approved Audit Scotland's Records Management Policy.

21. Annual policy review of freedom of information and environmental

Information requests

Gayle Fitzpatrick introduced the Annual policy review of freedom of information and environmental information requests report, copies of which had been previously circulated.

Gayle invited the Board to approve Audit Scotland's Freedom of Information and Environmental Information Policy for a further year.

The Chair invited comments or questions from members, and there being none the Board approved Audit Scotland's Freedom of Information and Environmental Information Policy for a further year.

22. Complaints handling procedure

Gayle Fitzpatrick and Ian Metcalfe introduced the Complaints handling procedure report, copies of which had been previously circulated.

Gayle invited the Board to consider and approve the revised complaints handling guide, flow chart, customer leaflet and employee guide.

The Chair invited any comments or questions on the proposed changes and there being none, the Board approved the revised Complaints handling procedure.

Gayle Fitzpatrick, Corporate Governance Manager, and Ian Metcalfe, Corporate Performance Officer, left the meeting.

23. Proposed meeting dates for 2021

Diane McGiffen introduced the Proposed meeting dates for 2021 report, copies of which had been previously circulated.

Diane invited the Board to consider and approve the proposed meeting dates for 2021.

The Board approved the meeting dates for 2021.

24. Any other business

The Chair expressed the Board's best wishes to Heather Logan as her term of appointment ends. The members acknowledged her contribution and the scrutiny, challenge and support she had brought to Audit Scotland over the past six years. The Chair expressed the hope that when restrictions allowed, there might be the opportunity to celebrate Heather's contribution in person.

There was no other business.

25. Publication of papers

The Board considered and agreed the publication of the reports with the exception of; item 15: Draft Budget report (intended for future publication), item 18, New audit appointments (commercial sensitivity) and items 19 -22 the annual review of policies (intended for future publication).

26. Review of meeting

The members welcomed the quality, content and comprehensive nature of the reports in supporting helpful and detailed discussion. The Chair thanked everyone for their contributions.

27. Date of next meeting: 25 November 2020

The members noted the next meeting of the Audit Scotland Board is scheduled for 25 November 2020.

Agenda



Wednesday 25 November 2020 at 10.00am

By Teams

1. Private meeting of Board members
2. Welcome and apologies
3. Declarations of interests

Standing items

- | | |
|--|-----------------|
| 4. Chair's report – verbal update | For information |
| 5. Accountable Officer's report – verbal update | For information |
| 6. Accounts Commission Chair's report – verbal update | For information |
| 7. Review of minutes: | |
| - Board meeting 30 September 2020 | For approval |
| - Audit Committee meeting 2 September 2020 | For information |
| 8. Governance arrangements: Review of Standing Orders report | For information |
| 9. Review of action tracker | For information |

Strategic priorities

- | | |
|--|-----------------|
| 10. 2020/21 Spring budget revisions | For approval |
| Appendix A 2020/21 Spring budget revisions | |
| Appendix B 2020/21 Spring budget revisions | |
| 11. 2021/22 SCPA budget proposal | For approval |
| Appendix 2021/22 SCPA budget proposal | |
| 12. Strategic improvement programme | For information |
| 13. European Union withdrawal – verbal update | For information |
| 14. New audit appointments update | For information |
| Appendix New audit appointments update | |

Business planning and performance

- | | |
|---|-----------------|
| 15. Covid-19 update | For information |
| 16. 2020/21 Q2 Financial performance update | For information |
| Appendix 2020/21 Q2 Financial performance update | |
| 17. 2020/21 Q2 Corporate performance update | For information |
| Appendix 2020/21 Q2 Corporate performance update | |
| 18. Environment, Sustainability and Biodiversity annual report 2019/20 | For information |
| Appendix Environment, Sustainability and Biodiversity annual report 2019/20 | |

Governance

19. Corporate Governance review of Board arrangements report

For discussion

Conclusion

20. Any other business

21. Publication of papers

For approval

22. Review of meeting

23. Date of next meeting: 27 January 2021