

MEETING: 6 FEBRUARY 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 27 November 2019. They are attached in Appendix 1.
8. The most recent meeting of the Board was on 29 January 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 25 March 2020 and considered by the Commission at its April 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
29 January 2020

Minutes



Wednesday 27 November 2019, 10.15am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

Present:

Ian Leitch (Chair)
Caroline Gardner
Heather Logan
Alan Alexander

Apologies:

Graham Sharp

In attendance:

Diane McGiffen, Chief Operating Officer
Martin Walker, Associate Director, Corporate Performance and Risk
Stuart Dennis, Corporate Finance Manager
Gayle Fitzpatrick, Corporate Governance Manager
Owen Smith, Senior Manager, Audit Quality and Appointments
John Gilchrist, Manager, Audit Quality and Appointments

1. Welcome and apologies

The Chair welcomed members to the public meeting of the Audit Scotland Board, the agenda and papers for which had been published on Audit Scotland's website on Monday 25 November 2019.

The Chair noted Graham Sharp, Chair of the Accounts Commission, had shared his apologies and given notice that he was content the meeting proceed in his absence, in accordance with the Standing Orders.

The Chair welcomed Accounts Commission members Andrew Burns, Elma Murray and Tim McKay as observers as part of the Board's commitment to developing effective engagement with Accounts Commission members.

2. Declarations of interest

There were no declarations of interest.

3. Decision on items to be taken in private

The Board agreed the items to be taken in private as set out on the agenda.

4. Chair's report – verbal update

The Chair provided a verbal update of meetings with Diane McGiffen, Chief Operating Officer, engagement with Parliamentary officials on succession planning and Board recruitment.

The Chair congratulated Alan Alexander on his appointment as Chair of the Board effective from 1 April 2020.

The Board welcomed the update.

5. Accountable Officer's report – verbal update

Caroline Gardner advised that, since the previous meeting of the Board, three NHS reports had been published including the NHS Overview, NHS Tayside and NHS Highland, all of which had received extensive interest and media coverage.

Caroline advised that the UK general election on 12 December 2019 had led to a publications embargo until the week commencing 16 December 2019 in line with usual practice and that several reports would now be published between 16 and 20 December 2019. Caroline invited the Board to note that the general election also delayed the Scottish budget and discussions were underway with the Scottish Commission for Public Audit in relation to Audit Scotland's budget submission.

Caroline invited members to note her engagement with the UK and Ireland Auditors General in London on 8 November 2019 and her attendance, together with Fraser McKinlay, Director and Controller of Audit, and Antony Clark, Audit Director, Performance Audit and Best Value, at a meeting of the UK Public Accounts Commission Network with the Isle of Man, Guernsey and Jersey hosted by the Scottish Parliament on 22 November 2019. Caroline also advised she has been asked to join the recruitment panel for the new Chair of the National Audit Office.

Caroline advised of an external speaking engagement at the Fraser of Allander event on 12 November 2019 and her appointment to the International Federation of Accountants effective from January 2020.

Caroline invited the Board to note that Audit Scotland's high-level results from the year's Best Companies survey had increased, despite a difficult audit year, and that a briefing would come to the Board in due course.

Heather Logan noted the reference to the new body Public Health Scotland and Caroline confirmed this would be an Auditor General for Scotland audit and that the fee for the audit had been included in Audit Scotland's budget proposal.

Heather Logan reflected on the various meetings with other audit agencies and asked whether there were any gaps when comparing quality framework arrangements. Caroline advised that Audit Scotland's quality framework is generally considered to be the most comprehensive and that the other UK audit agencies continue to develop their quality arrangements with reference to the framework.

The members welcomed the update.

6. Accounts Commission Chair's report – verbal update

In the absence of Graham Sharp, Chair of the Accounts Commission, there was no update.

7. Review of minutes: Board meeting 18 September 2019

The Board considered the minutes of the meeting of 18 September 2019, which had been previously circulated and agreed that these were an accurate record of the meeting.

Alan Alexander recommended that the action under item 17, a further discussion on public meetings of the Audit Committee should be scheduled at the end of 2020, after the appointment of a new Chair of the Audit Committee. The Board agreed that Action ASB98 on the action tracker would be updated accordingly.

8. Review of minutes: Audit Committee 4 September 2019

The Board considered the minutes of the meeting of the Audit Committee on 4 September 2019, which had been previously considered and approved by the Audit Committee on 13 November 2019. The Board confirmed these were an accurate record of the meeting.

9. Review of action tracker

The Board noted the updates provided on the action tracker and agreed that Action ASB98 would be amended as agreed to be considered after September 2020.

10. 2019/20 Q2 Financial performance report

Stuart Dennis, Corporate Finance Manager, joined the meeting.

Stuart Dennis introduced the 2019/20 Q2 Financial performance report, a copy of which had been previously circulated.

Stuart invited the Board to note the financial results for the six months to 30 September 2019.

Heather Logan asked if the increases of agency staff throughout the year impacted on IT hardware, software and licence requirements. Stuart advised that short term licences were available if required and Martin Walker, Associate Director, Corporate Performance and Risk advised that there is sufficient hardware in place.

Following discussion, the Board noted the report.

Stuart Dennis left the meeting.

11. 2019/20 Q2 Corporate performance report

Martin Walker, Associate Director, Corporate Performance and Risk, joined the meeting.

Martin Walker introduced the 2019/20 Q2 Corporate performance report, a copy of which had been previously circulated.

Martin invited the Board to note performance in the quarter remained strong in terms of delivery and budget, with many audit reports delivered ahead of schedule and the continued development of the performance management framework. Martin also highlighted the inclusion of data and trend information in the report.

Heather Logan sought clarification on data sources for respective business groups and Martin advised that consultation with each group had ensured these are captured.

Heather noted the delivery of 90 additional audit reports in the quarter and in light of staffing pressures asked whether the audit teams should adhere to the planned outputs. Martin clarified that the annual workforce planning supports the annual work programme and the figures reported quarterly are a subset of that. He advised that the timing of individual audits would not impact materially on staffing pressures.

Caroline Gardner advised that delivery of audit reports are planned by the Audit Directors liaising with their teams and where work has been concluded earlier than scheduled, the teams use the time to undertake planning for the next audit year.

Alan Alexander noted the statistics for downloads on social media and asked how impact is measured in this area. Martin advised that the statistics provide quantitative information about getting audit messages out and that qualitative measures on impact feature elsewhere in the performance reports. Diane McGiffen advised that the Communications and Engagement Strategy is scheduled to come to the Board at its meeting on 29 January 2020 and will include information on measuring media reporting.

Heather Logan asked if the overall quality of training should be reported as amber given the staff quality survey results on the time available for training. Diane McGiffen highlighted the range of data available to assess the quality of training, of which the quality survey is one important part. Alan Alexander noted the drop in exam performance and Diane confirmed that Audit Scotland have a detailed training plan for each trainee and that support is in place to help where any additional help is required. Diane also advised that results had been benchmarked against other users of the ICAS training and that Audit Scotland results compared favourably.

She invited members to note the recent graduate training evening which attracted more than 50 people and provided them with the opportunity to learn more about the scheme from current trainees and ICAS.

Heather Logan asked about the variance in staff and agency costs and the likely outcome on the year end expenditure. Diane advised that the overall budget for the current financial year is tight as previously reported and advised that forecasting indicates there are no current concerns of an overspend for 2019/20.

12. 2019/20 Q2 Strategic improvement programme update

Martin Walker introduced the 2019/20 Q2 strategic improvement programme update, a copy of which had been previously circulated.

Martin Walker invited the Board to note the good overall progress made on the new code of audit practice and audit appointments project, refinement to the audit approach, ongoing work on Best Value methodology for councils and Integrated Joint Boards and the wide range of IT development projects implemented in the quarter.

Heather Logan asked how the principles of Community empowerment would impact Audit Scotland. The Chair invited Elma Murray, member of the Accounts Commission leading on work in this area and observing the meeting to provide an update.

Elma Murray advised that the Strategic Scrutiny Group had published a report in the summer which had been well received across local government. Elma advised that she and two other members of the Accounts Commission were in early stage discussions to explore how community engagement can be supported and reflected in the audit with an appropriate timeline for implementation.

Following discussion, the Board welcomed the progress reported.

EU withdrawal – verbal update

Diane McGiffen advised the Board of the publication of a further briefing note to be published on 16 December 2019 which summarised information on public organisations' preparedness for EU withdrawal.

Diane also invited the Board to note that a series of information drop in sessions for colleagues had been scheduled in Edinburgh and Glasgow during October and November, ongoing engagement across sectors and with the audit firms and that Audit Scotland's business continuity group continue to review and update arrangements as appropriate.

The Board welcomed the update.

13. Review of standing orders 2019

Gayle Fitzpatrick, Corporate Governance Manager, joined the meeting.

Gayle Fitzpatrick introduced the Review of standing orders 2019, a copy of which had been previously circulated.

Gayle Fitzpatrick invited the Board to consider and approve the updated Standing Orders as recommended by the Audit Committee.

The Board approved the Standing Orders as recommended by the Audit Committee.

Gayle Fitzpatrick left the meeting.

14. Any other business

There was no further business.

15. Review of meeting

The members welcomed the reports which had prompted good discussion and the Chair thanked everyone for their contributions.

16. Date of next meeting: 29 January 2019

The members noted the date of the next meeting of the Audit Scotland Board scheduled for 29 January 2019 in the offices of Audit Scotland, 102 West Port, Edinburgh.

Items taken in private

17. 2020/21 SCPA Budget proposal

Stuart Dennis joined the meeting.

Stuart Dennis introduced the draft 2020/21 SCPA Budget proposal report, a copy of which had been previously circulated.

Stuart Dennis invited the Board to review and comment on the draft 2020/21 Budget Proposal and approve the Scottish Commission for Public Audit (SCPA) budget submission.

Stuart advised that the delay of the publication of the UK and Scottish budgets until after Christmas 2019 would impact on the timing of the submission and its consideration by the SCPA. Following discussion, the Board agreed Diane McGiffen would liaise with the SCPA to confirm the timing of the submission of Audit Scotland's budget proposal.

Turning to the budget, the Board considered the detailed submission which built on previous years' investment in staff to deliver the expanded audit work covering the devolved financial powers.

The Board discussed and agreed some detailed amendments to the presentation of information contained within the budget submission, before approving its submission to the SCPA.

Diane McGiffen advised that next steps included a report to the Accounts Commission on the billing of audited bodies to commence the collection of audit fees.

The Board welcomed the report.

Stuart Dennis left the meeting.

Action ASB100: Diane McGiffen to liaise with the SCPA on the timing of Audit Scotland's budget submission. (December 2019)

18. Audit quality framework review

Owen Smith, Senior Manager, and John Gilchrist, Manager, Audit Quality and Appointments, joined the meeting.

Owen Smith introduced the Audit quality framework review, a copy of which had been previously circulated.

Owen Smith invited the Board to note the revised Audit Quality Framework had been considered by the Audit Committee at its meeting on 13 November 2019 and sought the Board's approval.

The Board considered and approved the revised Audit Quality Framework.

19. New audit appointments update

Alan Alexander, Chair of the Steering Group, introduced the New audit appointments update, which had been previously circulated.

The Board noted that the Chair of the Accounts Commission was not in attendance at the meeting and therefore was unable to participate in the discussion.

Alan invited the Board to consider the good progress overall and the work of the project team. In particular he highlighted that:

- a draft version of the code has been produced and has already completed a revision cycle based on comments from a range of interested parties
- project governance arrangements have been clarified and these have been detailed in a Project Initiation Document which was approved by the Steering Group on the 3 October 2019
- the market Engagement Exercise has been completed and follow up discussions with market participants are in progress for clarification purposes.

The Board welcomed the progress reported.

Turning to the development of the Code of Audit Practice, Alan advised of his concerns relating to papers considered by the Accounts Commission on 14 November 2019. He advised that these contained a version of the draft Code which differed from that circulated to the Steering Group. Alan invited members to note his request for an explanation as to the breach of good governance and due process and advised of his disappointment at not having received a satisfactory response from the Chair of the Accounts Commission to date. The Chair expressed his concerns on this matter and requested an explanation in early course.

The Board noted the issues set out in the report and welcomed the extension of the forthcoming Steering Group meeting on 4 December 2019 to discuss and resolve the questions raised, recognising the risk that delay to progress may compromise meeting the timeline for finalising the Code of Audit Practice for formal consultation.

The Board and the members expressed their confidence in the work of the Steering Group and agreed the need to maintain good governance. The Chair advised that if no satisfactory resolution is reached to the issues raised this should be brought back to the Board as a matter of urgency.

Owen Smith and John Gilchirst left the meeting.

20. Board development update

Diane McGiffen introduced the Board development update report, a copy of which had been previously circulated.

Diane McGiffen invited the Board to consider the progress made on actions arising from the Board development event on 24 October 2019 which included members of the Accounts Commission observing meetings of the Audit Committee and the Board and identify any further actions they wish to take forward.

The Board welcomed the progress reported and confirmed its commitment to implementing the actions identified.

Agenda



Wednesday 29 January 2020 at 10.15am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

1. Welcome and apologies
 2. Declarations of interests
 3. Decision on items to be taken in private For approval
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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 draft minutes: Board meeting 27 November 2019 For approval
 8. Review of action tracker For information
 - Closing action ASB97
-

Business management

9. EU withdrawal update For information
 10. Best Companies survey results 2019 For information
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Governance

11. ONS reclassification of Audit Scotland For information
 12. Audit Committee Terms of reference For approval
 13. Transition planning for Auditor General and Board appointments For information
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Conclusion

14. Any other business
15. Review of meeting

16. Date of next meeting: 25 March 2020

Items to be taken in private

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|---|-----------------|
| 17. Communications and engagement strategy 2020-23
[Item to be taken in private to support effective conduct of business, intended for future publication] | For approval |
| 18. Stakeholder engagement and feedback
[Item to be taken in private to support effective conduct of business] | For information |
| 19. New audit appointments update
[Item to be taken in private to support effective conduct of business] | For discussion |