

**MEETING: 11 JUNE 2020**

**REPORT BY: SECRETARY TO THE COMMISSION**

**AUDIT SCOTLAND BOARD UPDATE**

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## **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”.<sup>1</sup>
3. Audit Scotland (i.e. its Board) consists of the Auditor General, the Chair of the Commission, and three other members.<sup>2</sup> These three members, including a Chair, are appointed by the Scottish Commission for Public Audit.<sup>3</sup>
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](#)<sup>4</sup>, 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 meetings of 29 January 2020, 24 March 2020 and 13 May 2020. They are attached in Appendix 1.
8. The most recent meeting of the Board was on 1 June 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 30 September and considered by the Commission at its October meeting.

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<sup>1</sup> Public Finance and Accountability (Scotland) Act 2000, Section 10(3).

<sup>2</sup> Public Finance and Accountability (Scotland) Act 2000, Section 10(2).

<sup>3</sup> 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.

<sup>4</sup> *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**  
**3 June 2020**

# Minutes



Wednesday 29 January 2020, 10.15am

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

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## **Present:**

Ian Leitch (Chair)  
Caroline Gardner  
Heather Logan  
Alan Alexander  
Graham Sharp

## **Apologies:**

None

## **In attendance:**

Diane McGiffen, Chief Operating Officer  
Gayle Fitzpatrick, Corporate Governance Manager  
Mark Roberts, Audit Director, Performance Audit and Best Value  
Simon Ebbett, Communications Manager  
David Blattman, HR & OD Manager  
Antony Clark, Audit Director, Performance Audit and Best Value  
Robert Leask, Project Manager, New Audit 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 27 January 2020.

The Chair welcomed Accounts Commission members Pauline Weetman and Geraldine Woolley as observers to the meeting as part of the Board's commitment to strengthening 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 17, 18 and 19 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, advised of engagement with Parliamentary officials on the recruitment campaign for two non-executive members of the Audit Scotland Board and informed members that the Spring Budget Revision and 2020/21 Budget Submission had been considered at the session with the Scottish Commission for Public Audit on Wednesday 15 January 2020.

The Board welcomed the update.

## **5. Accountable Officer's report – verbal update**

Caroline Gardner advised that, since the previous meeting of the Board, the post-election period had been busy with a number of reports being published, including Bord na Galigh, Disclosure Scotland and two joint reports with the Accounts Commission on City Deals and Revenue Funding of Assets. Caroline advised that there had been a good level of media interest in the reporting and the teams were now working to bring briefings to the Public Audit and Post Legislative Scrutiny Committee through to the end of April 2020.

Caroline invited members to note that the date for the Scottish Budget had been confirmed as 6 February 2020. She advised that the Scottish Commission for Public Audit have recommended Audit Scotland's Spring Budget Revision, which relates to non cash charges for pension provisions, to the Finance Committee and that we await information on Audit Scotland 2020/21 Budget submission.

Caroline highlighted the Brydon Review report which was published at the end of 2019 and advised members that a briefing to the Board would be scheduled in March or May 2020. She also highlighted the good results reported in the Best Companies survey results 2019 report at Item 10 of today's agenda as well as excellent results from the ICAS trainees.

Caroline advised members that her first meeting of the board of the International Federation of Accountants was scheduled at the end of February 2020.

The members welcomed the update, acknowledging the media coverage and the quality of the reports published and recorded their congratulations to the trainees for their ICAS examination passes.

## **6. Accounts Commission Chair's report – verbal update**

Graham Sharp advised the Board that the Accounts Commission had met on 12 December 2019 and considered the approach to developing Best Value for joint boards through consultation. At the meeting of the Accounts Commission on 9 January 2020, members had a presentation from the Improvement Service.

Graham also advised of a busy reporting period, including the joint reports referenced by the Auditor General for Scotland, invited members to note his attendance at the Local Government and Communities Committee on 8 January 2020 and ongoing engagement with SOLACE and the Scottish Government.

Turning to the next meeting of the Accounts Commission, Graham advised members that they will be considering the Best Value report for Highland Council as well as the first Section 102 report for an integrated joint board.

Heather Logan asked whether the Commission anticipated more Section 102 reports for integrated joint boards and the impact this will have on resource demands. Graham advised that this report specifically relates to the financial sustainability and requirements would be kept under review by the Controller of Audit.

## **7. Review of minutes: Board meeting 27 November 2019**

The Board considered the minutes of the meeting of 27 November 2019, which had been previously circulated and agreed that these were an accurate record of the meeting, with the addition of the word 'performance' in the seventh paragraph at item 11, 2019/20 Q2 Corporate performance report.

The Chair agreed that further discussion on governance arrangements and New Audit Appointments would take place in the private session.

## **8. Review of action tracker**

The Board noted the updates provided on the action tracker and agreed that Action ASB97 could now be closed.

## 9. EU Withdrawal update

*Mark Roberts, Audit Director, Performance Audit and Best Value and Simon Ebbett, Communications Manager, joined the meeting.*

Mark Roberts, Audit Director, Performance Audit and Best Value introduced the EU Withdrawal update report, a copy of which had been previously circulated.

Mark Roberts invited the Board to note the update provided ahead of UK leaving the EU on 31 January 2020 when it will enter into the transition period until 31 December 2020.

The Chair welcomed the report which focussed on both Audit Scotland's preparedness as well as audited bodies.

Heather Logan asked about the timing of performance audit work and issues for the EAFA audit support. Mark Roberts advised that timing of performance audit work would be considered as part of the refresh of the work programme. Mark Roberts advised that the current arrangements for EAFA will continue while Audit Scotland engages on the longer term needs.

Diane McGiffen advised the Board that Audit Scotland operates on behalf of the National Audit Office to provide assurance on EAFA and there was dialogue in several places about the future of the work. Diane McGiffen advised the Board that Audit Services colleagues were ensuring the skills and deployment of the permanent EAFA team were developed and enhanced during this period.

Alan Alexander welcomed the report, highlighting the importance in Audit Scotland capturing the big picture effects of withdrawal from the EU and agreed with the proposed to bring regular updates as we approach exit on 31 December 2020.

Simon Ebbett, Communications Manager, highlighted the usefulness of the checklist for EU exit planning and for other business continuity risks.

Following discussion, the Board welcomed the report.

*Mark Roberts, Audit Director, Performance Audit and Best Value and Simon Ebbett, Communications Manager, left the meeting.*

## 10. Best Companies survey results 2019

*David Blattman, HR & OD Manager, joined the meeting.*

Diane McGiffen introduced the Best Companies survey results 2019 report, a copy of which had been previously circulated.

Diane invited the Board to consider and comment on the strong results from the Best Companies survey, which reported the best ever scores in terms of engagement received in the past 10 years despite experiencing some resource and external pressures during the year.

Diane McGiffen invited the Board to note that Jonathan Austin of Best Companies had led a session with Audit Scotland's Leadership Group on 28 January 2020 to share further insights to the results. She highlighted the work at team level which David Blattman and his team were taking forward to explore the results further.

The Chair welcomed the excellent results.

Heather Logan asked how Audit Scotland compares with competitors. Diane McGiffen advised that some audit firms and regulators take part in the survey but this is not a direct comparison.

David Blattman, HR & OD Manager, highlighted the benefits of being able to demonstrate strong results to recruit and retain good people into the organisation and the focus on teams would ensure that everyone has a consistent experience. David advised that retention figures are good. Heather Logan suggested it would be helpful to have a wider discussion and Diane

McGiffen advised these results will inform the workforce planning report which comes to the Remuneration and Human Resources Committee meeting each year.

Graham Sharp and Alan Alexander welcomed the report, recognising the importance of staff wellbeing and the results over time. The Board noted Audit Scotland's response to ensuring a consistent experience for colleagues through the team focus.

Diane McGiffen advised that resourcing pressures had been one of the factors affecting wellbeing at certain times during the past year, and that regular engagement and communication with colleagues across teams have led to better resource planning for 2020. In addition, the teams will be looking at the quality and skills of temporary staff, and the volume and range of reporting for the Auditor General for Scotland and Accounts Commission.

Diane McGiffen invited members to note the organisation continues to offer a number of initiatives to support colleagues' wellbeing, through annual wellness checks, walking groups and mindfulness sessions and highlighted that the overall score for wellbeing amongst colleagues at Audit Scotland, although it has fallen, remains higher than for one star organisations.

The Board welcomed the report.

*David Blattman, HR & OD Manager, left the meeting.*

## **11. ONS reclassification of Audit Scotland**

Gayle Fitzpatrick, Corporate Governance Manager, introduced the ONS reclassification of Audit Scotland report, which had been previously circulated.

Gayle Fitzpatrick invited the Board to note the reclassification of Audit Scotland as a central government body in the ONS public sector classification guide.

Diane McGiffen explained that the ONS review the classifications periodically and advised that Martin Walker had liaised with them regularly to seek assurance that there would be no adverse consequences for Audit Scotland. Diane advised that the other UK audit agencies were classified in the same way and there had been no impact of their ability to perform their duty.

The Board noted the ONS classification stemmed from Eurostat.

Graham Sharp also noted his discomfort as the Accounts Commission is also classified as a central government body.

The Chair noted that while Audit Scotland has no locus to change the outcome, the classification called into question Audit Scotland's independence and agreed to write to the ONS highlighting the Boards' concerns and to seek assurance.

Following discussion, the Board welcomed the report.

**Action ASB101: Diane McGiffen to draft a letter to ONS on behalf of the Chair of the Board. (February 2020)**

## **12. Audit Committee Terms of Reference**

Gayle Fitzpatrick introduced the Audit Committee Terms of Reference report, a copy of which had been previously circulated.

Gayle Fitzpatrick invited the Board to consider and approve the updated Terms of Reference as recommended by the Audit Committee.

Following discussion, the Board approved the Audit Committee Terms of Reference.

**Action ASB102: Gayle Fitzpatrick to publish the approved Terms of Reference for the Audit Committee. (February 2020)**

### 13. Transition planning for Auditor General and Board appointments

Diane McGiffen introduced the Transition planning for Auditor General and Board appointments report, a copy of which had been previously circulated.

Diane McGiffen invited the Board to consider the timetable for the recruitment and appointment of the next Auditor General for Scotland and the transition planning for this role together with the recent and future changes in membership to the Audit Scotland Board.

Diane invited members to note the link to the recent Best Companies report which reflected on the continued improvement of the leadership of Audit Scotland during Caroline Gardner's term of office and the importance of detailed planning to the end of June 2020 including the induction of a new Auditor General and new Chair and advised a further update would come to the Remuneration and Human Resources Committee meeting on 25 March 2020.

The Chair welcomed the preparedness ahead of his term coming to an end on 31 March, Heather Logan's term ending on 30 September 2020 and advised of engagement with Parliament on recruitment and induction and future planning of appointments.

The Board welcomed the report and the planning underway.

**Action ASB103: Diane McGiffen to bring an update to the Remuneration and Human Resources Committee. (March 2020)**

### 14. Any other business

There was no further business.

### 15. Review of meeting

The members welcomed the overall quality of the reports which had supported good discussion and the Chair thanked everyone for their contributions.

### 16. Date of next meeting: 25 March 2020

The members noted the date of the next meeting of the Audit Scotland Board scheduled for 25 March 2020 in the offices of Audit Scotland, 102 West Port, Edinburgh.

### Items taken in private

### 17. Communications and engagement strategy 2020-23

*Simon Ebbett, Communications Manager, re-joined the meeting.*

Simon Ebbett introduced the Communications and engagement strategy 2020-23, a copy of which had been previously circulated.

Simon invited the Board to consider and approve Audit Scotland's communication and engagement strategy 2020-23.

The Board considered the draft communications and engagement strategy to support the work of the Auditor General for Scotland and the Accounts Commission in an increasingly changing environment. The Board welcomed the use of plain language, early engagement of the Communications team in audit work given the public interest and the proposal to continue to share briefings which provide information on the issues and implications that decisions have on public services and which are related to Audit Scotland's work. The Board agreed they would also like to see more commentary on the effectiveness and impact of communications in future years.

Simon Ebbett advised that with earlier engagement of the Communications team and the expectations and stretch envisaged, he is considering the skills across the team and processes in place in order to balance demands while ensuring consistency and impact of reporting.

Following discussion, the Board approved the Communications and engagement strategy 2020-23.

**Action ASB104: Simon Ebbett to publish the approved Communications and Engagement Strategy 2020-23. (February 2020)**

## **18. Stakeholder engagement and feedback**

*Antony Clark, Audit Director, Performance Audit and Best Value, joined the meeting.*

Simon Ebbett introduced the Stakeholder engagement and feedback report, a copy of which had been previously circulated.

Simon Ebbett advised the Board that Robert Cumming had shared the presentation with Management Team on 17 December 2019 and highlighted that small differences were likely due to one person and an increase in neutrals responding.

The Board considered the information presented in the scatter diagram and took comfort from the position which has been maintained from last year.

Antony Clark, Audit Director, Performance Audit and Best Value, advised of the categories of respondents from MSPs, committee members and researchers and the timing of reporting which could have had an impact on responses.

Graham Sharp advised he would be interested to see feedback from those related to the Local Government and Communities Committee and Antony Clark advised this was positive.

Following discussion, the Board welcomed the report.

**Action ASB105: Antony Clark and Simon Ebbett to share the feedback from Local Government and Communities Committee, if any, respondents with the Chair of the Accounts Commission. (February 2020)**

*Simon Ebbett, Communications Manager and Antony Clark, Audit Director, Performance Audit and Best Value, left the meeting.*

## **19. New audit appointments update**

*Robert Leask, Project Manager, New Audit Appointments, joined the meeting.*

There was discussion of the Board's practice of minuting private items and the subsequent publication of the minute. The Chair made it clear that the entire minute of any meeting would continue to be approved in public. Heather Logan commented that members all had the opportunity to comment on draft minutes before publication and to raise any concerns.

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

Alan Alexander invited members to note the possible risks to the project timetable and the areas for consideration following the market engagement exercise.

Robert Leask, Project Manager, New Audit Appointments, advised the Board of a number of risks identified following the market engagement exercise and the Board noted these and the commercial sensitivity of some of the risks.

The Board noted that the market had changed significantly since the previous procurement exercise. Robert Leask advised the Board that the procurement strategy team are considering options to



mitigate the risks and these would be considered further by the Steering Group at its next meeting and by the Board on 25 March 2020.

The Chair welcomed the update and assurance that the project team were considering the mitigation of the risks identified.

Alan Alexander advised that the Code of Audit Practice would remain on track for consultation if the draft Code is approved by the Auditor General for Scotland, and by the Accounts Commission on 6 February 2020.

Diane McGiffen advised that the consultation draft of the Code of Audit Practice was being finalised. Caroline Gardner expressed her gratitude to the project team for their work given the receipt of a recent resignation from the team. Caroline advised that as Accountable Officer she took her duty of care for colleagues seriously and in light of a number of difficult interactions with the Commission would welcome the Chair and Deputy Chair presenting the final draft Code of Audit Practice at the meeting of the Commission on 6 February 2020.

Alan Alexander advised that the Chair and Deputy Chair of the Accounts Commission would commend the draft Code of Audit Practice to Commission members at its meeting on 6 February 2020. Alan invited to the Board to consider options if the Code was not approved. The Chair advised in the event of such an occurrence he would convene a special Board meeting to consider next steps.

Alan Alexander provided an update on issues raised in the minute of the Board meeting on 27 November 2019 on corporate governance. He advised that a draft of the Code had been amended from the version agreed at the Steering Group meeting and then presented to the Accounts Commission. The changes had not reflected the views of the Steering Group. He advised that although there had been discussions about whether there was a written agreement on changing reports that was not the primary issue as sound corporate governance required respect for the work of report authors.

The Chair reiterated his view that it was unacceptable and unprofessional for the draft Code to be changed without prior consultation with the authors. Further, the Chair asked directly who had made the changes and why.

Graham Sharp acknowledged responsibility for changing the draft Code to aid debate and discussion around the audit dimensions and BV with Members who had not been involved in the detailed discussions that had led to the current draft document. He acknowledged the document was amended without effective consultation with the authors. He accepted that this should not have happened and he would work with the Steering Group to ensure it would not happen again. Graham agreed to reflect with those involved on the circumstances and whether or not further apologies should be issued.

Caroline Gardner advised that the changes made to the document had not been highlighted or discussed with her as Auditor General for Scotland and that the Vice Chair of the project group had only learned of the changes on arrival to present the report to the meeting of the Accounts Commission.

Following discussion, the Board noted that the Chair of the Accounts Commission will present and commend the draft Code of Audit Practice report to the Commission at its meeting on 6 February 2020.

# Minutes

Tuesday 24 March 2020, 10.15am

Audit Scotland via teleconference

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## **Present:**

Ian Leitch (Chair)  
Caroline Gardner  
Graham Sharp  
Heather Logan  
Alan Alexander

## **Apologies:**

None

## **In attendance:**

Diane McGiffen, Chief Operating Officer  
Stephen Boyle, Audit Director  
Martin Walker, Associate Director, Corporate Performance and Risk  
Stuart Dennis, Corporate Finance Manager  
Gayle Fitzpatrick, Corporate Governance Manager

## **1. Welcome and apologies**

The Chair welcomed members and attendees to the meeting of the Audit Scotland Board which was being held by teleconference because of the COVID-19 pandemic. He advised that the agenda had been adapted to focus discussion on key items of business, and other papers for information had also been circulated to members.

The Chair welcomed Stephen Boyle, Auditor General for Scotland designate to the meeting and congratulated him on his nomination. Stephen Boyle expressed his thanks to the Chair and welcomed the opportunity to join the Board meeting. Stephen thanked the Management Team and the Board for the support to him thus far and advised that transition planning and engagement with stakeholders was currently under review given the COVID-19 restrictions.

Diane McGiffen advised the Board that induction arrangements for both Stephen Boyle and Alan Alexander as the new Chair of the Board would be delivered online in the coming weeks.

## **2. Declarations of interest**

There were no declarations of interest.

## **3. Governance arrangements**

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

Martin Walker introduced the Governance arrangements report, copies of which had been previously circulated.

Martin invited the Board to consider and approve the proposals to amend the standing orders because of disruption arising from the COVID-19 pandemic, including the suspension of public Board meetings. He advised that the changes would help maintain business continuity and good governance while allowing business to progress. The proposed variations to the Standing Orders were the temporary suspension of, meeting in public, the publication of papers on the website in advance of meetings, the requirement for papers to be issued five days in advance of meetings, where more timely updates are more helpful.

It was noted that Board minutes and papers would continue to be published on the website.

The Board welcomed the report and approved the variations to the Standing Orders which would be kept under review at each meeting of the Board until further notice.

**Action ASB##: The Standing Orders to be reviewed at each meeting. (May 2020)**

#### **4. COVID-19 – verbal update**

Diane McGiffen advised the Board that Audit Scotland had moved into Incident Management Team (IMT) mode on Monday 16 March with the primary focus being the safety of colleagues. The IMT implemented the call tree and colleagues were supported and enabled to work from home with effect from Tuesday 17 March. All Audit Scotland offices were closed from Thursday 19 March 2020. There were very few colleagues in offices on Tuesday to Thursday 17 – 19 March, and most were simply collecting equipment.

The Board welcomed the swift implementation of business continuity plans and the benefit of investment in a digital infrastructure that can enable colleagues to work from home. The Board also welcomed the primary focus on safety and supporting colleagues to make the transition to remote working. It was noted that many colleagues were now juggling work and caring responsibilities at home. The Board noted that six colleagues had reported COVID symptoms to date and wished those colleagues a speedy recovery.

Diane also advised the Board of engagement with key stakeholders and audit engagement leads and highlighted Caroline Gardner's attendance at the Public Audit and Post Legislation Scrutiny committee session on 19 March 2020 to discuss the impact of COVID-19 on the public sector and on audit.

Heather Logan asked for an update on the position for audited bodies and their staff. Caroline Gardner advised that all non-essential workers should be working from home, but that will vary across sectors and services. Caroline advised that in some sectors bodies were keen to keep to scheduled financial reporting deadlines, while others were dealing with more pressing issues. The Board noted that there would be no blanket announcement around expectations of audit work but that engagement leads were sharing information which will assist in planning audit work.

The Board welcomed the pragmatic and flexible approach being adopted, noting it was too early at this stage to assess the full impact on financial reporting timescales and audits.

Heather Logan asked about the financial implications for Audit Scotland. Diane McGiffen confirmed that Stuart Dennis is monitoring the budget outturn for the current year, which will be close to budget. She advised that the forecast before COVID-19 was for a £200k underspend, however with a combination of lower work in progress levels, untaken leave etc it was now looking much tighter. The Board noted that the Finance team had moved into business continuity mode implementing arrangements for the comptroller function, approving budget requests, liaising with suppliers and finalising payroll.

Graham Sharp advised that he would receive an update in relation to Local Government from Fraser McKinlay, Controller of Audit on Wednesday 25 March and anticipated that some councils will be in a position to proceed with the financial statements and audit, while others may not.

The Chair welcomed the update and acknowledged that Caroline Gardner and Diane McGiffen were very alert to the issues impacting audited bodies and Audit Scotland.

The Board agreed and Alan Alexander expressed his appreciation for the IMT daily communications with colleagues to maintain morale and support for colleagues.

#### **5. 2020/21 Operational budget**

The Chair invited members to consider and approve the 2020/21 Operational budget, copies of which had been previously circulated.

Heather Logan and Alan Alexander asked about the resilience of budget assumptions and the impact on Audit Scotland of issues with audited bodies' resilience. Diane advised that in normal circumstances Audit Scotland's budget is managed very well with a small contingency, which may not be sufficient for the uncertainties in the coming year. She advised that financial resilience will be considered as part of scenario planning and that the extent to which COVID-19 may reshape the work of Audit Scotland, including the additional money which will need to be audited.

Caroline Gardner advised this is not only about delivering financial, best value and performance audits but also about how we may use our expertise in audited bodies to provide monitoring, sharing good practice and intelligence.

Following discussion, the Board approved Audit Scotland's revised budget for 2020/21, in the knowledge that this may be subject to further change based on 2020/21 pay award decisions and the impact of COVID-19.

## 6. Procurement strategy

Alan Alexander introduced the Procurement strategy report, copies of which had been previously circulated.

Alan Alexander invited the Board to consider and approve the proposed strategy, while noting that the Board may need to revisit the audit appointments process in light of the COVID-19 pandemic and further discussions at the New Audit Appointments Steering Group.

Alan invited members to note that the market intelligence gathered by Audit Scotland mirrors the report published on 4 March 2020 by Public Sector Audit Appointments. He advised that the Steering Group will consider the options available to Audit Scotland and come back to the Board at its next meeting.

The Board reflected on the disruption caused by the pandemic, the need for flexibility in approach given the uncertain times and agreed further consideration was required of the risks around proceeding or delaying the audit procurement exercise, and the contract option of extending current audit appointments for a period of time.

Following discussion, the Board approved the procurement strategy and agreed to consider the proposed timescales for the appointments process at its next meeting.

**Action ASB106: The Board will consider proposed timescales for the audit appointments process at its next meeting. (May 2020)**

## 7. Data protection policy

Martin Walker introduced the Data protection policy report, copies of which had been previously circulated.

The Chair invited members to consider and approve the proposed amendments to the Data Protection policy.

Subject to a minor correction, the Board approved the policy.

## 8. Chair's report – verbal update

The Chair provided a verbal update of discussions with Alan Alexander and the Scottish Commission for Public Audit and meeting with the AGS designate, Stephen Boyle.

The Board welcomed the update.

## **9. Accountable Officer's report – verbal update**

Caroline Gardner advised members there was no additional update to what had been discussed earlier in the meeting other than to express her appreciation to Audit Scotland colleagues for their flexibility during the past week.

The Board echoed its appreciation to colleagues and asked that its thanks be shared with Audit Scotland colleagues.

The Board welcomed the update.

## **10. Accounts Commission Chair's report – verbal update**

Graham Sharp invited the Board to note that the Accounts Commission meeting on 12 April 2020 had been cancelled as a result of COVID-19.

He advised that the Commission were seeking to proceed with the publication of completed reports. The Commission were liaising with respective Councils on reports scheduled but anticipated the volume of work would reduce and that the Commission would need to consider how they operate.

Following discussion, the Board welcomed the update.

## **11. Review of minutes: Board meeting 29 January 2020**

The Board considered the minutes of the meeting of 29 January 2020, which had been previously circulated.

The Chair referred to the draft minutes he had circulated by separate email and invited members to consider the changes incorporated following discussions between members of the Board. The Chair sought members approval that these were an accurate record of the meeting.

Graham Sharp advised he wished to highlight his concerns about the way the draft minute had been presented and the future minuting of private Board sessions.

In this context Graham advised that he did not consider that reporting in the manner drafted fully reflected the issues. He advised that this should be noted for the public record.

Graham Sharp advised that he did not consider that the current approach to minuting discussions on items not considered in public was good practice and proposed that the Board should not have any private sessions as part of its meetings, to provide greater transparency.

The Chair reiterated his view that openness and transparency in the conduct of Board business was essential. Only in limited circumstances are items considered in private. Where this occurs, the Chair was firmly of the view that the minute produced should be as detailed as the item under consideration permits.

The Chair advised that, in his opinion, the minute as tabled was accurate and invited members' agreement.

Alan Alexander advised he was content with the minute as circulated and the matter of how and what is minuted should be considered as part of a review of the Standing Orders later in the year. Caroline Gardner agreed the draft minute circulated was an accurate representation of the Board meeting and advised that the most pressing issue to be resolved concerned the underlying roles, relationships and trust between members of the Steering Group, the Audit Scotland Board and the Accounts Commission.

Heather Logan expressed the view that, while the minute, as drafted, was an accurate record of the discussion that took place in the private session, she agreed with Graham Sharp that the minute was far too detailed and had expected more privacy regarding items that had been deemed to be private before the meeting actually took place.

The draft minute of the meeting was approved by a majority. It was noted that this had been a difficult set of circumstances for all involved.

The Board agreed to schedule a further discussion on how discussions on items not taken in private are recorded as part of general review of the standing orders.

**Action ASB107: A review of the Board's Standing Orders to be scheduled including the recording of discussion on items not taken in public. (Scoping of the review May 2020)**

## **12. 2019/20 Q3 Performance report**

Martin Walker introduced the 2019/20 Q3 Performance report, copies of which had been previously circulated.

The Board was invited to review the quarter three performance report and to consider whether any additional management action is required.

Alan Alexander sought clarification on whether the staffing levels at 101.2% of establishment were within normal tolerance and whether there were any budget implications. Diane McGiffen advised that the organisation has worked to bring establishment up in recent years and confirmed that this was within tolerance taken alongside the vacancy factor and turnover.

Alan Alexander noted the cost per audit day reported is more consistent for Audit Services than Performance Audit and Best Value. Diane McGiffen advised this relates to the nature and timing of some areas of performance audit work and agreed to circulate additional information.

Following discussion, the Board welcomed the report.

**Action ASB108: Additional information on the composition of the cost per audit day in PABV to be circulated. (May 2020)**

## **13. 2019/20 Q3 Strategic improvement programme update**

Martin Walker introduced the 2019/20 Q3 Strategic improvement programme update report, copies of which had been previously circulated.

Heather Logan asked whether COVID-19 would impact Audit Services moving onto the new time recording system. Diane McGiffen advised that it was too early to predict the full impact of the disruption on core audit work and on the improvement programme and that a further report would come to the Board in early course.

Following discussion, the Board noted the performance reported.

**Action ASB109: Update report on disruption, business continuity and mitigation actions. (May 2020)**

## **14. Any other business**

Acknowledging that this was Ian Leitch's final meeting as Chair, Alan Alexander invited the Board to thank Ian for his contribution to Public Audit in Scotland over the last six years, highlighting his rigour, attention to detail and commitment and stated it had been a great privilege to work with him. He extended an invitation to the Chair to lunch to celebrate his contribution in due course when COVID restrictions were eased.

The Chair reflected on his time with Audit Scotland which he felt had passed quickly and ending 31 March 2020. He welcomed the support of members in agreeing that Board meetings be opened to the public with papers published in advance. The Chair thanked his Board colleagues and the wider team in Audit Scotland which provide great service to the Board. In particular, he expressed his thanks and appreciation to both Caroline Gardner and Diane McGiffen for their support and for their superb stewardship of Audit Scotland.

The Chair extended his thanks and best wishes to Alan Alexander in his role as Chair effective from 1 April 2020 and wished Stephen Boyle good luck as Auditor General for Scotland designate.

The Board warmly thanked Ian for his contribution.

There was no further business.

## **15. Review of meeting**

The members agreed that items of business had been carefully considered and the Chair thanked everyone for their contributions.

## **16. Date of next meeting: 13 May 2020**

The members noted the next meeting of the Audit Scotland Board was scheduled for 13 May 2020.

# Minutes

Wednesday 13 May 2020, 10.15am

Audit Scotland by Videoconference

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## **Present:**

Alan Alexander (Chair)  
Caroline Gardner  
Graham Sharp  
Heather Logan

## **Apologies:**

None

## **In attendance:**

Diane McGiffen, Chief Operating Officer  
Stephen Boyle, AGS Designate  
Martin Walker, Associate Director, Corporate Performance and Risk  
Nicola Paton, Digital Project Manager, Digital Services  
Stuart Dennis, Corporate Finance Manager  
Simon Ebbett, Communications Manager  
David Blattman, HR and OD Manager  
Robert Leask, Project Manager, Audit Quality and Appointments  
Fiona Kordiak, Director, Audit Services  
Neil Cameron, Manager, Performance Audit and Best Value

## **1. Welcome and apologies**

Alan Alexander welcomed members and attendees to his first meeting as Chair of the Audit Scotland Board.

The meeting was held by video conference due the COVID-19 pandemic.

## **2. Declarations of interest**

There were no declarations of interest.

## **3. Chair's report – verbal update**

The Chair advised he had written to the Scottish Commission for Public Audit (SCPA) highlighting the risk to the governance of Audit Scotland in light of the delay to the recruitment of independent members. Diane McGiffen advised that, subject to final confirmation, it was now likely that the Parliament would proceed with interviewing board candidates before the end of May 2020.

The Chair advised he had reflected on the good governance of the Board and its Committees and confirmed he was proposing to continue as Chair of the New Audit Appointments Steering Group to provide continuity in light of the potential extension to lockdown and that this would be reviewed in due course.

The Chair also advised he proposed that, given the Board vacancy, he would continue as interim Chair of the Remuneration and Human Resources Committee (Remco), to ensure scheduled business can be considered by Remco following today's Board meeting but he anticipated that to be the last Remco meeting he chairs subject to the Board appointments being confirmed.

The Board confirmed it was content with the proposals.



The Chair advised of meetings with Diane McGiffen, engagement and preparation ahead of attendance at the Audit Committee and chairing a meeting of the New Audit Appointments Steering Group on 11 May 2020.

The Board welcomed the update.

#### **4. Accountable Officer's report – verbal update**

Caroline Gardner noted that she would build on the update that Diane McGiffen provided at the most recent meeting of the Audit Committee. She advised that the Coronavirus pandemic was a health, social and economic crisis which will affect how we all live and work for years to come. She advised that Audit Scotland has focused on the immediate consequences and are now planning ahead as a number of key decisions will be required on the work that we do by the new Auditor General for Scotland and the Accounts Commission.

Caroline advised that Audit Scotland colleagues have been working remotely since 16 March 2020, securely supported by Digital Services and that the Incident Management Team has been communicating with colleagues regularly confirming that safety comes first.

Caroline advised that there was little financial impact on Audit Scotland's accounts to 31 March 2020. She advised that the 2019/20 underspend of £125k and that the draft accounts have been presented to the external auditors, Alexander Sloan, this week. Caroline invited members to note the achievement of the Finance team in delivering this as well as supporting the Comptroller function, paying suppliers and staff.

Caroline invited members to note that there had been two Leadership Group meetings, a meeting with the audit partners and firms and engagement between Audit Directors and the firms about how we work together, and praised the work of colleagues in supporting Accounts Commission meetings remotely.

Caroline advised that she had briefed the Public Audit and Post Legislative Scrutiny Committee (PAPLS) on the likely impact of Covid-19 on Audit Scotland's work and the Committee's work programme. Caroline also advised of ongoing contact with the other UK and Ireland audit agencies, highlighting the forthcoming meeting of the Auditors General on 22 May 2020 to discuss respective responses to the pandemic.

Caroline invited members to note that Audit Scotland are now looking at the prioritisation and resourcing the audit work, recognising the impact of the pandemic on audit bodies and audit work programmes. She advised that Fraser McKinlay, Director of Performance Audit and Best Value and Controller of Audit and Fiona Kordiak, Director of Audit Services are reviewing Audit Scotland's work programmes in more detail, adopting the principles of being flexible, pragmatic and consistent in approach. She advised that in assessing work priorities, the impact on colleagues and capacity would be key, recognising that financial reporting deadlines are changing and that audited bodies are facing unprecedented challenges. Caroline highlighted the briefing paper published on Audit Scotland's website which provided information on audit priorities and approach.

The Chair thanked Caroline for the update, praised the ongoing communications from the Incident Management Team and welcomed the support and care demonstrated for colleagues.

Heather Logan asked whether there were any concerns about the audit firms and their ability to deliver the audit work. Caroline Gardner advised that she had been impressed by the firms' response to the current situation and she confirmed Audit Scotland are keeping in touch on the likely impact through ongoing engagement and additional sector meetings.

Heather Logan asked whether Audit Scotland are currently employing any agency staff. Caroline Gardner confirmed that some temporary and fixed term employees whose contracts would otherwise have expired had been retained until the end of June. She also advised that Audit Scotland had cancelled the summer intern programme with regret, but was progressing with the graduate trainee recruitment and that successful candidates would join the organisation in September 2020 and that the scheme continues to be vital for ongoing recruitment and retention and organisational capacity.

Following discussion, the Board welcomed the update.

## 5. Accounts Commission Chair's report – verbal update

Graham Sharp acknowledged that colleagues across Audit Scotland have coped remarkably well and noted Accounts Commission members' appreciation of the communications. He noted the potential impact of both the immediate and longer-term audits and that this would be the focus over the coming months.

Graham advised that the Accounts Commission had met in the previous week to discuss issues including best value reporting.

Graham invited members to note that the Accounts Commission will proceed with the current work on the Local Government Overview, recognising that the work pre-dates Covid-19. He advised that thought was being given to the focus and timing of overview work for this year.

Members noted an impact report on equal pay would be published.

Graham advised a further meeting of the Commission is scheduled for 21 May 2020 and that the commission was likely to hold two virtual meetings in June if the current restrictions remain place.

The Board welcomed the update.

## 6. Review of minutes: Board meeting 24 March 2020

The Board considered the minutes of the meeting of 24 March 2020, which had been previously circulated.

The Chair formally recorded that the members of the Board had had an extended discussion on the revised draft minute he had circulated in advance of the meeting and subject to amendment this would be substituted for the draft circulated.

The members discussed the basis of minuting discussions on items taken in private and agreed this would be considered as part of the Board's review of governance scheduled for later in the year.

Following discussion, the Board members agreed a variation of the draft minute circulated by the Chair which Diane McGiffen would share for consideration and approval by members via correspondence.

**Action ASB111: Diane McGiffen to circulate an updated draft of the draft minute for approval by correspondence. (May 2020)**

## 7. Review of action tracker

The Board noted the updates provided on the action tracker and the Chair advised he had written to the Office of National Statistics and would report back in due course.

## 8. COVID-19 – verbal update

*Stuart Dennis, Corporate Finance Manager, Simon Ebbett, Communications Manager, David Blattman, HR and OD Manager joined the meeting.*

The Chair invited Stuart Dennis to provide an update on financial planning.

Stuart Dennis highlighted a number of critical finance functions which had continued to operate effectively in the current situation, these included; payroll, payment of suppliers and managing the comptroller function.

On the 2019/20 accounts position, Stuart advised that the core operational outcome was £125k better than budget, capital was £9k better than budget and the AME non cash pensions was significantly better at £4,180k. Stuart invited the Board to note that the audit of the accounts was

concluding this week and expressed his appreciation of the efforts of the Finance team and support from colleagues across the organisation to support this work at this difficult time.

Turning to the 2020/21 budget, Stuart provided an update on the cashflow position and invoicing. Stuart advised he anticipated some payment of invoices may be delayed and that he had been in contact with Finance colleagues at the Scottish Government regarding the potential cashflow issues this may cause. Stuart also advised he was engaging with business groups in relation to forecasting and savings on expenditure while considering the potential impact on in-house work in progress through to March 2021.

Stuart highlighted a number of potential implications of increased costs of audit work in order to meet extended deadlines and how that might be funded, the ability to deliver EAFA audit work by end December 2020, the longer term impact planning underway in relation to pensions, resourcing and funding issues and the procurement exercise on costs. Stuart advised that the medium-term financial plan is a live document which continues to be updated.

Heather Logan welcomed the comprehensive update and asked where additional funding could come from. Stuart advised that any additional funding could be requested through the Scottish Commission for Public Audit, would need their approval and would then be included in an Autumn budget revision. Stuart also provided assurance on the process of payment for the audit firms. Diane McGiffen advised that as part of the medium term financial planning the Board would be invited to consider the best options for sustainable funding for Audit Scotland, given that, regardless of whether fees were charged for audits or the work was directly funded, all the resources came through public funds. Caroline Gardner reflected on the significance of the potential issues arising and welcomed the consideration of the issues highlighted by Stuart and the Finance team.

Following discussion, the Board welcomed the update and the Chair requested a report to come to the Board's next meeting on 1 June 2020.

The Chair invited Diane McGiffen to provide an update on organisational priorities.

Diane McGiffen highlighted the critical business continuity arrangements in relation to people, audit work and public bodies. Diane invited the Board to note that fewer than ten colleagues had reported experiencing COVID symptoms, and that overall sickness absence levels were lower than at this point in previous years. Diane invited the Board to note that the Audit Committee is scheduled to review the Health Safety and Wellbeing annual report at its meeting on 1 June 2020 and that this documents key performance indicators for 2019/20, demonstrating no significant change from previous years.

Diane advised that Audit Scotland has been dealing with the immediate short term demands arising from the situation and is now looking to support emerging needs of colleagues working from home now for an extended period, recognising the challenges colleagues face reconciling the multiple demands on them as they work from home, home school and provide care for relatives and others.

Diane advised that the approach to audit work had been outlined at the PAPLS session, and reinforced that Audit Scotland's approach was to be pragmatic, flexible and consistent. She noted that reporting deadlines have been rescheduled and advised that assessments were ongoing as we work through resources to support the changes, anticipating peaks of work from July onwards and recognising the priority to complete financial statements as well as the work to progress corporate improvement programmes.

Diane invited members to note that the situation across public bodies remains very mixed and challenging and there is a lot for Audit Scotland to understand and respond to appropriately. Diane also highlighted the good relationships across audit agencies which is helpful in light of the bigger issues of scrutinising the flow of public finance across the reserved and devolved spending.

The Chair enquired about the colleagues who have displayed symptoms and Diane advised some colleagues have been advised to self-isolate. She also noted that Audit Scotland is largely able to work from home, although that can bring challenges, but that no one needs to

travel for business reasons and that the principle of, and communications on, safety first appears to be understood and well received by colleagues.

The Board welcomed the update, acknowledging the significant issues arising and the approach Audit Scotland are taking to understand and deliver audit work in this volatile and changing situation.

*Stuart Dennis, Simon Ebbett and David Blattman left the meeting.*

## **9. Governance arrangements - review of Standing Orders**

Martin Walker introduced the Governance arrangements – review of Standing Orders report, copies of which had been previously circulated.

Martin Walker invited the Board to note that the practical options for holding virtual public meetings are being explored while the current situation continues. Martin then invited members to consider and approve the reinstatement of the Standing Orders in relation to the publication of Board papers and the publication of papers from the meeting on 24 March 2020.

The members noted and agreed the proposal to publish the papers from the meeting of 24 March 2020 together with those from today's meeting as set out in the report.

Following discussion, the Board welcomed the report and agreed to keep the Standing Orders under review.

Martin requested members consider the papers to be published from today's meeting under Any other business.

**Action ASB112: Martin Walker to arrange the publication of Board papers. (May 2020)**

## **10. New audit appointments update**

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

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

The Chair invited members to note the progress outlined in the report, the potential impact on audit fees of COVID-19 and the outcome of the code consultation process. The Chair also invited members to note that letters seeking approval to extend the current audit appointments for one year had been issued to the Auditor General for Scotland and the Accounts Commission and both had agreed in principle to the extension. The Chair advised the option to extend by a further year second extension will remain under review.

Turning to the timetable for implementation of the new Code, the Chair invited members to note the proposed extension to engagement on the Code in light of significant gaps in responses received to date and invited Robert Leask to provide a verbal update on the impact on the key areas for procurement.

Robert Leask invited members to note the full cost impact from Covid-19 is not yet known for both the potential audit appointment extension and the procurement exercise. The Board noted that the option to extend by a second year would remain under review.

The Chair advised the Steering Group will be considering the scope for an interim project overview report in June 2020.

Following discussion, the Board noted the report.

*Robert Leask left the meeting.*

## 11. Information Security Management policy

*Nicola Paton, Digital Project Manager, Digital Services, joined the meeting.*

Nicola Paton introduced the Information Security Management policy, copies of which had been previously circulated.

Nicola Paton highlighted the amendments made to improve Audit Scotland's policy and invited the Board to approve the policy.

Nicola expanded on the proposal to remove reference to Cyber Essentials Plus, as ISO27001 accreditation is recognised as exceeding these requirements.

The Board recorded their congratulations to the team in achieving ISO27001 reaccreditation and approved the updates to the policy, noted this demonstrated ongoing commitment to excel in this important area.

*Nicola Paton left the meeting.*

## 12. Review of Ethical Standard Policy on application

*Fiona Kordiak, Director, Audit Services, and Neil Cameron, Manager, Performance Audit and Best Value, joined the meeting.*

Fiona Kordiak introduced the Review of Ethical Standard Policy on application report, copies of which had been previously circulated.

Fiona Kordiak invited the Board to consider and approve the updated policy which reflected on the Financial Reporting Council's updated standards. The main change applicable to Audit Scotland relates to limited secondment opportunities available for colleagues and advised that this is not permitted for audit firms.

The Chair welcomed the update and, recognising the nature of the guidance, requested future updates be shown in tracked changes.

Caroline Gardner highlighted that the key concern of loan assignments is the ability to maintain our independence while recognising it is useful for progression and development of colleagues. She advised that Fiona and the team are thinking through the arrangements in place to enable working with other agencies.

Following discussion, the Board approved the policy.

## 13. Any other business

The Chair invited Martin Walker to propose the papers for publication as highlighted at item 9 of today's agenda. Following discussion, members approved the publication of the papers proposed.

The Board also agreed the adoption of the Audit Committee minutes which had been previously circulated.

Heather Logan highlighted the application of the Ethical standards policy for any new Board member(s) and Diane McGiffen confirmed she would highlight this with the SCPA.

**Action ASB113: Diane McGiffen to liaise with the SCPA on the application of Ethical standard for new Board appointments. (May 2020)**

## 14. Review of meeting

The members agreed that the first virtual meeting had worked well, business had been carefully considered and the Chair thanked everyone for their contributions.

**15. Date of next meeting: 1 June 2020**

The members noted the next meeting of the Audit Scotland Board was scheduled for 1 June 2020.

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# Agenda



Monday 1 June 2020 at 11.30am

By video-conference

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1. Welcome and apologies
  2. Declarations of interests
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## Standing items

- |  |                 |
|--|-----------------|
| 3. Chair's report – verbal update                      | For information |
| 4. Accountable Officer's report – verbal update        | For information |
| 5. Accounts Commission Chair's report – verbal update  | For information |
| 6. Review of minutes: Board meeting 13 May 2020        | For approval    |
| 7. Governance arrangements - review of Standing Orders | For information |
| 8. Review of action tracker                            | For information |
- 

## Governance

- |  |                 |
|--|-----------------|
| 9. 2019/20 Annual report on international work   | For approval    |
| 10. 2019/20 Annual report on freedom of information and environmental information      | For approval    |
| 11. 2019/20 Annual report on complaints  | For approval    |
| 12. 2019/20 Annual report from the Chair of the Audit Committee to the Board           | For approval    |
| 13. 2019/20 Governance statement on internal control and certificate of assurance      | For approval    |
| 14. 2019/20 Draft audit management letter  | For information |
| 15. 2019/20 Annual report on quality of public audit in Scotland                       | For approval    |
| 16. 2019/20 Audit Scotland annual report and accounts – Year end 30 March 2020         | For approval    |
| 17. Internal interim report on mainstreaming equality                                  | For information |
| 18. Policy on the provision of non-audit services by Audit Scotland's external auditor | For approval    |
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## Business planning and performance

- |   |                 |
|---|-----------------|
| 19. Impact of Covid-19 on Audit Scotland finances | For information |
| 20. 2019/20Q4 Financial performance report        | For information |
| 21. 2019/20 Q4 Corporate performance report       | For information |

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|--|-----------------|
| <b>22.</b> 2019/20 Q4 Strategic improvement programme update | For information |
| <b>23.</b> New audit appointments update                     | For information |
| <b>24.</b> European Union withdrawal update                  | For information |
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## **Conclusion**

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|--|--------------|
| <b>25.</b> Any other business                      |              |
| <b>26.</b> Publication of papers                   | For approval |
| <b>27.</b> Review of meeting                       |              |
| <b>28.</b> Date of next meeting: 30 September 2020 |              |