

MEETING: 8 OCTOBER 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 19 August 2020. They are attached in Appendix 1.
8. The most recent meeting of the Board was on 30 September 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 November and considered by the Commission at its December 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
30 September 2020

Minutes



Wednesday 19 August 2020, 10.00am

Audit Scotland by Videoconference

Present:

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

Apologies:

Martin Walker, Associate Director, Corporate Performance and Risk

In attendance:

Diane McGiffen, Chief Operating Officer
Gayle Fitzpatrick, Corporate Governance Manager
David Blattman, HR&OD Manager
Stuart Dennis, Corporate Finance Manager
Brian Howarth, Audit Director, Audit Services
Fiona Kordiak, Director, Audit Services
Fraser McKinlay, Director, Performance Audit and Best Value
Colin Crosby, Non-executive board member designate (Observing)

1. Welcome and apologies

The Chair welcomed Stephen Boyle, Auditor General for Scotland to his first Board meeting in his new role and Elma Murray in her new role as Interim Chair of the Accounts Commission. The Chair also welcomed Jackie Mann, new member of the Board from 10 July 2020, and Colin Crosby, new member of the Board from 1 October 2020, who had been invited to observe today's meeting.

The Chair advised of apologies received from Martin Walker, Associate Director, Corporate Performance and Risk, due to a family bereavement and members extended their condolences.

The Chair thanked members for accommodating today's additional meeting of the Board to consider Audit Scotland's response to the impact of Covid-19.

2. Declarations of interest

There were no declarations of interest.

3. Chair's report – verbal update

The Chair advised of meetings and discussions with the Scottish Commission for Public Audit (SCPA) in relation to the recruitment of Board members as well as initial induction meetings with both new members Jackie Mann and Colin Crosby. The Chair also advised the Board of the useful evidence session with the SCPA to consider Audit Scotland's Annual report and accounts on 22 June 2020.

Alan invited members to note regular meetings with Diane McGiffen, Chief Operating Officer in relation to the preparation for the session with the SCPA, member recruitment and induction and with David Blattman, HR & OD manager. He noted that the the annual report of Remco

performance and priorities will come to the next meeting of the Board on 30 September 2020, and that Jackie Mann had agreed to chair the Remco.

Alan also advised members of his own Chair's induction programme which had involved meeting with members of Management Team, Stuart Dennis and the scheduling of ongoing monthly meetings with Stephen Boyle as Accountable Officer, and Diane McGiffen.

The Board welcomed the update.

4. Accountable Officer's report – verbal update

Stephen Boyle advised he was delighted to be attending his first Board meeting as Accountable Officer and Auditor General for Scotland, he extended a warm welcome to Elma Murray and Jackie Mann to their first formal Board meetings. Stephen advised of initial meetings with both and one planned shortly with Colin Crosby. Stephen advised of meetings with Elma Murray to discuss their shared roles and responsibilities, as recipients of services from Audit Scotland, and also to discuss how public audit responds to the challenges arising from the current operating environment.

Stephen recorded his thanks for the support for his own induction, particularly from Diane McGiffen, Fraser McKinlay and Fiona Kordiak as members of Management Team and advised of meetings with colleagues from across Audit Scotland since his appointment.

Stephen highlighted the impact of Covid-19 on the fundamental shape of work and personal lives and welcomed today's discussions on how Audit Scotland responds to the challenges for the future of public audit in Scotland.

Stephen advised of a range of external introductory meetings as Auditor General for Scotland: with the Cabinet Secretary for Finance, the Chair of the Scottish Government Audit and Assurance Committee and the Chief Executive of the Scottish Parliament. Stephen advised that he had attended the Public Audit and Post Legislative Scrutiny Committee (PAPLS) for the first time as Auditor General for Scotland. He invited members to note that this had been a private session with the Committee at which he had welcomed the opportunity to introduce himself as the new Auditor General and also to hear their areas of interest. Stephen advised that the PAPLS had restated its commitment to, support for and the value of the work received from Audit Scotland.

Stephen advised of initial considerations underway on the forward work programme for the Auditor General and Accounts Commission in advance of formal consultation to help shape the public audit response.

Stephen advised that Audit Scotland's Management Team had met with the Audit Partners on 17 August 2020 and discussed the experience of deliverability of public audit in light of the pandemic. He advised that the experience of the audit firms is similar to that of Audit Scotland: managing the wellbeing of colleagues, understanding the challenges of delivering audit work remotely and awareness of what this means for the current and longer term financial implications for public audit.

Stephen reported that annual audit work is progressing variably, with some audits in the NHS and Central Government completed but with others taking longer as audited bodies face challenges to meeting audit deadlines. He also drew attention to the potential impact on fee income and statutory reporting deadlines which may lead to a delay in the certification of the Scottish Government's consolidated accounts.

Stephen advised that Management Team and the Incident Management Team have rightly prioritised the wellbeing of our colleagues and that Audit Scotland offices have remained closed since March 2020, with colleagues working from home. He noted colleagues' experiences had been varied depending on their own circumstances, particularly those with caring responsibilities and those in shared housing. He went on to note that as progress on the Scottish Government's routemap is achieved, Audit Scotland is looking at how to provide some limited access to Covid-secure offices in exceptional circumstances.

Stephen advised of his appreciation and support from colleagues and teams from across the organisation in the past few weeks and paid tribute to their resilience in delivering quality audit work.

The Chair asked about the impact of remote auditing. Stephen advised that where bodies had been less able to invest in IT to support remote working there were challenges, but that this varied between organisations. Stephen advised that auditors and audited bodies have responded well generally and audit teams are liaising as appropriate to track and monitor those risks.

Following discussion, the Board welcomed the update.

5. Accounts Commission Chair's report – verbal update

Elma Murray welcomed Jackie Mann and Colin Crosby to the Board.

Elma advised that the previous Chair of the Accounts Commission had retired at the end of July and that Scottish Ministers have now appointed Tim Mackay as the Interim Deputy Chair.

Elma advised that the Accounts Commission had published four reports since the last meeting, an Equal Pay in Councils Impact Report, the Local Government Overview: Performances and Challenges for 2020 Report, a Best Value Report on North Ayrshire Council and the Commission's Annual Report for 2020.

Elma advised that the Accounts Commission held its strategy session on 12 August 2020 with the Auditor General for Scotland as the keynote speaker. She advised that the session also considered the key messages from the Accounts Commission support review which will be taken to the Remuneration and Human Resources Committee meeting on 2 September 2020. She advised that the Commission is exploring its core purpose and focus over the coming months and reviewing its immediate work programme with further discussion at its meeting on 10 September 2020, together with consideration of the longer term work programme. Elma advised that the Commission is creating an Insight Programme to invite external stakeholders to share their experiences and challenges arising from the Covid-19 pandemic. Elma expressed appreciation for the work of Audit Scotland colleagues in supporting the strategy session.

Elma also advised members of recent meetings with the Auditor General for Scotland, Alan Alexander and Jackie Mann as part of her induction programme.

Elma invited members to note the work underway with Audit Scotland colleagues to explore the Accounts Commission's future approach to the Local Government Overview reports and advised she will be attending the Local Government and Communities Committee on 28 August 2020 to give evidence on the Local Government Overview Report published at the beginning of July 2020 and also to talk about emerging risks from Covid-19 for audit practice.

Elma advised she has also been working with the team taking forward the new audit appointments to consider how to develop the Code of Audit Practice further and that this was progressing very well.

In terms of external engagement, Elma advised of meetings with COSLA, the Improvement Service, SOLACE, The Carnegie Trust and SCVO, highlighting the importance of strong relationships with the Commission and opportunities for further engagement, including critical areas for local government and IJBs and partners as they emerge from the pandemic. She also advised of Best Value reports on North Ayrshire and Moray Councils and follow up discussions with Argyll and Bute Council.

Elma noted that the Commission is keen to return to meeting in person when that is possible.

Finally, Elma expressed her thanks to Audit Scotland colleagues for their support since her appointment.

The Board welcomed the update.

6. Review of minutes: Board meeting 1 June 2020

The Board considered the minutes of the meeting of 1 June 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.

7. Governance arrangements: Review of Standing Orders

Gayle Fitzpatrick introduced the Governance arrangements: Review of Standing Orders paper, copies of which were previously circulated.

Gayle invited the Board to confirm that its meetings will continue to take place via videoconference and that attendance is limited to members and those presenting reports and that the variations to the Standing Orders are kept under review and considered at each Board meeting until further notice. Gayle also invited the Board to note that the annual review of the corporate governance policies were scheduled to come to the Audit Committee on 2 September 2020 and the Board on 30 September 2020.

The Board discussed and agreed that the governance arrangements for virtual Board members remain in place and members agreed the ability to open up meetings to the public should be considered further as part of the annual review of the corporate governance policies to ensure inclusivity, openness and transparency. Diane McGiffen agreed to report back to the Board at its next meeting on the options available.

Following discussion, the Board approved the recommendations.

Action ASB18: Diane McGiffen to report back on the options available to support public meetings of the Board. (September 2020)

8. Review of action tracker

The Board noted the updates provided on the action tracker.

Gayle noted that the wider scope governance review was originally scheduled to come to the Board on 30 September 2020 (Action ASB114), but suggested that with new members joining the Board this be rescheduled to the Board meeting scheduled for 25 November 2020. The Board recognised the value of new members having the opportunity to complete their respective induction programmes and participate in meetings prior to the review and following discussion agreed that this would come to its meeting in November 2020.

Elma Murray requested sight of the Chair's letter to the Chair of the Scottish Commission for Public Audit referred to at Action ASB116 and the Chair agreed to share a copy of the letter with Board members.

Action ASB19: The Chair to share a copy of the letter to the Chair of the Scottish Commission for Public Audit. (August 2020)

9. Covid-19 update

David Blattman, HR and OD Manager, Stuart Dennis, Corporate Finance Manager, Fraser McKinlay, Director, Performance Audit and Best Value, Brian Howarth, Audit Director and Fiona Kordiak, Director, Audit Services, joined the meeting.

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

Diane welcomed the opportunity to discuss Audit Scotland's response to Covid-19 with the Board given the fast moving nature of the pandemic and provided a summary of the known operational issues for Audit Scotland. She invited the Board to consider some of the short term issues and future implications and risks highlighted.

The Chair welcomed the comprehensive report and invited members' questions and comments.

During a detailed and wide ranging discussion the Board considered the changing dynamics of the pandemic following the easing of restrictions for some, new local restrictions being put in place for others, increased flexibility for colleagues who have children returning to school alongside increased risks in other areas.

The Board welcomed Audit Scotland's primary focus on the health, safety and wellbeing of colleagues, the support provided for colleagues through the provision of technical support and equipment, the implementation of home workplace assessments and commended the engagement and communication from Audit Scotland's Management Team. Members also welcomed the work being undertaken by a working group to consider the logistics and limitations of reopening offices to ensure a Covid secure workspace for a small number of colleagues, subject to strict criteria and the appropriate risk assessments being undertaken. David Blattman agreed to provide a note on health and safety responsibilities of home working for information and also to share the link to the homeworking assessment tool. Diane McGiffen advised this work will help inform the considerations on new ways of working as an audit organisation and that further updates will come to the Board as the work progresses. The Board agreed this should be standing agenda item for future meetings of the Board and Remuneration and Human Resources Committee .

The Board noted that Audit Scotland recognises the challenges facing public bodies and the services they provide and the role of audit in scrutinising good financial management and sound decisions on the use of public money. Members also noted recent Covid-19 briefings published by Audit Scotland and considered the need to continue to consider the requirements of best practice in the longer term.

The Board discussed the impact of the pandemic on Audit Scotland's budget for 2020/21, the potential for a Spring Budget Revision being proposed and agreed a further early discussion on the longer term impact on funding was required in order to address issues for future budget years, given the small contingency budget Audit Scotland has together with no ability to hold reserves.

In terms of resourcing and the impact of the rescheduling of audit reporting deadlines, Diane McGiffen advised of work underway on the short and longer term workforce plan and advised that this would feed into the resourcing needs and budget requirements for 2021/22. Fiona Kordiak and Fraser McKinlay advised the respective resource leads in the audit business groups had been working together to redirect resource where required and colleagues had adapted well over all. The Board noted the consultation of the forward work programme was underway with the Auditor General for Scotland and Accounts Commission.

Turning to audit implications and the qualification of accounts, Fiona Kordiak provided an update on the current position and the Board noted that work was underway to consider where Section 22 and Section 102 reports may be required.

Elma Murray welcomed the comprehensive report and discussion by the Board and advised the Accounts Commission would value a session to understand some of the issues arising for Audit Scotland in the medium and longer term. The Chair proposed a consultation be scheduled between himself, Stephen Boyle, Elma Murray and Diane McGiffen in the first instance to consider how best to progress some of the issues discussed today and likely timescale. The Board agreed this was an important first step.

Following discussion, the Board noted the recommendations and actions taken and agreed next steps.

Action ASB20: The Board agreed a standing item on Covid secure workplaces and new ways of working be scheduled for future meetings of the Board and Remco.

Action ASB21: David Blattman to circulate a link to the workplace assessment tool. (September 2020)

Action ASB22: Diane McGiffen to schedule a meeting with the Chair, Stephen Boyle and Elma Murray. (September 2020)

David Blattman, HR and OD Manager, Fraser McKinlay, Director, Performance Audit and Best Value, Brian Howarth, Audit Director and Fiona Kordiak, Director, Audit Services, left the meeting.

11. Q1 Financial performance report

Stuart Dennis introduced the Q1 Financial performance report, copies of which had been previously circulated.

Stuart invited the Board to note the complex issues considered in the previous report were reflected in the in-year financial position for Audit Scotland and the need for a Spring Budget Revision proposal. He advised that this mechanism has typically been used in relation to the non-cash pension adjustments each year to balance any shortfall, and that this year it would include any potential shortfall in income realisation.

Heather Logan sought clarification on the reprofiling of the budget columns and Stuart advised this had been done for health sector audits due to the extension of Health audits to September 2020.

Heather also sought assurance around agency costs and associated risks to budget in year and for 2021/22. Stuart advised the agency costs were expected and principally were to support the EAFA audit work which will be funded and through savings generated in year. Looking ahead to the budget for 2021/22, Stephen Boyle advised the EAFA audit remains a risk in light of the UK's withdrawal from the European Union. The Board noted the UK Government will determine any changes to the EAFA audit and Audit Scotland will have a decision to make at that stage. Stuart also advised of potential risks due to the on-site nature of work of this audit.

The Board noted costs around travel and subsistence and printing have reduced considerably.

In response to a query from Elma Murray, Stuart provided an overview of the process for billing and payment of fees, which are recognised in each audit year and how this differs from the financial performance reporting cycle.

Stuart Dennis, Corporate Finance Manager, left the meeting.

12. Any other business

There was no other business for discussion.

13. Publication of papers

The Board considered and agreed the publication of all the papers considered at today's meeting.

14. Review of meeting

The members welcomed the quality, content and comprehensive nature of the reports which had supported a helpful and detailed discussion. The Chair thanked everyone for their contributions.

15. Date of next meeting: 30 September 2020

The members noted the next meeting of the Audit Scotland Board was scheduled for 30 September 2020.

Agenda



Wednesday 30 September 2020 at 10.00am

By Teams

1. Private meeting of Board members
 2. Welcome and apologies
 3. Declarations of interests
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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 minutes: Board meeting 19 August 2020 | For approval |
| 8. Governance arrangements: Review of Standing Orders | For information |
| 9. Review of action tracker | For information |
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Business planning and performance

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| 10. Covid-19 update | For information |
| 11. 2020/21 Q1 Corporate performance update | For information |
| 12. 2020/21 Q1 Strategic improvement programme update | For information |
| 13. Remuneration and Human Resources Committee performance and future priorities | For approval |
| 14. Scottish Commission for Public Audit: Official report of meeting on 22 June 2020 | For information |
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Strategic priorities

- | | |
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| 15. 2021/22 Draft budget submission | For approval |
| 16. European Union withdrawal update | For information |
| 17. Financial devolution and constitutional change update | For information |
| 18. New audit appointments update | For information |
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Governance

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| 19. Annual review of Corporate governance policies | For approval |
| 20. Annual policy review of records management policies | For approval |
| 21. Annual policy review of freedom of information and environmental information requests | For approval |

22. Complaints handling procedure

For approval

23. Proposed meeting dates for 2021

For approval

Conclusion

24. Any other business

25. Publication of papers

For approval

26. Review of meeting

27. Date of next meeting: 25 November 2020