

MEETING: 9 DECEMBER 2021

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 meetings of the Audit Scotland Board, in this case the meeting of 22 September 2021. They are attached in Appendix 1.
8. The most recent meeting of the Board was on 22 November 2021, but the minutes of this meeting are not yet publicly available as they are yet to be ratified by the Board. These will be available after the next Board meeting on 26 January 2022 and considered by the Commission at its February meeting.

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

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

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

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

9. The Commission has agreed however that the agenda for the most recent Board meeting be provided (even if the minute is not yet available). The agenda is attached in Appendix 2. The Interim 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 Interim Chair as appropriate.

Paul Reilly
Secretary to the Commission
1 December 2021

Minutes Board



Wednesday 22 September 2021, 10.00am
Audit Scotland by Video conference

Present:

Alan Alexander (Chair)
Stephen Boyle
Elma Murray
Jackie Mann
Colin Crosby

Apologies:

There were no apologies.

In attendance:

Diane McGiffen, Chief Operating Officer
Martin Walker, Associate Director, Corporate Performance and Risk
Stuart Dennis, Corporate Finance Manager
Gayle Fitzpatrick, Corporate Governance Manager
David Robertson, Digital Services Manager
Elaine Boyd, Associate Director, Audit Quality and Appointments
John Gilchrist, Manager, Audit Quality and Appointments

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

Diane McGiffen, Chief Operating Officer, Martin Walker, Associate Director, Corporate Performance and Risk, Stuart Dennis, Corporate Finance Officer, Gayle Fitzpatrick, Corporate Governance Manager, joined the meeting.

The Chair welcomed attendees to the meeting and noted there were no apologies.

3. Declarations of interest

There were no declarations of interest.

4. Items to be taken in private

The Chair invited members to agree that the reports at items 22, 23, 24, 25 and 26 of the agenda be considered in private based on the reasons set out on the agenda.
The Board agreed.

The Chair advised that the review of the Human Resources and Remuneration Committee minutes at item 8 would also be considered in private.

5. Chair's report – verbal update

The Chair advised members of the first meeting with the Scottish Commission for Public Audit (SCPA) held on 1 September 2021 which considered Audit Scotland's 2020/21 Annual report and accounts.

The Chair invited members to note the evidence session he had attended with the Public Audit Committee of the Northern Ireland Assembly on 7 July 2021.

The Chair highlighted his attendance at the colleagues' drop-in session on Audit Scotland's approach to hybrid working as we emerge from the pandemic and the keynote session led by the Auditor General for Scotland and the Interim Chair of the Accounts Commission with Professor James Mitchell of Edinburgh University on 19 August 2021.

The Chair expressed his thanks to Colin Crosby, the Chair of Audit Scotland's Audit Committee and members for their respective contributions to the Risk Workshop held on 30 August 2021.

The Chair invited members to note that, following the Audit Committee meeting on 1 September 2021, he had received a briefing and update from Elaine Boyd, Associate Director and the Audit Quality and the Appointments (AQA) team on progress of the improvements required for Audit Quality and advised he was satisfied the areas are being addressed. Members noted the Chair will receive regular updates from the AQA team as matters progress.

The Chair recorded his and the Board's congratulations and thanks to the AQA team following the successful issue of the ITT for the procurement of new audit appointments on 6 September 2021.

The Chair informed members of regular meetings with Stephen Boyle, Auditor General for Scotland and Accountable Officer, Elma Murray, Interim Chair of the Accounts Commission and Diane McGiffen, Chief Operating Officer.

The Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle invited the Board to note regular engagement with the Chair, Interim Chair of Accounts Commission, a meeting with Jackie Mann and of a forthcoming meeting with Colin Crosby.

Stephen invited members to note his recent internal engagement including How we work sessions with colleagues, co-hosting the keynote session with the Interim Chair of the Accounts Commission and Professor James Mitchell *Tackling inequalities and helping public services recover: What's next for our work?* and of meetings with various teams across the organisation.

Turning to Parliamentary engagement, Stephen invited members to note the significant change in membership to the newly formed committees and advised of introductory meetings with respective Convenors, together with attendance at the Public Audit Committee business planning day on 25 August 2021. He invited members to note the increased responsibilities and scrutiny of public audit across the parliamentary committees.

Stephen advised members that the first formal session with the SCPA on 1 September 2021 had been useful to meet the members and to give evidence on Audit Scotland's Annual report and accounts to 31 March 2021.

Turning to external engagement, Stephen advised of regular engagement with the respective Auditors' General in the UK and Ireland and attendance at the Scottish Learning Festival on 21 September 2021.

Stephen also expressed his gratitude to the Audit Quality and Appointments team on the successful implementation of the ITT procurement for new audit appointments.

The Board welcomed the update.

7. Accounts Commission Chair's report – verbal update

Elma Murray invited the Board to note she had held regular meetings with the Auditor General for Scotland, the Chief Operating Officer and the Interim Controller of Audit.

Elma advised members that the Accounts Commission had used livestreaming to broadcast three of its public meetings since the last Board meeting and members had welcomed Colin Crosby's attendance to observe their meeting on 9 September 2021.

Elma advised that the Accounts Commission has considered two Best Value Audit Reports, and considered the Improvement Service Covid-19 database and the Audit Scotland Covid-19 dashboard. In addition, she advised that the Commission had signed off the Audit Planning Guidance prior to its consultation, agreed the Commission's five year strategy, which is due to be published this week, and held a private session with the Director of the Wellbeing Alliance.

The members noted the Accounts Commission Committees had also considered a range of business including accounting and auditing development, improving the quality of the audit work as well as the Commission's risk management arrangements, risk register and a thematic discussion on inequalities.

The Board also noted that, at the Mid-Year Strategy session, the Commission had considered its strategy in more detail, considered the increasing demands on members and how to improve efficiency and the most effective use of members' time.

Elma invited the Board to note that the Best Value Working Group had also met to consider progress on the approach to auditing Best Value for Integrated Joint Boards and expressed her thanks to Antony Clark, Interim Controller of Audit, for leading the team in this work.

Elma highlighted recent publications including the Best Value Audit Report for Aberdeen City Council, a recent blog on Digital Exclusion by the Deputy Chair and highlighted responses to a number of consultations including the Minimum Income Guarantee, Ethical Standards Commission's Strategic Plan and BEIS Department for Business and Enterprise Audit proposals and regulations. Elma invited members to note that the Commission will be publishing the Best Value Audit Report for East Dunbartonshire Council, a Christie blog and interviews with Improvement Service in the coming weeks.

Elma invited members to note her attendance at the evidence session with the Local Government Housing Planning Committee together with introductory meetings with the respective Convenors of this and the Finance and Public Administration Committees.

The Board noted Elma had attended a Covid Recovery Roundtable session hosted by the Deputy First Minister on Sustainable Employment and noted Elma's membership of the Education Reform Stakeholder Group.

Elma advised the Strategic Scrutiny Group had heard from Adam Lang of Nesta about risk and innovation and considered a stocktake on powers in relation to the planned introduction of a new Human Rights Bill. The Board also noted Elma had attended a roundtable with the Scottish Human Rights Committee and scrutiny partners.

Elma invited the Board to note other engagement included meetings with Robert Scott, Chief Fire Inspector, the Strategic Alliance, with Improvement Service and the third Sector, attendance at a third Sector Symposium on the National Care Service and engagement with the Scottish Government on the Public Service Reform and with the new Director for Local Government.

The Board welcomed the update.

8. Review of minutes

Board meeting: 2 June 2021

The Board considered the minutes of the meeting of 2 June 2021, which had been previously circulated.

The Board approved the minutes as an accurate record of the meeting.

Human Resources and Remuneration Committee: 3 March 2021 (considered in the private section of the Board meeting)

The Board noted the minutes of the Human Resources and Remuneration Committee meeting of 3 March 2021, which had been previously circulated.

The Board noted the minutes were an accurate record of the meeting.

Audit Committee: 12 May 2021

The Board noted the minutes of the Audit Committee meeting of 12 May 2021, which had been previously circulated.

The Board noted the minutes were an accurate record of the meeting.

Audit Committee: 2 June 2021

The Board noted the minutes of the Audit Committee meeting of 2 June 2021, which had been previously circulated.

The Board noted the minutes were an accurate record of the meeting.

9. Review of action tracker

The Board noted the updates provided on the action tracker.

10. Covid-19 update

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

Martin invited the Board to note the actions taken to date in response to the Covid-19 pandemic, the ongoing developments, and next steps.

During discussion, the Board reflected on the substantial assurance received from Audit Scotland's internal auditor, BDO, on our Covid-19, Health, Safety and Wellbeing response and welcomed the video walkthrough of Audit Scotland's offices which had been made available to all colleagues. The Board members recorded their appreciation of the Business Support Team in supporting this work.

The members welcomed the overall approach and agreed to keep under review the ability to hold future Board meetings in person.

Following discussion, the Board welcomed the update and noted the actions taken to date in response to the Covid-19 pandemic, the ongoing actions and the next steps.

11. Strategic Improvement Programme update

Martin Walker introduced the Strategic Improvement Programme update report, copies of which had been previously circulated.

Martin invited the Board to note the progress reported and next steps.

During discussion, the Board considered the update provided under Delivering World Class Audit and welcomed assurance that in relation to the Digital Audit strategy a robust application of options criteria would be applied in considering whether to 'build or buy' IT systems.

Turning to Being a World Class Organisation, the members highlighted risks around the ability to build capacity as part of Phase 2 of the Building Capacity project in light of scarcer resources for digital or specialist roles in the marketplace. The Board welcomed the proposal to create investigatory capacity in the organisation and were assured of the approach being adopted to attract new employees during this phase.

Following discussion, the Board welcomed the progress reported and next steps.

12. 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 financial results for the three months to 30 June 2021 which had been scrutinised by the Audit Committee at its meeting on 1 September 2021.

The Chair invited any comments or queries on the comprehensive report and there being none, the Board noted the financial results for Q1 to 30 June 2021.

13. Q1 Corporate performance report

Martin Walker introduced the Q1 Corporate performance report, copies of which had been previously circulated.

Martin invited the Board to review the performance in quarter one and consider whether any additional management action is required.

During detailed discussion, the Board noted the overall strong performance reported, reflected on the external Delivering World Class Public Audit and internal Being a World Class Organisation areas, recognising these are complimentary corporate objectives.

The Board noted the overall level of communications activity reported and agreed they would like to understand how Audit Scotland can measure the impact and success of social media engagement with the public. The Chair agreed to invite the Communications Manager to comment by way of correspondence.

The members considered the performance dashboard in relation to lower examination pass rates by trainees and received clarification that this is slightly lower when compared to other organisations with work underway to understand the root causes, while recognising the significance of the issues and the small size of the sample. An update will be included in the next corporate performance report scheduled for November 2021.

The members also considered digital capacity and innovation in response to the Covid-19 pandemic and the challenges arising in delivering the audit. The Board noted there is a mixed picture of digital capability and resilience across the public sector and noted a proposed case study was scheduled for publication which would offer learning points and best practice.

Following discussion, the Board welcomed the update.

ACTION ASB149: The Communications Manager to provide information to the Board on the impact and measurement of social media engagement with the public. (November 2021)

14. Annual review of corporate governance policies

Gayle Fitzpatrick introduced the Annual review of corporate governance policies report, copies of which had been previously circulated.

Gayle invited the Board to consider the current Standing Orders, Financial Regulations and Scheme of Delegation and to approve them for a further year and to consider the revised Codes of Conduct and approve them for a further year.

During discussion, the Board noted that the Audit Committee had recommended the policies for approval following a further review by Management Team which had taken place. Martin Walker invited the Board to note that Management Team considered a review of the Scheme of Delegation and the Financial Regulations on 14 September 2021 and had agreed appropriate provision was contained within the Financial Regulations for any award over £250,000 which is reserved to the Auditor General for Scotland and the Accounts Commission.

The Board noted the update and requested that the Scheme of Delegation be amended to specify the reserved nature of new audit appointments for the avoidance of any doubt.

Following discussion, the Board approved the policies for a further year subject to the agreed amendment with final drafts of the policies to be circulated to members prior to publication.

ACTION ASB150: The Scheme of Delegation to be amended to specify the placing of orders for the New Audit Appointments are reserved to the Auditor General for Scotland and the Accounts Commission. (September 2021)

ACTION ASB151: Final drafts of the policies to be circulated to members prior to publication. (September 2021)

15. Annual policy review of records management policies

Gayle Fitzpatrick introduced the Annual review of records management policies, copies of which had been previously circulated.

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

The Board considered the proposed minor amendments to the policy and approved Audit Scotland's Records Management Policy for a further year.

16. Annual policy review of Freedom of Information and Environmental Information requests

Gayle Fitzpatrick introduced the Annual policy review of Freedom of Information and Environmental Information requests, copies of which had been previously circulated.

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

The Board welcomed recent engagement with colleagues on Audit Scotland's statutory requirements and noted a blog would be shared on International Right to Know Day on 28 September 2021. The members also noted that, while no changes were proposed to the policies at this point, further consideration would be required during the year if any changes were made to the legislation and/or supporting guidance.

Following consideration, the Board approved Audit Scotland's Freedom of Information and Environmental Information Policy for a further year.

17. Information Security Management Policy review

David Robertson introduced the Information Security Management Policy review report, copies of which had been previously circulated.

David invited the Board to consider and approve the proposed amendments to the policy.

Following consideration of the minor amendments proposed, the Board approved the revised Information Security Management policy.

18. Proposed Board and Committee meeting schedule 2022

The Chair invited members to consider the Proposed Board and Committee meeting schedule 2022 report, copies of which had been previously circulated.

Joy Webber provided a verbal update on the proposed meeting dates for the Board and its Committees in 2022.

Following discussion, the Board approved the proposed meeting dates for 2022.

19. Any other business

There was no other business.

20. Review of meeting

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

21. Date of next meeting: 22 November 2021

The members noted the next meeting of the Audit Scotland Board is scheduled for 22 November 2021.

Items taken in private

22. New audit appointments update

Elaine Boyd, Associate Director, Audit Quality and Appointments, and John Gilchrist, Manager, joined the meeting.

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

The Chair invited members to note the publication of the Invitation to Tender for the New audit appointments on 6 September 2021 as scheduled and that preparations for the evaluation process are in progress.

During discussion, the members noted the legal advice sought on the tender process and welcomed the early indications of interest in the tender.

The Board recognised and paid tribute to the support and work by the Audit Quality and Appointments team over the past two and a half years.

Following discussion, the Board noted the report.

Elaine Boyd left the meeting.

23. 2022/23 Draft budget proposal

Stuart Dennis introduced the 2022/23 Draft budget proposal report, copies of which had been previously circulated.

Stuart invited the Board to review and discuss the contents of this report and to approve that the assumptions set out in the proposed expenditure budget be used as a basis to develop the budget proposal to the Scottish Commission for Public Audit.

During discussion, the Board considered the draft expenditure proposal for SCF funding, considered the budget assumptions set out and discussed budgeting implications following the procurement of new audit appointments, the ongoing impact of Covid-19 and new quality standards and inflationary pressures.

The Board noted the proposed business planning meeting with the Scottish Commission for Public Audit which would provide an opportunity to discuss the anticipated demands on Audit Scotland's budget.

The members also noted that the UK budget is anticipated to be announced in October but it is currently unclear when the Scottish budget will be announced. In terms of engagement, the Board supported the request for the Accounts Commission to be briefed on the proposed budget prior to its submission to the SCPA and agreed Diane McGiffen and Elma Murray would discuss this further.

Following discussion, the Board noted the budgeting implications and approved that the proposed budget be used as a basis to develop the SCPA budget proposal report for consideration at the Board meeting on 22 November 2021.

ACTION ASB152: Elma Murray and Diane McGiffen to discuss Accounts Commission engagement on the budget development. (October 2021)

ACTION ASB153: A further report with the draft Budget proposal to be scheduled for the Board. (November 2021)

24. Discussion paper – Medium Term Financial Plan

Stuart Dennis introduced the Medium-Term Financial Plan discussion paper, copies of which had been previously circulated.

Stuart invited the Board to consider the potential financial issues over the next five-year period highlighted in the report that will impact on the new version of the Medium-Term Financial Plan (MTFP) 2022/23 to 2026/27.

The Chair invited consideration of this and the following report together given the links between them.

25. Discussion paper – Future funding and fee arrangements

Stuart Dennis introduced the Future funding and fee arrangements discussion paper, copies of which had been previously circulated.

Stuart invited the Board to use the report to inform high level thinking and discussion on potential options on the future funding arrangements of Audit Scotland.

The Chair welcomed the comprehensive reports which considered together supported a discussion on the range of complex issues to be considered.

During detailed discussion, the Board considered and agreed a number of key areas to explore in order to deliver the future financial strategy and stability for Audit Scotland including: the strategy for the organisation over the next five year period, the anticipated changes in the audit profession; commitment to delivering quality, changes to the way that audit work is carried out; uncertainty around the recovery from the pandemic and other external operating and environmental factors; and recognising the increased scrutiny on and value of delivering world class Public Audit in Scotland.

In addition, the Board agreed to consider possible funding options recognising the lack of flexibility of the current funding model, the limitations of the requirement to

break even in each financial year, options to streamline invoicing and to develop thinking around engagement on these matters with the SCPA.

Following discussion, the Board welcomed the discussion and agreed to a separate strategic session to be scheduled in November 2021.

ACTION ASB154: A discussion on strategic financial planning to be scheduled in November 2021.

26. Audit Committee risk workshop

Martin Walker introduced the Audit Committee risk workshop report, copies of which had been previously circulated.

Martin invited the Board to discuss the key issues arising from the risk workshop session and to note the follow-on actions noted in the report.

The Board considered the summary of the workshop and welcomed the report as a useful resource document which will help to inform future discussions of the Audit Committee and the Board.

Agenda

Monday 22 November 2021 at 10.30am



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1. Private meeting of members
 2. Welcome and apologies
 3. Declarations of interest
 4. Items to be taken in private
-

Standing items

- | | |
|--|-----------------|
| 5. Chair's report - verbal update | For information |
| 6. Accountable Officer's report - verbal update | For information |
| 7. Accounts Commission Chair's report - verbal update | For information |
| 8. Review of minutes: | For approval |
| <ul style="list-style-type: none">• Board meeting: 22 September 2021• Audit Committee meeting: 1 September 2021• Remuneration and Human Resources Committee meeting: 12 May 2021 | |
| 9. Review of action tracker | For information |
| 10. Covid-19 update | For information |
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Strategic priorities

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| 11. Strategic Improvement Programme update | For information |
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Business planning, performance and governance

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| 12. Q2 Financial performance report | For information |
| 13. Q2 Corporate performance report | For information |

Conclusion

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| 14. Any other business | For discussion |
| 15. Review of meeting | For discussion |
| 16. Date of next meeting | For information |
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Items to be taken in private

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| 17. 2022/23 Budget proposal

[Item to be taken in private to support the effective conduct of business, commercial sensitivity and intended for future publication] | For approval |
| 18. 2021/22 Spring Budget Revision

[Item to be taken in private to support the effective conduct of business, commercial sensitivity and intended for future publication] | For discussion |
| 19. Scottish Commission for Public Audit update

[Item to be taken in private as intended for future publication] | For approval |
| 20. Draft Audit Scotland International Strategy for 2021-24

[Item to be taken in private as intended for future publication] | For approval |
| 21. Environment, Sustainability and Biodiversity Annual Report 2020/21

[Item to be taken in private as intended for future publication] | For approval |