

**MEETING: 15 APRIL 2021**

**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 meeting of 27 January 2021. They are attached in Appendix 1.
8. The most recent meeting of the Board was on 24 March 2021, 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 19 May 2021 and considered by the Commission at its June 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**  
**1 April 2020**

# Minutes



Wednesday 27 January 2021, 10.00am

Audit Scotland by Video conference

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## **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  
Fraser McKinlay, Director of Performance Audit and Best Value  
Mark Roberts, Audit Director, Performance Audit and Best Value  
Elaine Boyd, Associate Director, Audit Quality and Appointments  
Gayle Fitzpatrick, Corporate Governance Manager

## **1. Private meeting of Board members**

The Board met privately and noted the resignation of Fraser McKinlay, Director of Performance Audit and Best Value and Controller of Audit. Stephen Boyle, Accountable Officer, advised of his intention to seek Board approval, in accordance with the Scheme of Delegation, to appoint an interim Director of Performance Audit and Best Value.

Following discussion, members noted the proposal to seek Board approval for an interim appointment.

**Action ASB128: Stephen Boyle to seek Board approval for the proposal to appoint an interim Director of Performance Audit and Best Value. (January 2021)**

## **2. Welcome and apologies**

The Chair welcomed attendees to the meeting.

## **3. Declarations of interest**

There were no declarations of interest.

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

The Chair advised of the Scottish Commission for Public Audit (SCPA) session on 15 January 2021 to consider Audit Scotland's Spring Budget Revisions and 2021/22 Budget submission and members noted that the SCPA will come back to Audit Scotland with a decision on its budget in due course. The members noted that the Official Report of the meeting appears at item 14 of today's agenda. The Chair paid tribute to the work of colleagues on the preparatory information and support provided in advance of the meeting with the SCPA.

The Chair advised of regular scheduled meetings with Stephen Boyle, Accountable Officer, Elma Murray, Interim Chair of the Accounts Commission and Diane McGiffen, Chief Operating

Officer. In addition, the Chair invited members to note further engagement with Stephen Boyle following the resignation of Fraser McKinlay, Director of Performance Audit and Best Value.

The Chair also invited members to join him in congratulating Caroline Gardner, former Auditor General for Scotland, on the CBE awarded to her in the New Year's Honours list, and agreed to write a letter of congratulation to Caroline on behalf of the Board.

The Board welcomed the update.

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

Stephen Boyle invited the Board to note it had been a busy period since the last meeting of the Board on 25 November 2020.

Stephen advised of regular meetings with Elma Murray and with the Chair, reflected on the session with the SCPA during which Audit Scotland had set out the value of public audit and sought the Commission's ongoing support in light of the challenges faced during this and the next financial year.

Turning to Parliamentary business, Stephen advised of the publication of five Section 22 reports on NHS and Central Government bodies, subsequent briefings of the Public Audit and Post Legislative Scrutiny Committee (PAPLS) and that further evidence sessions were scheduled throughout January 2021. The Board noted the briefing to the Social Security Committee following the Section 22 report on Social Security Scotland.

Stephen advised of other Parliamentary engagement which had included meetings with the respective Convenors of the PAPLS Committee, the Health and Sport Committee and the Education and Skills Committee. Stephen invited members to note that committees are currently considering their legacy reports as Session 6 of the Scottish Parliament comes to a conclusion.

Stephen advised of other external engagements, including attendance at the Accounts Commission's Insight session which included Jim McCormick, the former Chief Executive of Joseph Rowntree Foundation who had presented on the impact of poverty in Scotland. Stephen also advised of introductory meetings with the Chief Executives of CIPFA, the Care Inspectorate and Scottish Futures Trust.

Stephen advised of formal engagement with the Scottish Government Executive team, Permanent Secretary and Directors General before the Scottish Government Audit Committee at the beginning of December 2020, prior to his signing of the independent auditor's report. Stephen also highlighted ongoing engagement with the other Auditors General from across the UK.

Stephen advised that he had participated in a Fraser of Allander webinar about public finances and had been interviewed by the Holyrood Magazine on his role as the Auditor General for Scotland.

The Board welcomed the update.

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

Elma Murray advised of recent publications by the Accounts Commission including Digital Progress in Local Government, their first e-Newsletter for Councillors and Chief Officers across Scotland and the annual Local Government Financial Overview report which was published on 26 January 2021.

Elma advised that the Accounts Commission had met on 14 January 2021 and thanked Diane McGiffen for providing a briefing on Audit Scotland's organisational priorities. Elma advised that an extra meeting of the commission would take place on 28 January to discuss the Educational Outcomes draft report which is scheduled to be published in March 2021.

Elma invited the Board to note that the Commission members have agreed a Communications Plan for future engagement. In February 2021, as part of the Commission's Insight Programme, three third sector representatives will be speaking about their work with councils and the impact of the pandemic. Elma agreed to extend an invitation to this session to Stephen Boyle, Fiona Kordiak and any member interested in attending.

Elma advised that the Strategic Scrutiny Group had developed a workplan for 2021/22 that its next meeting would welcome Fiona Duncan, Chair of #ThePromise Oversight Board to discuss their work. She also invited members to note that Brian McNulty, Lead Inspector, HMICS would be chairing the operational group going forward with support from Audit Scotland.

Elma invited the Board to note that the Best Value Working Group will now meet every three weeks until the end of March 2021 with ongoing engagement and consultation meetings scheduled.

Elma also advised of other external engagement with SOLACE, CIPFA, Directors of Finance and Executive Committee and a meeting with Integrated Joint Board Chief Officers. In addition, Elma advised of a meeting with the Improvement Service Board and the intention to develop a partnership between the Accounts Commission and the Improvement Service which will focus on support for IJBs. Elma also advised of a meeting with the co-Chairs of the Shared Intelligence Hub run by Health Improvement Scotland and NES.

The Board noted the report on the European Charter of Local - Government (Incorporation) (Scotland) Bill and the potential constitutional implications for local government.

Following discussion, the Board welcomed the update.

## **7. Review of minutes:**

Board meeting: 25 November 2020

The Board considered the minutes of the meeting of 25 November 2021, which had been previously circulated.

The Board approved the minutes as an accurate record of the meeting. The Board noted the revised format of minutes, and Jackie Mann advised that she would adopt a similar style for future Remuneration and Human Resource Committee meetings.

## **8. Governance arrangements: Review of Standing Orders**

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

Martin invited the Board to consider the report and proposals to enable the public to access future Board meetings and for the Chair to record a short video summary of the Board meeting to be made available on the website thereafter.

The Board considered the process for managing public attendance at virtual meetings, the security of systems and the communication channels to be used.

Martin provided assurance around the digital security arrangements and management of attendees in relation to public and private items of business.

Following discussion, the Board welcomed the proposals and noted that longer term options for public meetings and engagement channels will be considered at the next meeting of the Board on 24 March 2021 as part of the wider review of governance.

**Action ASB129: Martin Walker to report on longer term options in relation to public meetings. (March 2021)**

## **9. Review of action tracker**

The Board noted the updates provided on the action tracker.

The Board agreed that action ASB126 be discussed further under item 10, Strategic Improvement Programme update.

## 10. Strategic improvement programme update

*Fraser McKinlay, Director of Performance Audit and Best Value, joined the meeting.*

Martin Walker introduced the Strategic improvement programme update, copies of which had been previously circulated.

Martin invited the Board to note the update on the strategic improvement programme.

The Board considered the progress reported on the rolling work programme, developments on the new audit appointments (which would be considered at item 12 of today's item), developments on the building capacity workstream and the supporting recruitment campaign, the appointment of a project lead for the replacement electronic working papers system and noted that all colleagues had now migrated to a single time recording system. The Board noted the importance of the development of audit methodologies and the key role of digital to enable research, development and delivery of financial and performance audit. Martin Walker advised that the Digital Audit Strategy and the Digital Services Strategy were scheduled to come to the Board at its next meeting on 24 March 2021.

Looking forward, the Board recognised the challenges for Audit Scotland and agreed priorities and timelines will need to be monitored and adjusted where appropriate and members welcomed Fraser McKinlay's focus and contribution to the ongoing development of the programme.

In relation to action ASB126 referred to above, the Board agreed to explore the Public Audit in Scotland model and how this supports partnership review and future engagement with the Auditor General for Scotland and the Accounts Commission on key strategic objectives at its forthcoming workshop.

**Action ASB130: The agenda for the forthcoming Board workshop to consider the Public Audit in Scotland model and partnership working. (March 2021)**

Following discussion, the Board noted the report.

*Fraser McKinlay, Director of Performance Audit and Best Value, left the meeting*

## 11. Implications of European Union withdrawal report

*Mark Roberts, Audit Director, Performance Audit and Best Value, joined the meeting.*

Mark Roberts introduced the Implications of European Union withdrawal report, copies of which had been previously circulated.

Mark invited the Board to note ongoing monitoring in relation to data sharing agreements between the UK and EU given the potential significant risks for public bodies, future developments around the EAFA audit work in terms of scope of work and funding arrangements, the ongoing monitoring of the Internal Market Act and how that will operate, the implications for Audit Scotland and the wider Scottish public sector workforce.

The Board welcomed the update and agreed that future reporting to the Board would be scheduled when specific updates are appropriate.

*Mark Roberts, Audit Director, Performance Audit and Best Value, left the meeting.*

## 12. New audit appointments update report

*Elaine Boyd, Associate Director, Audit Quality and Appointments, 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 progress reported, highlighted the overall improvement to the project's risk profile and the imminent appointment of a new Project Manager, details of which would be confirmed shortly.

The Chair advised members that further consultation and market engagement was underway and procurement advice has been sought on the option to further extend the current audit appointments or proceed to tender. These will be considered at the Steering Group meeting on 17 February 2020.

The Board considered the proposed high level principles of a limited scope of audit for small and less complex bodies and the implications in relation to an ISA compliant audit and welcomed the sequencing of engagement with the Auditor General for Scotland and Accounts Commission prior to the Board being invited to consider the Steering Group's recommendation on the current audit appointments.

Following discussion, the Board welcomed the update.

*Elaine Boyd, Associate Director, Audit Quality and Appointments, left the meeting.*

### **13. 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 actions and next steps.

The Board noted the latest data which indicate that infection rates were slowing, hospital admissions were stabilising and the rollout of vaccinations.

Members reflected on the continuing organisational pressures for Audit Scotland and its staff as they respond to the increased lockdown restrictions and recognised that despite this 96 per cent of the 2019/20 financial audits had been completed.

Following discussion, the Board welcomed the report and the regular communication and support for colleagues.

### **14. Scottish Commission for Public Audit: Official report**

Diane McGiffen introduced the Scottish Commission for Public Audit: Official report, copies of which had been previously circulated.

Diane invited the Board to note the Official report from the virtual meeting with the SCPA on 15 January 2021 which considered Audit Scotland's Spring Budget Revisions and 2021/22 Budget submission.

The Board noted the commission's interest around Audit Scotland's property portfolio and pension arrangements and agreed that the Remuneration and Human Resources Committee would consider Audit Scotland's pension arrangements as required and asked Stuart Dennis, Corporate Finance Manager, to consider Audit Scotland's future property portfolio.

Following discussion, the Board noted the report and agreed that further consideration of Audit Scotland's medium and longer term fees and funding strategy was required.

**Action ASB131: Consideration of Audit Scotland's medium and longer term fees and funding model to be scheduled. (March 2021)**

### **15. Records management plan 2021-2026 report**

*Gayle Fitzpatrick, Corporate Governance Manager, joined the meeting.*

Gayle Fitzpatrick introduced the Records management plan 2021-2026 report, copies of which had been previously circulated.

Gayle invited the Board to consider and approve submission of the new joint Records Management Plan on behalf of the Auditor General for Scotland, Accounts Commission and Audit Scotland to the National Records of Scotland by 29 January 2021.

The Board considered the annual review process undertaken of related policies and the two most recent ISO recertification audits which had resulted in no recommendations for improvement. The Board also noted the process for the confidential storage and destruction arrangements of documents while working virtually and welcomed further engagement by the Corporate Governance team with the Secretary and the Accounts Commission on governance matters.

Following discussion, the Board approved the updated Records Management Plan for submission to the National Records for Scotland by 29 January 2021.

Following discussion, the Board welcomed the report and approved the submission of the Records Management Plan to National Records of Scotland.

**Action ASB132: The approved Records Management Plan 2021-26 to be submitted to the National Records of Scotland. (January 2021)**

*Gayle Fitzpatrick left the meeting.*

**16. Any other business**

Diane McGiffen shared with members a summary of the annual stakeholder engagement survey which is scheduled to come to the Board at its meeting on 24 March 2021. The Board welcomed the summary and the positive assurance this provided in light of forthcoming Parliamentary changes and anticipated challenges for public audit in Scotland.

There was no further business.

**17. Publication of papers**

The Board considered and agreed the publication of the reports with the exception of item 12 (New audit appointments update report) due to the commercially sensitive information contained therein and item 15 Records Management Plan as this was due to future publication.

**18. Review of meeting**

The members welcomed the quality, content and comprehensive nature of the reports in supporting helpful consideration and detailed discussion.

The Chair thanked everyone for their contributions.

**19. Date of next meeting: 24 March 2021**

The members noted the next meeting of the Audit Scotland Board is scheduled for 24 March 2021.



# Agenda



Wednesday 24 March 2021 at 10.00am

## By Teams

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- |                                     |              |
|-------------------------------------|--------------|
| 1. Private meeting of Board members |              |
| 2. Welcome and apologies            |              |
| 3. Declarations of interests        |              |
| 4. Items to be taken in private     | For approval |
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## 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:                                 |                 |
| - Board meeting: 27 January 2021                      | For approval    |
| - Audit Committee meeting: 4 November 2020            | For information |
| 9. Governance arrangements: Review of Standing Orders | For information |
| 10. Review of action tracker                          | For information |
| 11. Covid-19 update                                   | For information |
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## Strategic priorities

- |                                     |                 |
|-------------------------------------|-----------------|
| 12. Strategic improvement programme | For information |
| - Digital audit strategy            | For discussion  |
| - Digital services strategy         | For approval    |
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## Business planning, performance and governance

- |   |                 |
|---|-----------------|
| 13. Operational budget 2021/22                            | For approval    |
| 14. Q3 Financial performance report                       | For information |
| 15. Q3 Corporate performance report                       | For information |
| 16. Best Companies survey results                         | For information |
| 17. Financial devolution and constitutional change update | For information |
| 18. Corporate governance review of Board arrangements     | For approval    |
| 19. Data protection policy                                | For approval    |

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## Conclusion

- 20. Any other business
- 21. Review of meeting
- 22. Date of next meeting: 19 May 2021

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## Items to be taken in private

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|--|------------------------------|
| <b>23.</b> New audit appointments update<br>[Item to be taken in private to support the effective conduct of business, commercial sensitivity)                   | For information/<br>approval |
| <b>24.</b> Proposed equalities outcomes 2021-2025<br>[Item to be taken in private to support the effective conduct of business, intended for future publication] | For discussion               |
| <b>25.</b> 2020 Stakeholder engagement report<br>[Item to be taken in private to support the effective conduct of business]                                      | For information              |
| <b>26.</b> 2020/21 Annual report<br>[Item to be taken in private to support the effective conduct of business, intended for future publication]                  | For discussion               |