

MEETING: 8 DECEMBER 2022

REPORT BY: POLICY MANAGER, ACCOUNTS 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 for Scotland, 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 for Scotland 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 28 September 2022. They are attached in Appendix 1.
8. The most recent meeting of the Board was on 23 November 2022, but the minutes of this meeting are not yet publicly available as they are yet to be ratified by the Board. They will be available after the next Board meeting on 24 January 2023 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 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.

Martin McLauchlan
Policy Manager, Accounts Commission
29 November 2022

Minutes Board



Wednesday 28 September 2022, 10.00am
Audit Scotland, 102 West Port and Microsoft Teams

Present:

Alan Alexander (Chair)
Stephen Boyle
Colin Crosby
Jackie Mann
William Moyes

Apologies:

There were no apologies.

In attendance:

Vicki Bibby, Chief Operating Officer
Martin Walker, Director of Corporate Support
Gayle Fitzpatrick, Corporate Governance Manager
Ian Metcalfe, Corporate Performance Officer
Stuart Dennis, Corporate Finance Manager
Susan Burgess, Assistant HR Manager
Michelle Borland, Business Manager, Performance Audit and Best Value
Simon Ebbett, Communications Manager
Michael Oliphant, Audit Director, Audit Services Group
Stephanie Harold, Senior Audit Manager, Audit Services Group

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

Vicki Bibby, Chief Operating Officer, and Martin Walker, Director of Corporate Support, joined the meeting.

The Chair welcomed attendees to the meeting.

3. Declarations of interest

The following declarations of interest were noted:

Colin Crosby, in relation to item 25 is a member of ICAS.

Stephen Boyle, in relation to item 25 is a member of CIPFA.

4. Items to be taken in private

The Chair invited members to agree that items 21, 22, 23, 24 and 25 of the agenda be considered in private for the reasons stated on the agenda. The members agreed.

5. Chair's report – verbal update

The Chair advised of regular meetings with Stephen Boyle, Auditor General for Scotland and Accountable Officer, William Moyes, the Chair of the Accounts Commission, and Martin Walker, Director of Corporate Support on various operational matters, including more recent introductory meetings with Vicki Bibby, Chief Operating Officer, John Cornett, Executive Director of Audit Services and Kenny Oliver, Executive Director of Innovation and Quality.

The Chair highlighted his attendance at the engagement session with Richard Leonard, Chair of the Public Audit Committee (PAC) in June.

The Chair invited members to note his attendance at the Scottish Commission for Public Audit (SCPA) at the end of June, alongside the Auditor General, Director of Corporate Support and Corporate Finance Manager to present the annual report and accounts. The Chair also noted the constructive SCPA informal business planning day in August.

The Chair noted the great value in both the recent Board Strategic session, and the Audit Committee's Risk Management and Digital Security session in August.

The Chair advised of regular informal meetings with other Non-Executive Board members as and when the need arises and advised that he will have concluded all appraisals by the end of today.

The Chair noted his recent engagement with Judith Strange, facilitator, for the agenda for the Audit Scotland Board Development session on 31 October 2022.

The Chair invited members to note his involvement as an external member of the panel for the appointment of the Wales Audit Office Chair and Non-Executive Board Members.

In addition, the Chair advised of his attendance at the Audit Committee meeting on 7 September.

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle invited the Board to note some of his engagements had been covered under the Chair's report, as well as regular engagement with the Chair, the Chair of the Accounts Commission, and monthly Joint Work Programme meetings.

Stephen confirmed Audit Scotland's Executive Team is now at full capacity and the main priorities are considering the delivery of the audit work and working with the Auditor General, the Board and the Accounts Commission in the coming months to progress the Partnership Framework, Corporate Plan, and the values for the organisation.

Stephen invited members to note the keynote session he delivered as part of the Audit Scotland 2022 programme: 200 colleagues attended and the session explored a range of

themes and reflections from Stephen now that's he is two years into the role, and the challenges facing Scotland's public bodies.

In relation to Parliamentary engagement, Stephen invited members to note attendance with the Chair at SCPA and Richard Leonard's meet and greet, Stephen continues to have regular engagement with the Chief Executive of the Scottish Parliament. Stephen advised that planning is underway for PAC members to visit Audit Scotland and engage with colleagues. Since Parliament has reconvened, Stephen highlighted his recent evidence to PAC on Scotland's Colleges report, attendance at the Finance and Public Administration Committee (FPAC) as part of their pre-budget scrutiny 2023/24 and will attend the Social Justice & Social Security Committee next week on the Social Security report. Regular engagement continues MSPs, most recently Daniel Johnson MSP on the governance of Scotland's public bodies and Pam Duncan Glancy on social security matters.

Turning to external engagement, Stephen invited members to note his engagement with the Institute Chartered Accountants of England & Wales to discuss their approaches and developments in accounting standards and digital auditing. Stephen was joined by Antony Clark in meeting the Head of the Royal Society of Arts in Scotland and gave an interview to Holyrood Magazine on his work two years into the role, the challenges facing Scotland's public bodies and highlighted the commentary from the AGS and Accounts Commission on the 10th anniversary of the Christie Commission report.

Stephen noted ongoing engagement with the Scottish Government's Permanent Secretary and that he had met the new Chair & Deputy Chair of Scottish Government's Audit Committee.

In relation to the other audit agencies, Stephen continues regular engagement with the Controller & Auditor General at National Audit Office and has an introductory meeting with the new Comptroller and Auditor General at NIAO in the next fortnight, ahead of the biannual UK&I Auditors General & Chief Operating Officers meeting in December in Edinburgh.

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report – verbal update

William Moyes invited the Board to note that the new Controller of Audit has been appointed and will join end December 2022/early 2023. He also confirmed that the recruitment process for four Accounts Commission members had been completed and the induction will commence once Ministerial approval has been confirmed. He also advised that further recruitment would commence in December for a further three Accounts Commission members and a Deputy Chair.

William advised that the Accounts Commission Change Programme is progressing and will follow up with the Chief Operating Officer to progress the Partnership Working Framework. It was further noted that the Child Poverty media coverage was Audit Scotland focussed, rather than a focus on local government and that he would follow up on this separately.

Following discussion, the Board welcomed the update.

8. Review of minutes

Audit Committee meeting: 1 June 2022

The Board noted the minutes of the Audit Committee meeting of 1 June 2022, copies of which had been previously circulated.

The Board noted the minutes were an accurate record of the meeting, having been approved at Audit Committee on 7 September 2022.

Colin Crosby gave thanks to those involved in the 'deep dive' risk assessment sessions.

Board meeting: 1 June 2022

The Board considered the minutes of the meeting of 1 June 2022, copies of which had been previously circulated.

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

9. Review of action tracker

The Board noted the updates provided on the action tracker and agreed no further updates were required at the meeting.

Martin Walker invited the Board to note under action ASB167 in relation to external review of international work that audit work was undertaken in compliance with international standards and that the focus of the work was largely around shared learning. On this basis it was considered that additional external assessment may not be proportionate.

Action ASB171: International Manager to examine any work undertaken on evaluation processes in relation to international work by other audit agencies (November 2022).

The Board noted the updated action tracker.

10. Covid-19 – verbal update

Martin Walker provided a verbal update on matters related to Covid-19, noting in relation to the external environment, the most recent statistics are going in the right direction despite numbers in Scotland being slightly higher than elsewhere in the UK. He advised that Executive Team continue to monitor and discuss this at its weekly meeting.

In relation to the internal environment, the Board were invited to note that one colleague posted time to sickness absence due to Covid-19 in the last week, confirming the impact to business is minimal.

Martin advised that Public Health Scotland were changing reporting arrangements around Covid-19 highlighting this will be reflected in internal reporting and subsequent Board update reporting.

Vicki Bibby invited the Board to note that the November Board meeting will consider whether to continue with Covid-19 as a standing item going into the winter period, potentially to be covered more widely under a Health and Safety item.

Following discussion, the Board noted the update.

11. Strategic Improvement Programme update

Martin Walker introduced the Strategic Improvement Programme update report, copies of which had been previously circulated. He invited the Board to note the key milestones at paragraph 4 since the last report in June and highlighted paragraph 7 relating to the review of the Strategic Improvement Programme (SIP) mainly involving streamlining and the consolidation of projects.

Martin invited the Board to note the progress reported on the Strategic Improvement Programme and next steps.

During discussion, the members noted it would be helpful for the Board to receive an update on the future of the audit profession generally, to include an update on progress since the Innovation and Quality team was established drawing out the specifics on quality and connecting to the Corporate Plan.

In relation to the Estate Strategy (paragraph 17), members agreed to ask Stuart Dennis for an update when he joins the meeting at item 13.

In relation to the People Strategy (paragraph 12), members were invited to note that the People Strategy will not go to November Remco as stated. Work is ongoing and the updated People Strategy document will be considered at a future RemCo meeting.

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

Action ASB172: *Martin Walker and Vicki Bibby and Stephen to consider timings for an item on the audit profession and to include an update on Innovation & Quality in relation to the SIP review. (January 2023).*

Action ASB173: *Martin Walker agreed to liaise with the Audit Quality and Appointments (AQA) team for timescales on the New Audit Appointments lessons learned exercise being presented to the Board (October 2022).*

12. Q1 Corporate performance report

Gayle Fitzpatrick, Corporate Governance Manager, and Ian Metcalfe, Corporate Performance Officer, joined the meeting.

Gayle Fitzpatrick introduced the Q1 Corporate performance report, copies of which had been previously circulated. Gayle invited the Board to note key highlights in the report: there are four objectives rated amber: relevant and timely audits, management of resources, maximise efficiency and audit quality. Gayle also highlighted the significant media coverage on recent reports: Covid-19, Local Government Overview and Social Security; and the 12% budget variance, which is primarily due to a phasing issue in relation to recruitment and vacant posts (now filled) and the phasing of audits.

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

During discussion, the Board recognised the content of the report was useful but that the future presentation of reports should be considered to provide clarity to the Board in governance terms on key issues for decisions and where appropriate, clearer delineation between the reporting of work for the Accounts Commission and the Auditor General.

The Board was invited to note that work is ongoing towards developing and refining a set of indicators more useful to the Board, linking with the Corporate Plan working group and that the intention is to revise the performance management framework which will be reflected in Board reports in due course.

Following discussion, the Board welcomed the update.

Action ASB174: Gayle Fitzpatrick and Ian Metcalfe agreed to present proposals on revised corporate performance reporting in November with a view to a more detailed report in January 2023 (November 2022).

Gayle Fitzpatrick and Ian Metcalfe left the meeting.

13. Q1 Financial performance report

Stuart Dennis, Corporate Finance Manager, joined the meeting.

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 2022, recognising the expectation to be in a similar financial position by the end of quarter two with no significant further changes expected.

During discussion, the Board noted an update on the estate strategy with an update to be presented at the November Board meeting with options on the current office space in Edinburgh. The Board were invited to note that the estate strategy should be finalised and in place by March 2023.

During discussion, the Board members considered the factors which may impact on the estate strategy including hybrid working patterns, potential changes to working practices and cost implications as well as ensuring there is robust data on any decision resulting in major changes.

Following discussion, the Board noted the financial results for the three months to 30 June 2022.

Action ASB175: Estate strategy update report to be presented to the November Board (November 2022).

Stuart Dennis left the meeting.

14. Annual review of corporate governance policies

Gayle Fitzpatrick, Corporate Governance Manager, and Ian Metcalfe, Corporate Performance Officer, re-joined the meeting.

Gayle Fitzpatrick introduced the Annual review of corporate governance policies report, copies of which had been previously circulated. Gayle invited Board members to note that all documents presented today had been recommended to the Board by the Audit Committee on 7 September 2022, noting an action in relation to the articulation of the purpose of the Board and its committees that Martin Walker agreed to progress with William Moyes.

The Board noted a request to include excerpts from the legislation into the Standing Orders and Financial regulations relating to resourcing.

Following discussion in relation to the Standing Orders, members noted the query on paragraph 18 that the Auditor General and Chair of the Accounts Commission must be present for a quorum to be constituted and whether this was in legislation. Subject to confirmation of the legislative requirements, members noted that paragraph 21 would be deleted.

Following discussion, the Board noted the update and approved the policies for a further year, subject to the amendments agreed during discussion and clarification required in relation to the Standing Orders and Financial Regulations.

Action ASB 176: *Gayle Fitzpatrick and Ian Metcalfe agreed to check legislation in relation to paragraph 18 and delete paragraph 21 accordingly, sharing with the Board for approval by correspondence with updated tracked changes for reference.*

15. Annual policy review of records management policies

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

Gayle invited the Board to approve the updated records management policy, which is reviewed on an annual basis, highlighting the only minor change is that the new five-year records management plan has been approved by the National Records for Scotland, resulting in a considerable amount of development work around that.

During discussion, the Board noted the statutory obligations around records management that Audit Scotland must fulfil, resulting in the requirement for Board approval of this policy.

Following discussion, the Board approved the updated records management policy.

Gayle Fitzpatrick and Ian Metcalfe left the meeting.

16. Staff handbook policy review

Susan Burgess, Assistant HR Manager, joined the meeting.

Susan Burgess introduced the Whistleblowing Policy, copies of which had been previously circulated.

Susan invited the Board to note the report and approve the proposed changes to the Whistleblowing Policy, highlighting that only minor changes are proposed at this point, recognising there is more to do regarding supplementing this with further guidance.

During discussion, the Board requested consideration be given to potential wording to clarify alternative routes for staff to raise concerns externally and consider whether paragraph 9 on anonymity is robust enough.

Following discussion, the Board noted the report and approved the proposed changes to the Whistleblowing policy, recognising that further clarification and development work is in underway. Any further advice/approval required out with the usual policy review cycle will be done via correspondence with the Board.

Susan Burgess left the meeting.

17. 2023 Proposed Board and Committee meeting schedule

Martin Walker introduced the 2023 Proposed Board and Committee meeting schedule report, copies of which had been previously circulated.

Martin invited the Board to approve the proposed meeting dates for 2023 and to approve the option of holding a meeting in the Glasgow office.

Following discussion, the Board approved the proposed meeting dates for 2023 and agreed the proposal to hold a meeting in the Glasgow office annually.

18. Any other business

There was no other business for discussion.

19. 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.

20. Date of next meeting: 23 November 2022

The members noted the next meeting of the Audit Scotland Board is scheduled for 23 November 2022.

Items taken in private

21. HSE stress survey results and action plan

Martin Walker introduced the HSE stress survey results and action plan report, copies of which had been previously circulated.

Martin invited the Board to consider the survey results and the planned actions and next steps.

During discussion, the Board noted the open and transparent approach to sharing the results with the organisation noting that this involved engaging with different forums across the organisation.

Martin invited the Board to note a verbal update on the more recent Pulse survey results, checking awareness in relation to the HSE stress survey results and the existing bullying and harassment policy and invited comments on the findings of the survey.

During discussion, the Board noted the survey response rate was generally similar to other surveys, with the exception of Best Companies survey.

During discussion, the Board were advised that Executive Team will work with the Health, Safety & Wellbeing Committee (which includes union and staff representation) on the wider culture in the organisation, values and behaviours as part of the Corporate Plan and being explicit for what good looks like.

Following discussion, the Board welcomed the report and welcomed the immediate actions and medium-term actions (for further update at November Board), noting Executive Team will keep the Board informed via correspondence if required, between meetings.

Action ASB177: *Executive Team to consider more regular surveys to inform trends and further data for future comparisons (June 2023).*

22. Our purpose workstream: Update on Public Audit in Scotland and the new Audit Scotland corporate plan

Michelle Borland, Business Manager, Performance Audit and Best Value, and Simon Ebbett, Communications Manager, joined the meeting.

Simon Ebbett introduced the Our purpose workstream: Update on Public Audit in Scotland and new Audit Scotland corporate plan report, copies of which had been previously circulated.

Simon advised the Board that the invitation to tender for external consultancy work to support the project had gone out to tender last week and invited the Board to discuss some key points for feedback including the strategic planning framework, the outcomes-based approach: the balance between audit outcomes and policy outcomes, and the consultation and engagement plans for the Accounts Commission, AGS and Executive Team.

During discussion, the Board noted that the strategic planning framework (fig 2) is a standard model, albeit more complicated due to the tripartite model of public audit in Scotland.

Board members noted that the starting point for this work is to find a shared vision, outcomes and principles between the Accounts Commission, Auditor General and Audit Scotland and look at producing a clearer framework diagram to reflect this.

Following discussion, the Board agreed to consider further information via correspondence.

Michelle Borland and Simon Ebbett left the meeting.

23. 2023/24 Budget proposal

Stuart Dennis, Corporate Finance Manager, re-joined the meeting.

The Chair invited consideration of this item together with the following item on the Medium Term Financial Plan given the links between them.

Stuart Dennis introduced the 2023/24 Budget proposal report, copies of which had been previously circulated.

Stuart invited the Board to note the 2023/24 budget as a work in progress with an updated budget proposal to be presented to the November Board meeting.

During discussion the Board was invited to discuss the 2022/23 proposed fee increase (paragraph 31) and the planned communications to audited bodies.

Stuart invited the Board to discuss and note the current position in respect of the 2023/24 draft budget proposal.

Following discussion, the Board noted the current position in respect of the 2023/24 draft budget proposal.

Action ASB178: *The Board agreed that it might be prudent to issue a joint letter from the Auditor General and Chair of the Accounts Commission to firms regarding the fee increase, particularly those affecting small organisations . (October 2022)*

Action ASB179: *Stuart Dennis will look at options in relation to phasing the fee increase and report back to the November Board with recommendations.*

24. Medium Term Financial Plan 2022-23 to 2026-27

Stuart Dennis introduced the Medium Term Financial Plan 2022-23 to 2026-27 report, copies of which had been previously circulated.

Stuart invited the Board to consider and discuss the draft Medium Term Financial Plan, noting this is based on scenarios discussed at the Board Strategic Session and will be updated with all variables at the November Board.

Following discussion, the Board welcomed and noted the report.

Stuart Dennis left the meeting.

25. 10-year review of trainee scheme provider

Michael Oliphant, Audit Director, Audit Services Group, and Stephanie Harold, Senior Audit Manager, Audit Services Group, joined the meeting.

Michael Oliphant introduced the 10-year review of trainee scheme provider report, copies of which had been previously circulated.

Michael invited the Board to discuss the findings from the review, note the anticipated costs over a five-year period, note the recommendations to look at the feasibility of transitioning college leavers and trainees on modern apprenticeship schemes into audit

roles, and approve the recommendation to continue with ICAS as the training scheme provider.

Following discussion, the Board noted the anticipated costs over a five-year period, noted the recommendations to look at the feasibility of college leavers and modern apprentices transitioning into audit roles, and approved the recommendation to continue with the current supplier as the training scheme provider.

Michael Oliphant and Stephanie Harold left the meeting.

Agenda

10.15 Wednesday 23 November 2022
Audit Scotland, 102 West Port and
Microsoft TEAMS



-
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 draft minutes: | |
| • Remuneration and Human Resources Committee 11 May 2022 | For information |
| • Audit Committee 7 September 2022 | For information |
| • Board meeting: 28 September 2022 | For approval |
| • Remuneration and Human Resources Committee 28 September 2022 | For information |
| 9. Review of action tracker | For information |
| 10. Covid-19 – verbal update | For information |

Business planning, performance and governance

- | | |
|-------------------------------------|-----------------|
| 11. Q2 Corporate performance report | For information |
| 12. Q2 Financial performance report | For information |
| 13. Corporate Governance Documents | For approval |
| • Standing Orders | |
| • Financial Regulations | |

14. Bullying and harassment policy

For approval

Conclusion

15. Any other business

For discussion

16. Review of meeting

For discussion

17. Date of next meeting: 24 January 2023

For information

Items to be taken in private

18. Our purpose workstream: Update on Public Audit in Scotland and the new Audit Scotland corporate plan

For discussion

[Item to be taken in private to support the effective conduct of business, intended for future publication]

19. SCPA budget proposal 2023/24

For approval

[Item to be taken in private to support the effective conduct of business, intended for future publication]

20. Spring Budget Revision 2022/23

For approval

[Item to be taken in private to support the effective conduct of business, intended for future publication]

21. Environment, Sustainability and Biodiversity Annual Report 2021/22

For approval

[Item to be taken in private to support the effective conduct of business, intended for future publication]

22. Procuring External Quality Assurance 2022-28

For approval

[Item to be taken in private to support the effective conduct of business, commercial sensitivity]