

MEETING: 10 FEBRUARY 2022

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 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 22 November 2021. They are attached in Appendix 1.
8. The most recent meeting of the Board was on 26 January 2022, 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 5 April 2022 and considered by the Commission at its May 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
1 February 2022

Minutes Board



Monday 22 November 2021, 10.00am
Audit Scotland by Video conference

Present:

Alan Alexander (Chair)
Stephen Boyle
Elma Murray
Jackie Mann

Apologies:

Colin Crosby

In attendance:

Diane McGiffen, Chief Operating Officer
Martin Walker, Associate Director, Corporate Performance and Risk
Stuart Dennis, Corporate Finance Manager
Simon Ebbett, Communications Manager
Mark MacPherson, Senior Manager, Performance Audit and Best Value
Parminder Singh, International Liaison Manager
Graeme Greenhill, Senior Manager, Performance Audit and Best Value
Judith Strange, Cyan2 Limited

1. Private meeting of Board members

The Board met privately and there were no matters arising. Members welcomed a verbal update from Stephen Boyle, Accountable Officer.

2. Welcome and apologies

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

The Chair welcomed attendees to the meeting and noted Colin Crosby's 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 17, 18, 19, 20 and 21 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 Remuneration and Human Resources Committee minutes at item 8 would also be considered in private.

5. Chair's report – verbal update

The Chair invited members to note of his 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 Chair advised members of engagement with the Audit Quality and Appointments team on queries raised during the procurement exercise.

The Chair advised that he had attended a keynote session on the Future of the audit profession and welcomed the insight provided and recognised the potential impact for Audit Scotland as a public audit agency.

The Chair also welcomed members' contribution to the Board's Financial planning discussion on 9 November 2021 to consider Audit Scotland's approach to its medium term financial plan and fees and funding strategy.

The Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle recorded his and Audit Scotland's condolences on the death of Bob Black, the first Auditor General for Scotland and reflected on Bob's significant contribution to public services and public audit in Scotland over many years.

Stephen advised the Board of regular meetings with the Chair and reflected on the level of activity across the organisation as we progress the delivery of the joint work programme and financial audits and recorded his thanks to colleagues for their continued dedication and commitment.

Stephen invited the Board to note the comprehensive series of events which have been organised as part of Audit Scotland's 2022 conference programme including valuable contribution to the keynote sessions from CIPFA, ICAEW, Professor Jason Leitch, National Clinical Director, Scottish Government, Anna Fowlie of SCVO and Jennifer Wallace from the Carnegie Trust. The Board welcomed the comprehensive virtual engagement programme and noted the final event with the UK and Ireland Auditors' General in January 2022.

Turning to Parliamentary engagement, Stephen invited members to note the range of activity including publications and evidence sessions, Section 22 reporting and briefings on a range of public audit matters, including attendance with Sharon O'Connor, member of the Accounts Commission, at a session with the Education Committee. Stephen invited the Board to note his continued engagement with the new Finance and Public Administration Committee on its public scrutiny of budget and public administration in Scotland and had been joined by Professor James Mitchell and Graham Roy to discuss public sector reform. The Board also noted a busy period of engagement and evidence sessions scheduled with the Public Audit Committee between now and the end of the year.

Stephen invited the Board to note that the next meeting of the UK and Ireland Auditors' General was scheduled for Friday 26 November.

Stephen advised members of forthcoming changes to the leadership team of Audit Scotland and recorded his thanks to Diane McGiffen, Chief Operating Officer for her significant contribution to Audit Scotland. The Board welcomed the update and proposed early engagement on proposals for the future structure of Audit Scotland's leadership team.

The Board welcomed the update.

7. Accounts Commission Interim Chair's report – verbal update

Elma Murray, Interim Chair of the Accounts Commission advised members that the Accounts Commission had livestreamed two meetings since the previous Board meeting and noted the meeting on 11 November 2021 had been Pauline Weetman's last as a member of the Commission.

The members noted items of business considered by the Accounts Commission which included one Best Value Assurance Report, a review of Audit Scotland's e-hubs and agreement by the Commission to consult on the plans for the new Statutory Performance Indicators Direction from 2022/25. In addition the Commission had considered the Audit Planning Guidance prior to consultation and had held a private session with the Director of Nesta in Scotland to consider the future environment for innovation and risk. The Board noted that the Accounts Commission's Committees would meet on Thursday 25 November.

Elma invited the Board to note the publication of the Commission's new strategy, one Best Value Assurance Report, a blog on the Christie Commission, Community Empowerment Briefing and Climate Change briefing and advised of a meeting with the Deputy Chair and Chair of the Performance Audit Committee as part of ongoing engagement with Scottish Government local government leads. In addition, Elma advised members that she had met with the Convenor of the Public Audit Committee. The Board was also invited to note responses to various consultations including the Public Inquiry into Covid, Equalities, Human Rights and Justice Committee on the Pre-Budget Scrutiny and National Care Service plans.

The Board noted internal engagement including attendance at a number of Audit Scotland's insight and keynote sessions and of external engagement with attendance at the Scottish Leaders Forum launch event of the Covid Recovery Plan, SOLACE Springboard event and noted ongoing engagement with the Education reform programme.

Elma also advised that the Strategic Scrutiny Group had met last week and agreed an updated programme of work, together with support to develop a national scrutiny portal.

The Board welcomed the update.

8. Review of minutes

Board meeting: 22 September 2021

The Board considered the minutes of the meeting of 22 September 2021, which had been previously circulated.

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

Audit Committee: 1 September 2021

The Board noted the minutes of the Audit Committee meeting of 1 September 2021, which had been previously circulated.

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

Remuneration and Human Resources Committee: 12 May 2021 (*considered in the private section of the Board meeting*)

The Board noted the minutes of the Remuneration and Human Resources Committee meeting of 12 May 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.

The Chair highlighted action ASB154 and advised a further reiteration of the Medium Term Financial Plan would be considered in January 2022 with a view to finalising this in April 2022 with consideration of the future fees and funding model to be scheduled thereafter.

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 actions and the next steps.

During discussion, the Board noted the updates provided on the organisational and audit response and noted the impact and pressure to conclude audit work. In addition, the members noted that the rollout of the vaccination programme continues at pace, the number of reported cases are still rising and the scheduled announcement by the First Minister the following week.

The Board considered the current levels of office activity and sought assurance around future engagement, ongoing monitoring and the balance between office and home based working in the future, noted the level of disruption reported by colleagues and the impact this had had on delivery. The Board noted continued engagement with colleagues was scheduled early in 2022.

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 and noted the reprioritisation of some workstreams to focus on the delivery of audit work.

The Board welcomed the progress made to build capacity across the organisation and sought clarification on the membership of the project team for the refresh of Public Audit in Scotland. Martin advised that the scope and timing for the project was currently being developed and would welcome an early discussion with Elma Murray to consider Accounts Commission engagement.

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

Action ASB155: A discussion to consider Accounts Commission input on the Public Audit in Scotland workstream. (December 2021)

12. Q2 Financial performance report

Stuart Dennis introduced the Q2 Financial performance report, copies of which had been previously circulated.

Stuart invited the Board to note the financial results for the six months to 30 September 2021 which had been scrutinised by the Audit Committee at its meeting on 10 November 2021.

The members considered the principal reason for the increase in fees reported in relation to local government charitable trust accounts and noted the original assumption to complete the work had been based on the number of audit days agreed with the respective Directors of Finance. In addition, the Board noted the negative price variance for central government bodies and Stuart confirmed that the number of days taken to complete the audit had been fewer than the assumption.

Following discussion, Stuart Dennis and Elma Murray agreed to discuss an update to be shared with the Accounts Commission Financial Audit Assurance Committee at its meeting on Thursday 24 November.

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

Action ASB156: Stuart Dennis and Elma Murray to discuss an update for the Accounts Commission Financial Audit Assurance Committee meeting on Thursday 24 November. (November 2021)

13. Q2 Corporate performance report

Martin Walker introduced the Q2 Corporate performance report, copies of which had been previously circulated.

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

During discussion, the Board noted the overall steady and consistent performance reported and reflected on the Delivery of World Class Public Audit and internal Being a World Class Organisation areas, being complimentary corporate objectives.

The members noted the resource challenges previously discussed and welcomed the progress reported on recruitment to build capacity. In addition, the Board recognised the need to ensure flexibility in the work programme to manage resource demands across audit teams.

The Board also noted that while delivery of audit quality remains amber they welcomed the actions which had been implemented as part of the ongoing improvement programme and awaited the results from this year's quality reviews which were scheduled to be reported in Q3 and Q4.

The Board noted the support provided for Parliamentary engagement and Martin advised this related to colleagues' support across all engagement with the Parliament for and on behalf of the Auditor General for Scotland, the Accounts Commission and Audit Scotland.

The Chair sought assurance that the performance was consistent with risks reported in Audit Scotland's risk register. Martin provided assurance that the performance and risk reports inform one another, both of which are reviewed by the Performance Risk and Management Group prior to reporting and ongoing dialogue with Management Team. The Chair welcomed the assurance provided of the governance arrangements for both performance and risk.

Following discussion, the Board welcomed the update.

14. Any other business

There was no other business for discussion.

15. Review of meeting

The members welcomed the quality, content and comprehensive nature of the reports in supporting helpful and detailed discussion. The members reflected on its first hybrid meeting of the Board and welcomed the support from colleagues and the technology to support a successful meeting.

The Chair thanked everyone for their contributions.

16. Date of next meeting: 26 January 2022

The members noted the next meeting of the Audit Scotland Board is scheduled for 26 January 2022.

Items taken in private

17. 2022/23 Budget proposal

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

Stuart invited members to discuss, review and provide comment on the draft 2022/23 Budget proposal and approve the Scottish Commission for Public Audit (SCPA) budget submission.

During discussion, the Board considered the underlying assumptions for the budget proposal in relation to pay, increased employer national insurance contributions, budget for financial devolution work and noted the proposed increase for fees.

The Board noted that the Scottish Government is due to publish both its budget and the pay policy announcements on 9 December 2021 and agreed that consideration of these would be valuable prior to the submission of Audit Scotland's proposed budget to the SCPA.

Following discussion, the Board approved the submission of the budget submission to the SCPA subject to minor presentational amendments to the document.

Action ASB157: The 2022/23 Budget proposal to be submitted to the SCPA. (December 2021)

18. 2021/22 Spring Budget Revision

Stuart Dennis introduced the 2021/22 Spring Budget Revision report, copies of which had been previously circulated.

Stuart invited the Board to approve the request to the SCPA for a 2021/22 Spring Budget Revision of £6 million non-cash AME funding in order to meet additional IAS 19 pension charges.

The Board noted the change in discount rate and the potential for a small reduction in the discount rate, thereby increasing charges, but that the funding level requested in the budget revision together with the year-end forecast should be sufficient to meet any small increase.

Following discussion, the Board approved the submission of the request to the SCPA for a 2021/22 Spring Budget Revision of £6 million non-cash AME funding in order to meet additional IAS 19 pension charges.

Action ASB158: The 2021/22 Spring Budget revision proposal to be submitted to the SCPA. (December 2021)

19. Scottish Commission for Public Audit update

Martin Walker introduced the Scottish Commission for Public Audit update report, copies of which had been previously circulated.

Martin invited the Board to consider and comment on the proposed draft quarterly update to be submitted to the SCPA.

The Chair invited any comments on the draft update and, there being none, the Board approved its submission to the SCPA.

20. Draft Audit Scotland International Strategy for 2021-24

Mark MacPherson, Senior Manager, Performance Audit and Best Value, and Parminder Singh, International Liaison Manager, joined the meeting.

Mark MacPherson introduced the draft Audit Scotland International Strategy for 2021-24 report, copies of which had been previously circulated.

Mark invited the Board to consider and approve the draft International Strategy for 2021-24.

During discussion, the Board welcomed the two way nature of learning, engagement, knowledge sharing and best practice, noted the anticipated level of engagement both virtually and in person and agreed the proposal to keep the strategy under review.

Following discussion, the Board approved the draft International Strategy for 2021-24.

Mark MacPherson and Parminder Singh left the meeting.

21. Environment, Sustainability and Biodiversity Annual Report 2020/21

Graeme Greenhill, Senior Manager, Performance Audit and Best Value, joined the meeting.

Graeme Greenhill introduced the draft Environment, Sustainability and Biodiversity Annual Report 2020/21, copies of which had been previously circulated.

Graeme invited the Board to consider and approve the Environment, Sustainability and Biodiversity Annual Report and to comment on future areas of focus in relation to environmental issues.

The Board considered the metrics used to report progress and noted the approach was consistent with other public bodies including the approach to off-setting measures while recognising the future challenges of reducing carbon emissions as a result of home working. The Board agreed they would welcome further information of how Audit Scotland calculates home working emissions and agreed to receive this by correspondence.

The Board noted the data reported is not currently peer reviewed and Graeme advised that options for independent evaluation were being explored.

Following discussion, the Board welcomed the report and approved the Environment, Sustainability and Biodiversity Annual Report 2020/21.

Action ASB159: **Information on how Audit Scotland calculates home working emissions to be shared with members.**

Graeme Greenhill left the meeting.

Additional item of business

The Chair paid tribute to Diane McGiffen, Chief Operating Officer, on this her last meeting with the Audit Scotland Board and reflected on her contribution not only on the establishment of Scotland's public audit agency but also her strategic vision, dedication, openness and approachability and wished her well in her new role as Chief Executive of the Law Society of Scotland.

Diane McGiffen expressed her thanks to the Board, Management Team and colleagues and wished Audit Scotland every future success.

Agenda

Wednesday 26 January 2022 at 10.15am



1. Private meeting of members
 2. Welcome and apologies
 3. Declarations of interest
 4. Items to be taken in private
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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: | For approval |
| • Board meeting: 22 November 2021 | |
| 9. Review of action tracker | For information |
| 10. Covid-19 update | For information |
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Business planning, performance and governance

- | | |
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| 11. 2021/22 Spring Budget Revision and 2022/23 Budget proposal – verbal update | For information |
| 12. Our purpose – Workstream update | For information |
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Conclusion

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|--------------------------|-----------------|
| 13. Any other business | For discussion |
| 14. Review of meeting | For discussion |
| 15. Date of next meeting | For information |
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Items to be taken in private

- | | |
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| 16. Building strategic capacity | For approval |
| [Item to be taken in private to support the effective conduct of business] | |
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17. New audit appointments – verbal update

For information

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

18. New audit appointments – affordability (to follow)

For information

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

19. Stakeholder engagement update

For information

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