

**MEETING: 12 MAY 2022**

**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 for Scotland, 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 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 26 January 2022. They are attached in Appendix 1.
8. The most recent meeting of the Board was on 5 April 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 17 May 2022 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 May 2022**

# Minutes Board



Wednesday 26 January 2022, 10.00am  
Audit Scotland by Video conference

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## **Present:**

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

## **Apologies:**

There were no apologies.

## **In attendance:**

Martin Walker, Acting Director of Corporate Services  
Stuart Dennis, Corporate Finance Manager  
Simon Ebbett, Communications Manager  
Michelle Borland, Business Manager, Performance Audit and Best Value  
Elaine Boyd, Associate Director, Audit Quality and Appointments  
Owen Smith, Senior Manager, Audit Quality and Appointments  
John Gilchrist, Manager, Audit Quality and Appointments  
Mark Roberts, Audit Director, Performance Audit and Best Value

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

The Board met privately and there were no matters arising.

## **2. Welcome and apologies**

*Martin Walker, Acting Director of Corporate Services, Stuart Dennis, Corporate Finance Manager, Simon Ebbett, Communications Manager, joined the meeting.*

The Chair welcomed attendees to the meeting and formally welcomed William Moyes to his first meeting as a member of the Board following his appointment at Chair of the Accounts Commission. The members recorded their thanks to Elma Murray, the former Interim Chair of the Accounts Commission for her contribution to the Board during her appointment.

## **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 16, 17, 18 and 19 of the agenda be considered in private based on the reasons set out on the agenda. The Board agreed.

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

The Chair invited members to note he had joined the tender interview panel for the new audit appointments which had been held on 10, 11 and 17 January. He advised of regular meetings with Stephen Boyle, Auditor General for Scotland and Accountable Officer on a range of operational matters including the reshaping of Audit Scotland's management structure and of an introductory meeting with William Moyes following his appointment as Chair of the Accounts Commission.

The Chair referred to his attendance, with Stephen Boyle and colleagues, at the evidence session with the Scottish Commission for Public Audit on Audit Scotland's 2021/22 Spring Budget Revision and 2022/23 Budget Submission, noting an update on which will be considered at item 11 of today's agenda.

The Chair expressed his thanks to Stephen Boyle and the UK Auditors General for hosting the insightful keynote session on 25 January 2022, 'Audit without borders'.

The Chair advised members of engagement with Judith Strange on the agenda for the Board's next development session proposed to be held on 5 April 2022.

The Board welcomed the update.

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

Stephen Boyle welcomed William Moyes to the Board and that he was looking forward to working with him both on this forum and in his capacity as Chair of the Accounts Commission.

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

Stephen invited the Board to note the recent publication of five section 22 reports and two further pending reports on the 2020/21 audit of public bodies in Scotland. The Board also noted the publication of an additional assurance report on Public Income Tax alongside the audit of the Scottish Income Tax which is conducted by the Controller and Auditor General of the NAO as part of his audit of HMRC, and the publication of a section 23 report on skills planning arrangements in Scotland.

Turning to Parliamentary engagement, Stephen invited members to note a range of activity including briefings and attendance at evidence sessions with the Public Audit Committee throughout November, December 2021 and January 2022.

Stephen invited members to note the culmination of Audit Scotland's 2021 Conference series with a keynote session 'Audit without borders' when he was joined by the Auditors

General from the National Audit Office, Audit Wales and Northern Ireland Audit Office. The members noted the session was joined by more than 400 colleagues from the respective agencies and noted ongoing engagement with the UK and Ireland Auditors General as part of the Public Audit Forum.

Stephen advised members of an introductory meeting with the National Statistician Professor Sir Ian Diamond to hear more of the work of the Office for National Statistics.

The members also noted the communication to all staff on increased access to offices following the latest announcement by the Scottish Government and welcomed the continued engagement with colleagues by way of pulse surveys, drop in sessions and the forthcoming Best Companies Survey.

The Board welcomed the update.

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

William Moyes, Chair of the Accounts Commission, advised members that since his appointment on 1 January 2022 he had engaged with colleagues through a series of introductory meetings and expressed his thanks to colleagues for their time.

William invited the Board to note Andy Cowie's blog in November 2021 on assurance and scrutiny on Scotland Housing benefits services and advised that the Commission had published its Statutory Performance Information Direction for Councils on 21 December 2021, a Best Value report on Falkirk Council on 13 January 2022 and that a briefing on Social Care is scheduled for 27 January 2022.

On future publications, the Board noted plans to publish a newsletter for councillors, the Best Value report on Moray Council (scheduled for 3 March 2022), the Local Government Overview (10 March 2022) and a report on Orkney and Shetland Joint Valuation Board (end of March 2022). In addition, William advised of joint briefings with Auditor General for Scotland on supporting business through the pandemic and planning Scotland's economic recovery and a publication on Drug and Alcohol Services (March 2022).

The Board welcomed the update.

## **8. Review of minutes**

### **Board meeting: 22 November 2021**

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

The Board approved the minutes as an accurate record of the meeting, subject to the correction of a minor typographical error.

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

The Board noted the updates provided on the action tracker.

The Chair sought Board approval to close action ASB152 following Stuart Dennis' update to the Accounts Commission's Financial Assurance Audit Committee on 25 November 2021. The Board agreed the closing of this action.

Martin Walker clarified the position in relation to ASB149, advising this will come to the Board meeting on 5 April 2022 as part of Q3 corporate performance reporting.

## **10. Covid-19 update**

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

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

The Board noted the First Minister's announcement on 25 January 2022 indicating the likelihood of a move to hybrid working for businesses and the forthcoming publication of guidance by the Scottish Government.

Martin invited members to note that Audit Scotland would return to Phase 3 of the 'our workplaces' plan this week and that there is a review of measures planned to enable Phase 4 access. The Board noted further consideration of the formulation of a hybrid operating model and that colleague engagement was underway to inform both expectations and the future needs of business. In addition, the Board noted that additional KPIs will be developed as appropriate.

The Board welcomed the update on the completion of financial audits, noted the relatively low completion rate for Colleges at this stage and welcomed assurance that Audit Scotland are able to distinguish those audits which have been directly impacted by Covid-19 and those where issues pre-date the pandemic.

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. 2021/22 Spring Budget Revision and 2022/23 Budget proposal – verbal update**

Martin Walker provided a verbal update on the 2021/22 Spring Budget Revision and 2022/23 Budget proposal and the evidence session with the Scottish Commission for Public Audit held on 22 December 2021. The Board were invited to note the SCPA's subsequent recommendation to the Public Finance Committee of Audit Scotland's budget submission which is being considered in Parliament later today.

The Board noted the forthcoming SCPA business planning day on 23 February 2022 and discussed the proposed agenda and format for that meeting.

Stuart Dennis advised the Board that planning is underway in relation to new audits and associated costs together and of the development of the Medium Term Financial Plan which is scheduled to come to the Board in April 2022.

The Board welcomed the update.

## **12. Our purpose – Workstream update**

*Michelle Borland, Business Manager, Performance Audit and Best Value, joined the meeting.*

Simon Ebbett introduced the Our purpose – Workstream update report, copies of which had been previously circulated.

Simon invited the Board to note the scope and outline of the project and the existing resources which the project will draw from. He also highlighted the links between the core components and the proposed timeline for engagement with stakeholders, the Auditor General for Scotland, Accounts Commission, Leadership Group, colleagues, and advised of the development of proposals for engagement with the public.

During discussion, the Board considered the development of the strategic plan, proposed engagement and timing of publication of Public Audit in Scotland and Audit Scotland's Corporate Plan. Turning to the Partnership Working Framework, the Board noted that the respective responsibilities of the Auditor General for Scotland, Accounts Commission, and Audit Scotland are set in statute and agreed that there was merit in the Framework forming part of our suite of external publications.

Following discussion, the Board welcomed the update, noted the scope and outline of the project and plans for stakeholder engagement and agreed a further detailed discussion be scheduled for June 2022.

**ASB160: A Board meeting to be scheduled for discussion and formal approval.  
(June 2022)**

*Michelle Borland, Business Manager, Performance Audit and Best Value, left the meeting*

### **13. Any other business**

There was no other business for discussion.

### **14. 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.

### **15. Date of next meeting: 5 April 2022**

The members noted the next meeting of the Audit Scotland Board is scheduled for 5 April 2022.

## **Items taken in private**

### **16. Building strategic capacity**

*Martin Walker left the meeting.*

Alan Alexander introduced the Building strategic capacity report, copies of which had been previously circulated.

The Chair reflected on the meeting of 7 January 2022 and the overall support by Board members subject to points of clarification on the proposed structure and invited Stephen to provide an update.

Stephen thanked members for their feedback and reported further consideration of the balance of reporting lines for the Executive Director of Innovation and Quality. The direct reports to this Executive Director will include the Head of Learning and Development and Head of Organisational Improvement.

The Board noted engagement with executive search organisations to support the forthcoming recruitment campaigns and, following consideration of the bids, Stephen confirmed an appointment had been made.

During discussion, the Board noted the anticipated timing of the appointments, confirmed departure date of the Director of Audit Services and reflected on the impact and risk for managing this business group until appointments have been made. In addition, the Board sought clarification on the responsibility for training and trainees and the strategic scope of the Chief Operating Officer's role.

The Board noted the engagement with Leadership Group, Corporate Services Manager and Professional Support on the proposed structure and noted the forthcoming engagement with the Accounts Commission at its meeting on 10 February 2022.

On role profiles, Stephen advised that he had met with the external consultant to benchmark spot rates for these roles and will further report on this and the respective role profiles by correspondence, with a further update to be provided at the meeting of the Remuneration and Human Resources Committee on 2 March 2022.

Following discussion, the Board welcomed the update and endorsed its support for the proposals as agreed by the Board at its informal meeting on 7 January 2022.

**Action ASB161:           An update to be scheduled for the Remuneration and Human Resources Committee meeting on 2 March. (March 2022)**

## **17.   New audit appointments – verbal update**

*Elaine Boyd, Associate Director, Owen Smith, Senior Manager, John Gilchrist, Manager, and Kathrine Sibbald, Project Manager, Audit Quality and Appointments, joined the meeting. Martin Walker re-joined the meeting.*

The Chair provided a verbal update on the legal advice on the draft Audit Quality complaints procedure for the Auditor General for Scotland and the Accounts Commission which had confirmed the process was fit for purpose in relation to the new audit appointments.

The Chair advised members of the process for the procurement of audit appointments. This included a desk-based evaluation of the tenders, interviews with the selected firms followed by a moderation meeting to agree the proposed appointments. In addition, a further meeting had been held to assess the affordability of the appointments, a report on which appears at Item 18 of today's agenda.

The Chair advised the Board of his intention to stand down the New Audit Appointments Steering Group after its next meeting on 22 February 2022 as its work had been



completed. The members noted a lessons learned review exercise by the New Audit Appointments Steering Group was scheduled for that meeting and an update would come to the Board at its meeting on 5 April 2022.

Following discussion, the members welcomed the update and supported the Chair's proposal to dissolve the New Audit Appointments Steering Group following conclusion of its meeting on 22 February 2022.

**Action ASB162:**        **An update report from the New Audit Appointments Steering Group to be scheduled for the next meeting of the Board. (April 2022)**

## **18. New audit appointments – affordability**

Elaine Boyd introduced the New Audit Appointments – Affordability Report, copies of which had been previously circulated.

Elaine advised the Board of the consideration of the affordability of the bids received from the procurement exercise and invited the Board to consider whether the bids are affordable, the risks in relation to capacity if the number of appointments was reduced and sought the Board's approval for the contracts to be awarded.

During detailed discussion, the Board reflected on the internal and external challenges overcome as part of the project and welcomed the compliance with best practice for the procurement exercise.

Elaine invited the Board to note all audits with the exception of one had received bids and advised of the option to run a mini competition tender. She also advised of the process to review any potential conflicts of providers and highlighted a market review in relation to one bid received which was in excess of the anticipated fee. The Board considered the number of bids, ability to rotate auditors, and likely future public sector reform over the course of these appointments and welcomed the flexibility of the clarity and assurance provided.

Following discussion, the Board accepted the conclusions on affordability and approved the recommendation to appoint six audit firms and noted the issue of letters to the successful firms early next week following which there would be a 10 day quarantine period prior to the award of those contracts.

The Board reflected on the overall project and expressed its thanks to the Audit Quality and Appointments team.

*Elaine Boyd, Owen Smith, John Gilchrist and Kathrine Sibbald left the meeting.*

## **19. Stakeholder engagement update**

*Mark Roberts, Audit Director, Performance Audit and Best Value joined the meeting and Simon Ebbett, Communications Manager, re-joined the meeting.*

Simon Ebbett introduced the Stakeholder engagement update report, copies of which had been previously circulated.

Simon invited the Board to note the results from the recent engagement undertaken on behalf of Audit Scotland, the key findings reported and areas for further consideration.

During discussion, the Board welcomed the engagement and reported levels of awareness and considered engagement and feedback from other groups which could be developed.

Following discussion, the Board noted the report and welcomed a suggestion that the Board have a further discussion on stakeholder engagement at a later date.

**Action ASB163:        A further discussion on stakeholder engagement to be scheduled.**

*Mark Roberts and Simon Ebbett left the meeting.*

# Agenda

Tuesday 5 April 2022 at 10.00am



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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: <ul style="list-style-type: none"><li>• Board meeting: 26 January 2022</li><li>• Audit Committee meeting: 10 November 2021</li><li>• Remuneration and Human Resources Committee meeting: 10 November 2021</li></ul> | For approval    |
| 9. Review of action tracker   | For information |
| 10. Covid-19 update   | For information |
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## Strategic priorities

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

- |   |                 |
|---|-----------------|
| 12. 2022/23 Operational budget  | For approval    |
| 13. Q3 Financial performance report   | For information |
| 14. Q3 Corporate performance report   | For information |
| 15. Best Companies survey results   | For information |
| 16. Annual policy review of Freedom of Information and Environmental Information requests | For approval    |
| 17. Data Protection Policy  | For approval    |

## **18. Scheme of Delegation and Management Team quorum**

For information

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### **Conclusion**

#### **19. Any other business**

For discussion

#### **20. Review of meeting**

For discussion

#### **21. Date of next meeting**

For information

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### **Items to be taken in private**

#### **22. New Audit Appointments – Lessons learned**

For discussion

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

#### **23. Audit Scotland Annual Report and Accounts 2021/22**

For discussion

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

#### **24. Internal audit procurement**

For approval

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