

Minutes of Meeting of Audit Scotland held in the offices of Audit Scotland, 110 George Street, Edinburgh on Wednesday 22nd February 2006 at 10.30am.

PRESENT: A MacNish (Chair)
J Baillie
R W Black
C Gardner
P Taylor

H Hall, Managing Director Audit Services (Special Adviser to the Board)

IN ATTENDANCE: D McGiffen, Director of Corporate Services
R Frith, Director of Audit Strategy
W F Magee, Secretary

<u>Item No</u>	<u>Subject</u>
1.	Minutes
2.	Audit Committee
3.	Accountable Officer's report
4.	Audit Scotland's Corporate Plan 2006/09
5.	Audit Scotland Budget 2006/07
6.	Audit Procurement Process
7.	Performance and Finance Report
8.	Future Meetings

1. Minutes

There were submitted and approved the minutes of meeting of 30 November 2005.

2. Audit Committee

The minutes of meeting of the Audit Committee of 13 February 2006 were submitted and noted and the recommendations contained therein were approved. It was reported and noted that the Scottish Commission for Public Audit have now appointed Haines Watts as external auditors of Audit Scotland from financial year 2005/06.

3. Accountable Officer's report

There was submitted a report by Robert Black as the Accountable Officer updating the Board on progress in Audit Scotland since its last meeting. The report covered the following areas:

- Business performance
- Supporting democratic scrutiny

- Maximising the value of audit
- Efficient Government
- Relationship with Parliament
- Relationship with the Executive
- Sustainable Development Commission
- Organisational development
- International activities.

Diane McGiffen reported on the successful performance of trainees in recent CIPFA examinations.

The Board welcomed and noted the report.

4. Audit Scotland Corporate Plan 2006/09

There was submitted a report by Diane McGiffen introducing the Audit Scotland Corporate Plan which had been considered in its final draft form by the Audit Scotland Management Team. Following the major re-focusing of priorities in 2005, the current draft followed a similar format and confirmed the three corporate priorities agreed in 2005.

In discussion of the report a number of adjustments to the text were proposed and agreed. Thereafter Audit Scotland agreed to:

1. Welcome the draft plan as submitted subject to the adjustments mentioned above.
2. Approve the plan for its interest; and
3. Approve the publication method proposed in the report.

5. Audit Scotland Budget 2006/07

With reference to paragraph 7 of the minutes of meeting of 30th November 2005 there was submitted a report by Russell Frith and Diane McGiffen presenting Audit Scotland's proposed budget for 2006/07. The report set out the background and context for the preparation of the budget, the assumptions which underlay it and gave an overview of the elements of the budget, changes which had been made since the SCPA bid stage, capital expenditure and comparison with prior years. After discussion, Audit Scotland agreed to approve the detailed budget as submitted with the report.

6. Audit Procurement Process

There was submitted and noted a report by Russell Frith on progress in implementing the procurement strategy for the Auditor General and the Accounts Commission and setting out the implications for Audit Scotland.

7. Performance and Finance Report

There was submitted a report by Diane McGiffen updating the Board on Audit Scotland's financial and business performance during the 9 months to December 2005. Attached to the report were seven schedules containing finance and performance information. Discussion of the report covered the following areas:

- The incidence of agency costs.
- Reasons for late completion of some audits.

Thereafter Audit Scotland noted the report.

8. Future Meetings

It was agreed to hold a meeting of Audit Scotland on Friday 23rd June 2006 to receive the Annual Report and Accounts.

Minutes of Meeting of Audit Scotland held in the offices of Audit Scotland, 110 George Street, Edinburgh on Wednesday 29th March 2006 at 11.30am.

PRESENT: A MacNish (Chair)
J Baillie
R W Black
C Gardner
P Taylor

H Hall, Managing Director Audit Services (Special Adviser to the Board)

IN ATTENDANCE: W F Magee, Secretary

<u>Item No</u>	<u>Subject</u>
1.	Restructuring within Performance Audit and Audit Services
2.	Remuneration Committee

1. Re-structuring within Performance Audit and Audit Services

There were submitted a report by Bob Black containing proposals for re-structuring senior management within Performance Audit and Audit Services and recommending the early retirement of the Director of Performance Audit (Central Government). The report set out the background, the re-structuring proposals in Performance Audit and Audit Services and the associated costs. A costs/savings spreadsheet related to the early retirement proposals accompanied the report.

After discussion Audit Scotland agreed to accept the re-structuring proposals and to approve the redundancy and early retirement of the Director of Performance Audit (Central Government) for the reasons and on the terms and conditions contained in the report.

2. Remuneration Committee

Audit Scotland received a report on recommendations made by the Remuneration Committee which met earlier in the day on

- April 2006 award for staff grades
- Fixed point salary group
- Flexible benefits

Audit Scotland agreed to approve the recommendations of the Remuneration Committee.

Minutes of Meeting of Audit
Scotland held in the offices of
Audit Scotland, 110 George
Street, Edinburgh on Friday 23
June 2006 at 3pm.

PRESENT: A MacNish (Chair)
R W Black
C Gardner
P Taylor

H Hall, Managing Director Audit Services (Special Adviser to the
Board)

IN ATTENDANCE: D McGiffen, Director of Corporate Services
R Frith, Director of Audit Strategy
W F Magee, Secretary

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Minutes
3.	Remuneration Committee
4.	Annual Report and Accounts 2005/6
5.	Accountable Officer's Report
6.	Fixed Point Salary Group Pay Award
7.	Performance Report for Year Ending 31 March 2006
8.	Finance Report
9.	Future Meetings

1. Apologies

Apologies for absence were submitted on behalf of John Baillie.

2. Minutes

There were submitted and approved the minutes of meetings of 22 February and 29 March 2006.

3. Remuneration Committee

There were submitted and noted the minutes of meeting of the Remuneration Committee of 29 March 2006.

4. Annual Report and Accounts 2005/6

It was reported that the Audit Committee met earlier in the day and considered the Annual Report and Accounts 2005/6. The Committee met representatives of the external auditors and discussed the accounts with them. Audit Scotland agreed to accept the recommendation of the Audit Committee that the Annual Report and Accounts as submitted be approved.

5. Accountable Officer's Report

There was submitted a report by Robert Black as the Accountable Officer updating the Board on progress in Audit Scotland since its last meeting. The report covered the following areas –

- Business performance
- Supporting democratic scrutiny
- Maximising the value of the audit
- Efficiency Government
- Relationship with Parliament
- Review of Scrutiny
- Meeting with Ministers
- Organisational development
- Relationship with other audit agencies
- International activities
- Staffing and other issues.

Discussion of the report covered a number of areas including –

- The success of the procurement process for which the Audit Strategy team were congratulated
- The relationship between the Scrutiny Review by the Executive and the current examination by the Finance Committee of the Scottish Parliament
- The timing of office moves affecting the East Kilbride office.

Thereafter Audit Scotland noted the report.

6. Fixed Point Salary Group Pay Award

With reference to paragraph 2 of the minutes of meeting of 29 March 2006 there was submitted and noted a report by Robert Black advising the overall effect of the salary awards made to the fixed point salary group.

7. Performance Report for Year Ending 31 March 2006

There was submitted a report by Diane McGiffen updating Audit Scotland on business performance during the year to 31 March 2006. Appendices to the report covered –

- Corporate performance indicators
- Progress on Performance Audit studies
- Corporate working groups.

Discussion of the report covered the following areas –

- Percentage of invoices paid within target times
- Use of agency staff
- Impact of under spend in 2005/6
- Overall level of increase in staff salaries oncosts.

Thereafter Audit Scotland agreed to welcome and note the report.

8. Finance Report

There was submitted and noted a report by Diane McGiffen updating the Board on Audit Scotland's financial performance during the year to 31 March 2006.

9. Future Meetings

It was agreed that the next meeting will take place in the afternoon of Wednesday 20 September 2006.

Minutes of Meeting of Audit
Scotland held in the offices of
Audit Scotland, 110 George
Street, Edinburgh on Tuesday 19
September 2006 at 10.30am

PRESENT: A MacNish (Chair)
R W Black
C Gardner
P Taylor

IN ATTENDANCE: D McGiffen, Director of Corporate Services
R Frith, Director of Audit Strategy
W F Magee, Secretary

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Minutes
3.	Remuneration Committee
4.	Audit Committee
5.	Accountable Officers' Report
6.	Realigning our Structure
7.	Budget 2007/8
8.	18 George Street
9.	Revised Procurement Guidance
10.	Policy and Procedures for Leasing Property
11.	Revisions to Audit Scotland's Financial Regulations
12.	Performance and Finance Report
13.	Future Meetings
14.	Valedictory

1. Apologies

Apologies for absence were submitted on behalf of John Baillie and Hugh Hall.

2. Minutes

There were submitted and approved the minutes of meeting of 23 June 2006.

3. Remuneration Committee

With reference to paragraph 2 of the minutes of meeting of the Remuneration Committee of 29 March 2006 it was reported that the national settlement for salaries in local government had been concluded and that the members of Audit Scotland had agreed by correspondence to implement that salary settlement for relevant staff in Audit Scotland with effect from 1 April 2006. Audit Scotland agreed to homologate that decision.

4. Audit Committee

The minutes of meeting of the Audit Committee of 23 June 2006 were submitted and noted.

5. Accountable Officer's Report

There was submitted a report by Robert Black as the Accountable Officer updating the Board on progress in Audit Scotland since its last meeting. The report covered the following areas –

- Business performance
- supporting democratic scrutiny
- maximising the value of audit
- Efficient Government
- Relationship with Parliament
- Review of Scrutiny
- Relationship with other audit agencies
- International.

Audit Scotland noted the report.

6. Realigning our Structure

There was submitted a report by Robert Black referring to the resignation of Hugh Hall as Managing Director on his appointment as Chief Financial Officer at Scottish Enterprise. The report proposed the deletion of the post of Managing Director and the realignment of senior management structures whereby the Deputy Auditor General would assume responsibility for leading both the Performance Audit and Audit Services business groups. This will enable the full implementation of the realignment of the responsibilities of the Director of Audit Services (Health) to encompass central government and would ensure that the responsibilities of Directors in Audit Services and Performance Audit mirror each other. The report further outlined a number of operational changes. The deletion of the Managing Director post will result in a saving of around £150,000 per year which will be partially

offset by costs of acting up and special responsibility allowances for a temporary period.

Following discussion of the proposals with particular reference to the operational changes proposed for the local government portfolio in Audit Services, Audit Scotland agreed to –

- i. approve the deletion of the Managing Director (Audit Services) post;
- ii. approve the restructuring and extended remit for the Deputy Auditor General, and
- iii. note the operational changes outlined in the report.

7. Budget 2007/8

There was submitted a report by the Director of Audit Strategy describing initial work on the 2007/8 financial year budget and making proposals for using the 2005/6 end year flexibility and for 2006/7 and 2007/8 audit year fee increases. The report outlined the principal assumptions used in the construction of the budget and fee proposals, the proposed SCPA funding bid 2007/8 and audit charges and dealt with getting costs and revenues into balance. In discussion a number of points were made –

- A statement on Audit Scotland's VAT position should be included in the SCPA submission
- There is a long term need for a provision for office moves in East Kilbride
- The introduction of ISA standards leads to additional costs in firms because of the need for more documentation and high level testing
- There is separate provision for work on the performance information database and the fixed asset inventory.

Thereafter Audit Scotland agreed –

- i. to approve proposals contained in the report for utilising year end flexibility from 2005/6;
- ii. to apply the unallocated portion of year end flexibility from 2005/6 to reduce fee increases for 2006/7;
- iii. to suggest further consideration be given to the levels of fee reduction in the next two years, and
- iv. otherwise agree the assumptions underlying the budget and the SCPA bid.

8. 18 George Street

There was submitted a report by the Director of Corporate Services updating the Board on progress with the appointment of contractors to refurbish 18 George Street. A tender report from Audit Scotland's quantity surveyors and a report from the project managers were also circulated. In discussion a number of points were made –

- The reports demonstrate a thorough and exhaustive procurement process
- Consideration should be given to a performance bond
- There should be feedback to unsuccessful tenderers
- There need to be clear declarations of any interests by advisers and successful contractors.

Thereafter Audit Scotland agreed –

- i. to approve moving to the next stage in the tender process as proposed in the report, whereby a panel of Audit Scotland officers and advisers will interview two tenderers –
 - Morris & Spottiswood
 - Sharkeyand
- ii. to authorise completion of the selection of a successful contractor, following interview, by correspondence amongst Board members.

9. Revised Procurement Guidance

There was submitted a report by the Director of Corporate Services referring to a review which had been conducted of Audit Scotland's procurement guidelines. Revised guidelines accompanied the report, taking account of the Scottish Executive's report on public sector procurement and recommendations by Audit Scotland's internal auditors. Audit Scotland approved the procurement guidance as circulated.

10. Policy and Procedures for Leasing Property

There was submitted a report by the Director of Corporate Services setting out a proposed policy for leasing property for Audit Scotland. The policy covers property leased by Audit Scotland for use as its offices and does not cover the leasing of audit rooms on client sites. In discussion a number of points were made –

- The trigger point for financial planning under the lease review procedure is where a lease is due to terminate within 24 months. This period strikes a balance between awareness of need and the appropriate point to consider entering the market
- The threshold for considering disposing of space is set at under utilisation of more than 25%. This is considered to be the point at which sub contracting becomes viable.

Thereafter Audit Scotland approved the policy and procedures for leasing property as circulated with the report.

11. Revisions to Audit Scotland's Financial Regulations

There was submitted a report by the Director of Corporate Services proposing changes to the current Financial Regulations following a review of those regulations to reflect best practice and changes in legislation. Audit Scotland approved the revisions to Financial Regulations as circulated with the report.

12. Performance and Finance Report

There was submitted a report by the Director of Corporate Services updating the Board on Audit Scotland's financial and business performance during the three months to 30 June 2006. Audit Scotland agreed to note the report.

13. Future Meetings

It was agreed to remit to the Chair and Secretary to make arrangements for future Board meetings.

14. Valedictory

The Board congratulated Hugh Hall on his appointment as Chief Financial Officer of Scottish Enterprise and expressed their appreciation of his contribution to the work of Audit Scotland in his role as Managing Director of Audit Services.