

MEETING: 7 DECEMBER 2017

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, 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 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 minute from a meeting of the Audit Scotland Board, in this case the meeting of 25 October 2017. It is attached in the Appendix.
8. The most recent meeting of the Board was on 29 November 2017, 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 31 January 2018 and considered by the Commission thereafter.

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 Chair will, however, 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
29 November 2017

Minutes

Wednesday 25 October 2017, 12.00pm

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

Present:

I Leitch (Chair)
C Gardner
H Logan
R Hinds
R Griggs

Apologies:

None

In attendance:

D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
M Walker, Assistant Director, Corporate Performance and Risk
S Dennis, Corporate Finance Manager
E Boyd, Assistant Director, Appointments and Assurance Team
G Diamond, Senior Manager, Performance Audit and Best Value
D Robertson, Digital Services Manager
C Sweeney, Assistant Director, Performance Audit and Best Value
A Devlin, Corporate Governance Manager
J Webber, Senior Executive Assistant

1. Private meeting

A private meeting was held by the Chair and Board members, prior to the start of the Board meeting. There were no matters raised in addition to those items on the agenda, which had been previously circulated.

2. Welcome and apologies

Russel Griggs advised of his apologies for the latter part of the meeting and the Board noted he required to leave the meeting at 1.20pm.

3. Declarations of interest

There were no declarations of interest.

4. Chair's report

Ian Leitch provided a verbal update on meetings with Caroline Gardner and Diane McGiffen on business matters and advised of his attendance at the Public Body Chairs' networking event on Tuesday 24 October 2017.

The members welcomed the update.

5. Accountable Officer's report

Caroline Gardner invited the Board to note that following the Parliamentary recess the Public Audit and Post Legislative Scrutiny Committee had a busy agenda following up from previous audit reports and considering in due course the reports recently published on the Scottish Government, this week's Transport Scotland's ferry services report, the 2016/17 audit of NHS Tayside and the NHS in Scotland 2017. She also invited the Board to note that the recommendations made by Budget process review group had been accepted and would lead to a written agreement between Parliament and Government in 2018 to support the scale of implementation of the new financial powers.

Turning to other engagements, Caroline advised members of the meeting of the UK and Irish Auditors General on Friday 27 October in Belfast which followed the meeting Diane McGiffen attended of the Chief Operating Officers from the respective UK audit agencies on Friday 13 October.

Caroline invited the Board to note that 15 new graduate trainees had started work with Audit Scotland. She also invited members to note that the annual Best Companies survey had launched and results would be reported early in 2018.

The Board welcomed the update.

6. Accounts Commission report

Ronnie Hinds, the Acting Chair of the Accounts Commission, provided a verbal update on the meeting of the Accounts Commission on 12 October 2017 which had considered a Best Value report on East Renfrewshire Council.

Ronnie advised of his meeting with the Local Government Committee meeting on Tuesday 24 October on the findings in the Self Directed Support audit published earlier in the year and discussed the importance for the Commission of parliamentary engagement.

Ronnie invited the Board to note that an announcement was expected on the appointment of the new Accounts Commission Chair, effective from 1 November 2017.

The Board welcomed the update and the Board thanked Ronnie for his valuable contribution during his temporary role.

7. Review of minutes

Board meeting, 23 August 2017

The Board considered the minutes of the meeting on 23 August 2017, which had been previously circulated and subject to a minor correction in the Accountable Officer's report, agreed that these were an accurate record of the meeting.

8. Review of actions tracker

The Board noted the updates provided by the action tracker. Martin Walker provided a verbal update on item ASB49 on the work with Young Scot. Martin advised that an awareness raising Knowledge Café had taken place, involving Young Scot and the Children's Parliament, that a panel is being established to inform the scoping and reporting of audits and that Young Scot had been helpful in considering the scoping and methodology for the performance audit on children's and adolescents mental health which is due to publish in 2018.

Diane McGiffen also invited the Board to note that Josh Hardwick, our modern apprentice, was a finalist in this year's Young Scot Awards in recognition of his voluntary work.

9. 2018/19 Draft Budget

Stuart Dennis, Corporate Finance Manager, joined the meeting

Stuart Dennis, Corporate Finance Manager, introduced the 2018/19 Draft Budget report, a copy of which had been previously circulated.

Stuart invited the Board to approve the draft budget proposal which was based on the assumptions previously considered and approved by the Board at its meeting on 23 August 2017.

The Board noted that the budget continued to deliver real terms cost reductions on fees while supporting additional work on the new financial powers.

During discussion, Heather Logan sought and received clarification on the pay assumptions. In considering other costs, she also noted the costs incurred for the National Fraud Initiative were static and queried the provision for corporation tax.

Heather sought clarification of the figures reported under efficiencies. Stuart advised that the full cost of the additional work on the new financial powers was £667k, but that £187k of that work was being absorbed into existing resourcing, therefore delivering an overall efficiency of £471k. The Chair requested further explanation be added to the budget proposal.

Russel Griggs queried whether the GDP deflator of 1.6% was consistent with the measure used by public bodies. Caroline confirmed this was the deflator used consistently for setting audit fees and in assessing provisions.

Ronnie Hinds noted the cost of the Accounts Commission is met by the SCPA and Russell Frith advised funding for this changed following the fees and funding review in 2016/17. Ronnie also queried whether the apportionment of costs for section 122 reports followed the same basis as that for Best Value reports. Russell advised that these costs were assumed as part of the cost of the Audit Scotland audit team and were therefore allocated across the sector. Ronnie advised that he would like to consider the allocation of costs further with the Accounts Commission.

Following discussion, the Board approved the budget proposal.

Action ASB61: Stuart Dennis to include an explanatory note on efficiencies into the budget proposal prior to submission. (November 2017)

10. 2017/18 Spring Budget Revision

Stuart Dennis, Corporate Finance Manager, introduced the report 2017/18 Spring Budget Revision, a copy of which had been previously circulated.

Stuart invited the Board to approve Audit Scotland's 2017/18 Spring Budget Revision proposal which sought resources of £2,826k to cover additional pension charges.

Russel Griggs queried his understanding of the technical accounting requirement in deciding the pension discount. Stuart confirmed that the actuarial valuation of the scheme takes place at a fixed point in time.

Following discussion, the Board approved Audit Scotland's 2017/18 Spring Budget Revision proposal.

Stuart Dennis, Corporate Finance Manager, left the meeting

11. Quality Framework

Elaine Boyd, Assistant Director, Appointments and Assurance Team, joined the meeting

Elaine Boyd, Assistant Director, introduced the report Review of Audit Quality, which had been previously circulated.

Elaine invited the Board to consider and approve the updated Audit Quality Framework which had been finalised following extensive engagement with Management Team, the Audit Committee and the Accounts Commission.

The Chair advised he would prefer principal changes set out in a covering report or as revisions marked on the draft framework to highlight the changes made following consultation. Russell Frith advised members that the main changes had been to strengthen the statement on the fundamental importance of quality to the Auditor General and the Accounts Commission by inserting new paragraphs 2 and 31. He advised that the remaining changes were final drafting changes to simplify the overall structure of the document.

Russel Griggs queried the potential conflict of the Director of Audit Services being the Chair of the Audit Quality Committee and queried how the KPIs would drive improvement. Russell Frith advised that the Director of Audit Services as the senior audit professional would not be conflicted in chairing the committee focussed on enhancing Audit Scotland's audit quality and that all audit firms were required to make such arrangements under international standards in audit quality. He also advised that the KPIs had been designed to inform and drive improvement and reporting on quality and that these may evolve over time.

Ronnie Hinds summarised the Accounts Commission's appreciation of the good work undertaken to deliver the Audit Quality Framework and Russell thanked the Acting Chair of the Accounts Commission.

Heather also welcomed the updated report.

The Board approved the Audit Quality Framework.

Elaine Boyd, Assistant Director, Appointments and Assurance Team, left the meeting

12. Digital Audit Strategy

Gemma Diamond, Senior Manager, Performance Audit and Best Value and David Robertson, Digital Services Manager, joined the meeting.

Gemma Diamond, Senior Manager, Performance Audit and Best Value introduced the Digital Audit Strategy report, which had been previously circulated.

Gemma invited the Board to note that the strategy sets out Audit Scotland's ambition to achieve a step change in using digital audit processes and in auditing the public sector's use of digital to improve services.

Russel Griggs commented that security should be at the centre of any digital based strategy and Gemma advised that the Digital Audit Strategy and Audit Scotland's Digital Services Strategy had security at its core.

Russel Griggs left the meeting at 1.20pm.

Heather Logan asked for further explanation on how the resources to deliver the strategy had been determined. Gemma advised that the digital strategy group had collated information from a range of Scottish Government projects, the work of the local government's digital office and Best Value reports on how digital is supporting services as well as contact with the National Audit Office and engagement with and access to firms' data.

The Chair asked about social media and Gemma advised this is covered under the digital auditing section of the strategy.

Following discussion, the Board welcomed the report and discussion.

13. Digital Services Strategy 2018-2021

David Robertson, Digital Services Manager, joined the meeting.

David Robertson, Digital Services Manager introduced the Digital Services Strategy 2018-2021 report, which had been previously circulated.

David invited the Board to consider Audit Scotland's digital services strategy for 2018-21 which had been developed following a review of Audit Scotland's operating environment and engagement with colleagues to understand the demands of the changing digital environment and key business drivers for the next three years. David advised that the strategy focussed on key priorities: security, integration and ongoing in digital skills.

During detailed discussion, the Board sought assurance around any known points of failure, overall system protection and managing cloud based services. David advised of the ongoing management of points of failure, the cost of protection available as part of the Scottish Government procurement programme and assured members that proper arrangements were in place for using cloud based services.

Heather Logan requested that the forthcoming Business Continuity report for the Audit Committee captures the relevant IT elements.

Following discussion, the Board welcomed the strategy.

Gemma Diamond, Senior Manager, Performance Audit and Best Value and David Robertson, Digital Services Manager, left the meeting.

14. 2016/17 Carbon Scrutiny Annual Report

Claire Sweeney, Assistant Director, Performance Audit and Best Value, joined the meeting

Claire Sweeney, Assistant Director, Performance Audit and Best Value, introduced the 2016/17 Carbon Scrutiny Annual Report, which had been previously circulated.

Claire invited the Board to consider and approve the annual report and comment on future areas of focus.

The Board noted the continued reduction in carbon emissions across all three environmental areas of energy, waste and transport with focus on behaviour to achieve more next year around travel.

Following discussion, the Board approved the report for publication.

Claire Sweeney, Assistant Director, Performance Audit and Best Value, left the meeting

15. Corporate Governance Policies Update

Alex Devlin, Corporate Governance Manager, joined the meeting.

Alex Devlin, Corporate Governance Manager, introduced the Corporate Governance Policies Update, which had been previously circulated.

Alex invited members to consider and approve the amendments to the Financial Regulations required to reflect the need for Audit Scotland to have a bank account through the Government Banking Service, minor amendments to the Scheme of Delegation and Members' Code of Conduct and the Staff Code of Conduct and updated Standing Orders to set out the responsibilities of the Audit Committee with regard to audit quality.

Following discussion, the Board approved policies for a further year.

16. Arrangements for Board meetings

Alex Devlin, Corporate Governance Manager, introduced the Arrangements for board meetings report, which had previously been circulated.

The Chair invited members' views on the frequency of holding Board meetings in public. During discussion, the members reflected on their desire for business to be conducted openly and transparently and agreed that all Board meetings should be held in public from January 2018.

Following discussion, the Chair requested the Standing Orders be updated to reflect the changes which would take effect from January 2018.

Action ASB62: Alex Devlin to update the Standing Orders to reflect the public meetings of the Board from January 2018. (January 2018)

Alex Devlin, Corporate Governance Manager, left the meeting.

17. 2018 proposed Board meeting dates

Diane McGiffen, Chief Operating Officer, introduced the 2018 proposed Board meeting dates report, which had previously been circulated.

Heather Logan asked whether the Audit Committee and Remco meetings scheduled in February and March respectively could be accommodated on the same day. Diane McGiffen advised that the planning schedule would be reviewed in advance of the Audit Committee meeting on 15 November 2017.

Action ASB63: Diane McGiffen to consider the proposed meeting dates for 2018 and report to the Audit Committee. (November 2017)

18. Publication of reports

The Board approved the publication of reports with the exception of items 9, 10, 11 and 14 on the basis that these draft papers would be published in due course.

19. Any Other Business

There was no further business.

20. Review of meeting

The members agreed the meeting had been conducted effectively and the Chair thanked everyone for their contribution.

21. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting was scheduled for 29 November 2017 in the offices of Audit Scotland, 102 West Port, Edinburgh.