



MINUTES OF AUDIT SCOTLAND BOARD

MEETINGS 2010

Minutes of Meeting of Audit
Scotland held in the offices of
Audit Scotland, 110 George
Street, Edinburgh on **Thursday,
11 February 2010** at the
conclusion of the Audit
Committee

PRESENT: J Baillie (Chair)
R Cleland
J Maclean
R W Black
C Gardner

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Director of Corporate Services
R Frith, Director of Audit Strategy
D Hanlon, Finance Manager

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Minutes dated 3 December 2009
4.	Medium Term Financial Planning
5.	Audit Procurement Strategy – Initial Considerations
6.	Audit Scotland Corporate Quality Framework
7.	Board Members' Code of Conduct
8.	Accountable Officer's Report
9.	Performance and Financial Report – Quarter 3
10.	Swine Flu Update
11.	Any other business
12.	Date of Next Meeting

1. Apologies

There were no apologies given.

2. Declarations of Interest

It was noted that there were no declarations of interest.

3. Minutes

Audit Scotland Board

The minutes of the meeting of the Audit Scotland Board on 3 December 2009 were submitted and approved.

Remuneration Committee

The minutes of the meeting of the Remuneration Committee of the Audit Scotland Board on 8 October 2009 were submitted and approved.

4. Medium Term Financial Planning and Funding

There was submitted a report by the Director of Audit Strategy outlining the medium-term financial planning and funding issues facing Audit Scotland. The Board was invited to consider the implications of the pressures on public spending, audit fees and on staff costs on Audit Scotland and its clients and stakeholders. Following detailed discussion of different financial scenarios, the Board agreed that the Management Team should prepare an outline budget for 2011-12 incorporating proposals for fee reductions, and should present a more detailed report to the Board at its next meeting on the actions that could be taken to achieve fee reductions and the containment or reduction of funding required from the SCPA, minimise the cost of IFRS in local government while preserving the delivery of an effective audit across the public sector.

5. Audit Procurement Strategy – Initial Considerations

There was submitted a report by the Director of Audit Strategy setting out initial considerations for the audit procurement strategy. Following detailed discussion by the Board of the various factors influencing the audit procurement strategy, the Board agreed that:

The board's role in the procurement of audit would be further discussed at its next meeting, with a series of options presented by the Director of Audit Strategy

A common approach to the procurement of audits for the Auditor General and the Accounts Commission with a single and coterminous appointment of auditors would be the most effective approach to securing coherent audit arrangements across the public sector.

A mixed market continues to offer the most effective approach to delivering local audit work, but that more consideration will be undertaken of the amount of work to be undertaken in house, the number of firms to be appointed in each sector and the volumes of work to be awarded to each.

The Code of Audit Practice should be revised during 2010 so that the revised version helps secure an efficient and effective audit and is available with the tender documents. The revision of the Code should be used as an opportunity to engage with partners of audit firms and clients and stakeholders on the shape of the audit.

The appointment of auditors is likely to be the most effective approach for the audit of financial statements, but that more consideration will be given to the approach for other work undertaken by local auditors.

The current arrangements should not be extended, and that this view should be included in a paper by the Director of Audit Strategy to the Accounts Commission/Auditor General, who have the ultimate decision.

The Board noted the draft procurement timetable which had been circulated.

6. Audit Scotland Corporate Quality Framework

There was submitted a paper by the Director of Audit Strategy inviting the Board to approve a revised corporate policy for quality for Audit Scotland in the form of a Quality Framework document.

Following discussion, the Board approved the Corporate Quality Framework. It was agreed that there would be further consideration at a later date of the role of external reviews in the quality assurance of financial audit.

7. Board Members' Code of Conduct

There was submitted a report by the Director of Audit Strategy inviting the Board to approve a revision to the Code of Conduct for members of the Audit Scotland Board. The revision incorporates guidance on the registration of interests in relation to contracts in line with the model code for members of public bodies.

The Board approved the revision to the Code of Conduct.

8. Accountable Officer's report

There was submitted a report by the Accountable Officer highlighting items of interest to the Board that had occurred since the previous meeting, including the publication of various national and statutory reports and progress on delivery of the audits.

9. Performance and Financial Update

The Finance Manager, David Hanlon joined the meeting for this item.

There was submitted a report by the Director of Corporate Services detailing the quarter three business performance and financial results. Following discussion, the Board noted the position at quarter three.

It was agreed that David Hanlon would provide further information to the Board on accounting for pension costs.

10. Swine Flu Update

The Director of Corporate Services provided an update on the impact of swine flu on Audit Scotland's business and recommended that given the limited impact of the pandemic on the business, this item be removed as a standing item from Board agendas. The Board agreed.

11. Any other business

There were no other items of business

12. Date of the next meeting

The date of the next Audit Scotland Board and Audit Committee will be:

- **Friday, 26 March 2010** at 10.00am and will be held in the **Boardroom** at the offices of Audit Scotland, 110 George Street, Edinburgh.

Minutes of Meeting of Audit
Scotland held in the offices of
Audit Scotland, 110 George
Street, Edinburgh on Friday 26
March 2010 at 10am.

PRESENT: J Baillie (Chair)
R Cleland
J Maclean
R W Black

APOLOGIES: C Gardner

IN ATTENDANCE: D McGiffen, Director of Corporate Services
R Frith, Director of Audit Strategy
D Hanlon, Finance Manager

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Minutes of the meetings of <ul style="list-style-type: none">• Audit Committee dated 25 September 2009• Audit Scotland dated 11 February 2010
4.	Matters arising from the minutes <ul style="list-style-type: none">• Pension costs
5.	Budget 2010-11
6.	Corporate Plan 2010-11
7.	Board Development
8.	Accountable Officer's Report
9.	Any other business
10.	Date of Next Meeting

1. Apologies

Caroline Gardner submitted her apologies for the meeting.

2. Declarations of Interest

It was noted that there were no declarations of interest.

3. Minutes

Audit Committee

The minutes of the meeting of the Audit Committee of 25 September 2009 were submitted and approved, subject to the following corrections:

- Page 3, Item 6, second paragraph replacing the word “got” with “gone”.
- Page 4, Item 11, second paragraph inserting the word “for” after the words Audit Committee.

Audit Scotland

The minutes of the meeting of Audit Scotland of 11 February 2010 were submitted and approved, subject to the following corrections:

- Page 2, Item 5, fifth paragraph replacing the word “and” with “an”.
- Page 4, Item 15, correcting the date of the next Audit Committee meeting to 29 April 2010 and not 26 March 2010.

4. Matters Arising from the Minutes

Pension costs

There was an update from Finance Manager, David Hanlon, on the ability of Audit Scotland to make provision for pension costs. David explained that although it was possible to make provision for pension costs, Audit Scotland would incur the cost but not receive the benefit from reduced liability of making such provision.

5. Budget 2010-11

There was submitted a report by the Director of Audit Strategy and the Director of Corporate Services recommending approval of the 2010-11 budget.

The details of the original budget had been discussed at the Audit Scotland Board meeting held on 25 September 2009, prior to submission to the Scottish Commission for Public Audit.

The Board noted that tight financial control and monitoring of performance against budgets will be essential to ensure that the revised assumptions incorporated into the budget on fees and pay costs can be met.

The report confirmed that the revenue funding provided by the Scottish Parliament remains at £7.1M and capital funding at £0.3M.

Following discussion of the issues set out in the report, the budget was approved.

6. Corporate Plan 2010-11 Update

There was submitted a report by the Director of Corporate Services inviting the Board to approve a 2010-11 update to Audit Scotland's 2009-12 Corporate Plan. The report set out the review of progress against the plan which had been made, and highlighted the worsening economic context in which the plan was being delivered.

There was discussion of the objective of becoming a centre of excellence for public audit.

It was agreed that the update to the plan should highlight the actions being taken to review the cost of audit and that there would be a detailed report back to the Board on this in September, when the budgeting process for 2011-12 was complete.

The Board approved the corporate plan review and update.

7. Board Development Event

There was submitted a report by the Chair which summarised the outcomes of the Board development event held in February 2010.

Following discussion, it was agreed that the Director of Corporate Services would draft a letter to participants in the feedback to the Board summarising the feedback received and the actions that would be taken by the Board in response.

8. Accountable Officer's Report

There was submitted a report to the Board by the Accountable Officer, which had been previously circulated. The Accountable Officer highlighted, in particular, the establishment of the Independent Budget Review Panel and how Audit Scotland would engage with the work of the Panel.

The Board noted the progress highlighted for various areas of Audit Scotland's work and, in particular, congratulated Audit Scotland on its listing at 52 in The Sunday Times 75 Best Places to Work in the Public Sector.

9. Any Other Business

Public Service Reform Bill

There was discussion of the progress of the Public Service Reform Bill and its implications for the Board. It was agreed that the Director of Corporate Services should seek an early meeting between representatives of the Board and the Convener of the SCPA to discuss transitional arrangements.

10. Date of the next meeting

The date of the next Audit Scotland Board and Audit Committee will be held on:

- **Thursday, 29 April at 10.00hrs** and will be held in the **Boardroom** at the offices of **Audit Scotland** at **110 George Street, Edinburgh.**

Minutes of Meeting of Audit
Scotland held in the offices of
Audit Scotland, 110 George
Street, Edinburgh on **Friday 29
April 2010** after the conclusion of
the Audit Committee

PRESENT: J Baillie (Chair)
R Cleland
J Maclean
R W Black
C Gardner

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Director of Corporate Services
R Frith, Director of Audit Strategy
S Ebbett, Communications Officer
Barbara Hurst, Director of the Performance Audit Group
Angela Cullen, Assistant Director, Performance Audit Group

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Minutes of the meetings of <ul style="list-style-type: none">• Audit Committee dated 26 March 2010• Remuneration committee dated 5 February 2010
4.	Matters arising from the minutes <ul style="list-style-type: none">• Board Development Event• Public Service Reform Bill
5.	Audit Procurement Strategy – Board Role
6.	Response to SCPA Report on Audit Scotland's Budget Proposal for 2010 -11
7.	Audit Scotland Annual Report 2009-10
8.	Non-Executive Board Members' Travel and Subsistence Claims 2010-11
9.	Chair's Report
10.	Accountable Officer's Report
11.	Selecting areas for Audit Examination
12.	Role of Boards
13.	Any other business
14.	Date of Next Meeting

1. Apologies

There were no apologies given.

2. Declarations of Interest

It was noted that there were no declarations of interest.

3. Minutes

Audit Scotland Board

The minutes of the meeting of the Audit Scotland Board dated 26 March 2010 were submitted and approved as an accurate record.

Remuneration Committee

The minutes of the meeting of the Remuneration Committee dated 5 February 2010 were submitted and approved as an accurate record, subject to a spelling correction on Ronnie Cleland's name.

4. Matters Arising from the Minutes

Board Development Event

The Board noted that a letter had been sent to Audit Scotland colleagues who had provided comment and feedback to the Board in advance of the development event. It was noted that the Board agenda had been adapted for this meeting to incorporate more space for discussion of issues, and that the areas identified for further discussion by the Board would feature on forthcoming agendas. These items include

- Relationships with key stakeholders
- Improving audit partners' understanding of the governance of and the consequence and impact of choices
- Contingency planning
- Succession planning.

Public Service Reform Bill

The Board noted the progress of the Public Service Reform Bill and the need to discussion transitional arrangements with the Scottish Commission for Public Audit. It was noted that the SCPA will meet on 19 May 2010, but that no agenda was yet available.

5. Audit Procurement Strategy – Board Role

There was submitted a report by the Director of Audit Strategy on the Audit Procurement Strategy – Board Role, which had been previously circulated.

Following detailed discussion of the role of the Board and the timetable for procurement, the Board agreed that its primary function in the audit procurement exercise should be to ensure that the Accounts Commission and the Auditor General receive the best possible advice and support from Audit Scotland to fulfil their statutory roles on audit appointments.

The Board agreed that it should therefore satisfy itself that:

- Proper processes and robust analysis have been adopted in developing and executing proposed procurement arrangements
- Any proposals being recommended are reasonable in the context of Audit Scotland's corporate plan and financial strategy.

The Board therefore agreed to receive the following reports on the procurement process:

- Detailed strategy, including extent of mixed market, number of firms, tender evaluation criteria and weightings and criteria for portfolios of work – June 2010
- Further consideration of detailed strategy, if required – July and/or September 2010
- Evaluation of tenders and recommendations on provisional appointments – February 2011.

The Director of Audit Strategy explained the process for revising the Code of Audit Practice and its role in setting the parameters for the audit. The Board agreed to receive reports on the draft code in June, July (if necessary) and following consultation with stakeholders a final code in September/October 2010.

The Board noted the timetable for the Accounts Commission to consider the procurement strategy, appointments and the Code of Audit Practice.

Following discussion, the Board agreed that the procurement exercise should include a presentation by potential appointees, subject to the Director of Audit Strategy obtaining further professional advice on the acceptability of that process under European Union procurement rules. It was also agreed that the composition of the panel should be Chair of the Accounts Commission, the Auditor General, Chair of Audit Scotland Audit Committee and Chair of the Accounts Commission Financial Audit and Assurance Committee.

Action(s)

- ***Director of Audit Strategy to prepare reports on procurement for the Board.***
- ***Director of Audit Strategy to prepare reports on Code of Audit Practice for the Board.***

6. Response to SCPA Report on Audit Scotland's Budget Proposal for 2010-11

There was submitted a report by the Director of Corporate Services on the response to the SCPA Report on Audit Scotland's Budget Proposal for 2010-11, which had been previously circulated.

Following discussion, the Board approved the draft response.

7. Audit Scotland Annual Report 2009-10

Simon Ebbett, Communications Officer joined the meeting.

The Director of Corporate Services introduced the draft Audit Scotland Annual Report 2009-10, which had been circulated electronically to the Board. The Board noted the timetable for the production of the report. Simon Ebbett outlined the objectives of the annual report and tabled the design for the report.

The Board agreed to provide comment to Simon Ebbett by 5 May 2010 on the draft, and it was noted that the Chair and the Auditor General would sign off the final version for print, and that Board members would be circulated with a final version for comment.

The Board thanked Simon for his work on the report.

Simon Ebbett left the meeting.

8. Non-Executive Board Members' Travel and Subsistence Claims 2010-11

There was submitted a report by the Director of Corporate Services on Non-Executive Board Members' Travel and Subsistence Claims 2010-11, which had been previously circulated.

The Board approved the guidance for 2010-11.

9. Chair's Report

The Chair invited comment on introducing a Chair's report on Board agendas, which would provide an update on the Chair's activities and more information on the work of the Accounts Commission.

The Board welcomed the development which would be introduced from the next meeting.

10. Accountable Officer's Report

There was submitted a report by the Accountable Officer highlighting items of interest to the Board that had occurred since the previous meeting.

The Board noted the report and thanked the Auditor General for his update. The Board congratulated Alastair Swarbrick, Assistant Director, who had been appointed as Auditor General to the Cayman Islands.

11. Selecting Areas for Audit Examination

Barbara Hurst, Director of Performance Audit and Angela Cullen, Assistant Director of Performance Audit joined the meeting.

There was a discussion of the roles and duties of the Auditor General, the Controller of Audit and the Accounts Commission in selecting areas for audit examination. Barbara Hurst outlined the arrangements for consulting on behalf of the Auditor General and the Accounts Commission on the programme of performance audits.

The Board noted the arrangements for selecting areas for audit examination.

12. Role of Boards

The Director and Assistant Director of Performance Audit introduced a presentation for information on the performance audit on the role of boards.

The Board welcomed the presentation and thanked the team for their update.

Barbara Hurst and Angela Cullen left the meeting

13. Any Other Business

There was no other business.

14. Date of the next meeting

The date of the next Audit Scotland Board will be held on:

- **Thursday, 3 June** at following the conclusion of the Audit Committee meeting which begins at **10.00hrs** and will be held in the **Boardroom** at the offices of **Audit Scotland** at **110 George Street, Edinburgh**.

Minutes of Meeting of Audit
Scotland held in the offices of
Audit Scotland, 110 George
Street, Edinburgh on **Thursday,**
3 June 2010 at 11.30hrs.

PRESENT: J Baillie (Chair)
R Cleland
J Maclean
R W Black

APOLOGIES: C Gardner

IN ATTENDANCE: D McGiffen, Director of Corporate Services
R Frith, Director of Audit Strategy
D Hanlon, Finance Manager
L Meahan, Chair of Diversity & Equality Steering Group

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Minutes of the meeting of <ul style="list-style-type: none">• Audit Scotland Board dated 29 April 2010
4.	Matters arising from the minutes <ul style="list-style-type: none">• Audit Procurement Strategy – Board Role
5.	Annual Report from Audit Committee to the Board and Accountable Office
6.	Draft Statutory Accounts
7.	Performance Update Quarter 4 Results
8.	Revised Code of Audit Practice Consultation Draft
9.	Audit Procurement Strategy
10.	Equality Annual Review
11.	International Steering Group 2009/10 Report
12.	Accounts Commission Chair's Report
13.	Accountable Officer's Report
14.	Scottish Commission for Public Audit meeting 19 May 2010
15.	Any other business
16.	Date of Next Meeting

1. Apologies

Caroline Gardner submitted her apologies for the meeting.

2. Declarations of Interest

It was noted that there were no declarations of interest.

3. Minutes

Audit Scotland Board

The minutes of the meeting dated 29 April 2010 were submitted and approved.

4. Matters Arising from the Minutes

Audit Procurement Strategy – Board Role

It was noted that this item was addressed under Item 9.

5. Annual Report from Audit Committee to the Board and Accountable Officer

There was submitted an Annual Report from the Audit Committee which, on the basis of the work reviewed and the progress made during 2008/09, advised the Board that, in the opinion of the Audit Committee, the internal control systems in Audit Scotland were adequate and effective.

The report and assurance were noted.

6. Draft Statutory Accounts 2009/10

It was reported that the Audit Committee had met earlier in the day and had considered, in detail, the Annual Report and Accounts for 2009/10. It was agreed to accept the recommendation of the Audit Committee and to approve the Annual Report and Accounts 2009/10.

David Hanlon left the meeting

7. Performance Update Quarter 4 Results

There was submitted a report on Quarter 4 performance 2009/10 by the Director of Corporate Services. The report also showed cumulative performance for the full year 2009/10. It was noted that financial performance for the year was reported under Item 6.

The report was noted.

8. Revised Code of Audit Practice Consultation Draft

There was submitted a report by the Director of Audit Strategy setting out proposed revisions to the Code of Audit Practice. The Director of Audit Strategy outlined the nature of the proposed changes and the links between the Code of Audit Practice and other documents setting out the principles of public audit. He also set out the timetable and proposals for consultation with stakeholders.

The Board noted that the draft Code of Audit Practice would be considered by the Accounts Commission at its meeting on 17 June. Subject to any comments by the Accounts Commission, the Board approved the draft Code of Audit Practice for consultation and the proposed timetable and consultation arrangements.

9. Audit Procurement Strategy

There was submitted a report by the Director of Audit Strategy on the Audit Procurement Strategy.

Following discussion, the Board agreed to the overall proposal for market share, number of firms sought and that the principle of price competition be included in the procurement process.

The Board also considered and approved the evaluation criteria and proposed weightings set out in the report, and the criteria set out for the construction of audit portfolios.

The Board noted that the comments of the Accounts Commission's Financial Audit and Assurance Committee had been incorporated into the proposals, and that the Accounts Commission would consider the report, including the Board's comments at its meeting on 17 June 2010.

10. Equality Annual Review

Lorna Meahan joined the meeting

There was submitted a report by the Chair of the Diversity and Equality Steering Group reporting progress against Audit Scotland's single equality scheme. It was noted that the Equality Annual Review replaced the individual reports on gender and disability which had been published separately in previous years.

The Board approved the Annual Equality Review for publication on Audit Scotland's website and thanked and commended the team who had provided the report.

Lorna Meahan left the meeting

11. International Steering Group 2009/10 Report

There was submitted a report by the Chair of the International Steering Group reporting on Audit Scotland's International work in 2009/10

The Board approved the report for publication subject to minor amendments and thanked and commended the team who had supported the international work during the year.

12. Accounts Commission Chair's Report

The Chair of the Accounts Commission submitted a report advising the Board on the recent activity of the Accounts Commission.

The Board noted the report.

13. Accountable Officer's Report

The Accountable Officer submitted a report updating the Board on progress in Audit Scotland since its last meeting.

The Board noted the report.

14. Scottish Commission for Public Audit meeting 19 May 2010

There was submitted a report by the Director of Corporate Services enclosing the official report of the Scottish Commission for Public Audit meeting on 19 May 2010. An update was provided on progress with transitional provisions and it was agreed that the Chair and the Auditor General should continue to discuss the proposed changes with the SCPA.

15. Any Other Business

There was no other business.

16. Date of the next meeting

The next Audit Scotland Board meeting will be held on:

- **Thursday, 19 August at 10.00hrs and will be held in** the Boardroom at 110GS

The Board noted and approved the cancellation of the July meeting.

Minutes of Meeting of Audit
Scotland held in the offices of
Audit Scotland, 18 George Street,
Edinburgh on **Thursday, 19
August 2010** at **10.00hrs.**

PRESENT: J Baillie (Chair)
R Cleland
J Maclean
R W Black
C Gardner

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Director of Corporate Services
R Frith, Director of Audit Strategy
D Hanlon, Finance Manager

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Minutes of the meeting of <ul style="list-style-type: none">• Audit Scotland Board dated 3 June 2010• Audit Committee dated 29 April 2010
4.	Matters arising from the minutes <ul style="list-style-type: none">• Audit Procurement Strategies – Update from Accounts Commission 17 June meeting. Verbal report by the Director of Audit Strategy
5.	Staffing Matters <ul style="list-style-type: none">• Secondment of the Deputy Auditor General• Interim Senior Management structure during the secondment of the Deputy Auditor General.
6.	Medium Term Financial Planning
7.	2010/11 Autumn Budget Revision
8.	Performance & Financial Update Quarter 1 Results
9.	Accounts Commission Chair's Report
10.	Accountable Officer's Report
11.	Public Service Reform (Scotland) Act 2010
12.	Any other business
13.	Date of Next Meeting

1. Apologies

There were no apologies submitted for the meeting.

2. Declarations of Interest

It was noted that there were no declarations of interest.

3. Minutes

Audit Scotland Board

The minutes of the meeting dated 3 June 2010 were submitted and approved.

Audit Committee

The minutes of the meeting dated 29 April 2010 were submitted and approved.

4. Matters Arising from the Minutes

Audit Procurement Strategy – Update from Accounts Commission 17 June meeting

The Director of Audit Strategy advised the Board of discussions at the Accounts Commission meeting on the 17 June about the Audit Procurement Strategy. The Board noted the update.

The Deputy Auditor General, the Director of Corporate Services and the Director of Audit Strategy left the meeting.

5. Confidential Staffing Items

The Board met in private to consider two reports from the Auditor General.

- **Secondment of Deputy Auditor General**

There was submitted a confidential report on the secondment of the Deputy Auditor General by the Auditor General / Accountable Officer.

Having heard from the Auditor General, the Board agreed to approve the secondment of the Deputy Auditor General to the post of Chief Financial Officer in the Turks and Caicos Islands, working on behalf of the Minister for International Development, for a period of twelve months. The Board noted that the costs of the secondment would be fully recovered by Audit Scotland.

After consideration of the options, the Board decided that for the duration of the secondment the duties and responsibilities of the Deputy Auditor General would be allocated between existing Directors in Audit Scotland

- **Interim Senior Management Structure During the Secondment of Deputy Auditor General**

There was submitted a confidential report by the Auditor General/ Accountable Officer proposing an interim senior management structure to be operated during the secondment of the Deputy Auditor General.

Having heard from the Auditor General / Accountable Officer the Board agreed that the interim management team should consist of:

- Auditor General/Accountable Officer
- Assistant Auditor General (Financial Audit) – Russell Frith

- Chief **Operating** Officer – Diane McGiffen
- Director (Best Value and Scrutiny Improvement) – Fraser McKinlay
- Director (Performance Audit) – Barbara Hurst
- Director (Corporate Programmes) – Lynn Bradley
- Director (Audit Services) – Fiona Kordiak

It was agreed that the interim arrangements would last for eighteen months to allow continuity in the corporate management of Audit Scotland in the early months after the end of the secondment of the Deputy Auditor General.

The Board noted that the Accounts Commission would require to decide upon the arrangements for the exercise of the statutory duty of Controller of Audit during the period of the secondment of the Deputy Auditor General.

The Board agreed to delegate to the Remuneration Committee decisions relating to interim job descriptions and remuneration.

6. Medium Term Financial Planning

The Deputy Auditor General, the Director of Corporate Services and the Director of Audit Strategy rejoined the meeting.

David Hanlon, Finance Manager, joined the meeting for this item.

The Director of Corporate Services introduced a preliminary discussion on the 2011/12 Audit Scotland budget and highlighted the key areas that had emerged from the budget review process held with directors on 18 August. These included:

- workforce planning and review of the shape and size of the workforce
- reviewing the levels of work in the organisation
- the level of work across grades
- looking for opportunities to maximise flexibility.

The Finance Manager tabled discussion papers on the proposed budget and the Director of Corporate Services outlined the assumptions on which the budget modelling had been prepared.

There was a discussion about the size and the scope of the work programme and the wider public sector environment in which the budget review was taking place.

Following discussion, it was agreed that the Management Team would prepare a budget for approval to the Board for 23 September. The budget would aim to ensure the sustainability of Audit Scotland's contribution and quality of work along side reducing the cost of audits to clients and stakeholders.

7. 2010/11 Autumn Budget Revision

There was submitted a report by the Director of Corporate Services on the 2010/11 Autumn Budget Revision.

Following discussion, the Board approved the submission of a proposal to request £246,000 through End Year Flexibility to contribute towards known adjustment to pension charges which need to be provided for in the year.

8. Performance & Financial Update - Quarter 1 Report 2010/11

There was submitted an update report on the performance and financial position at Quarter 1 by the Director of Corporate Services.

Following discussion, the Board noted the report.

David Hanlon left the meeting

9. Accounts Commission Chair's Report

The Chair of the Accounts Commission submitted a report advising the Board on the recent activity of the Accounts Commission.

The Board noted the report.

10. Accountable Officer's Report

The Accountable Officer submitted a report updating the Board on progress in Audit Scotland since its last meeting.

The Board noted the report.

11. Public Services Reform (Scotland) Act 2010

There was submitted a report by the Director of Corporate Services which updated the Board on the progress in implementing Section 118 of the Public Services Reform (Scotland) Act 2010.

The Board discussed the role of the Chair and the process for the appointment of Board members. The Board delegated this responsibility to the Director of Corporate Services who would continue to have ongoing discussions with Scottish Parliament officials

Action(s)

It was agreed that the Director of Corporate Services would continue to update the Board at future meetings.

12. Any Other Business

The Board congratulated Caroline Gardner on her secondment to the Turks and Caicos Islands and wished her success during her time there.

13. Date of the next meeting

The next Audit Scotland Board meeting will be held on **Thursday, 23 September** at the conclusion of the Audit Committee and will be held in the **Boardroom** at **110GS**.

Minutes of Meeting of Audit
Scotland held in the offices of
Audit Scotland, 110 George
Street, Edinburgh on Thursday,
23 September 2010 at 11.30hrs.

PRESENT: J Baillie (Chair)
R Cleland
J Maclean
R W Black

APOLOGIES: Caroline Gardner
(On secondment and will no longer be attending the Board)

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
D Hanlon, Finance Manager

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Minutes of the meeting of <ul style="list-style-type: none">• Audit Committee dated 3 June 2010• Audit Scotland Board dated 19 August 2010
4.	Matters arising from the minutes <ul style="list-style-type: none">• Public Services Reform (Scotland) Act 2010
5.	2011/12 SCPA Budget Proposal & Update Fee Strategy
6.	Code of Audit Practice and Audit Appointments Strategy - Consultant
7.	Scheme of Delegation
8.	Board and Audit Committee meeting planner for 2011
9.	Remaining Agenda Items <ul style="list-style-type: none">• Best Companies Survey Results• Carbon Management Plan• Accounts Commission Chair's Report• Accountable Officer's Report
10.	Any other business
11.	Date of Next Meeting

1. Apologies

The Board noted that following her secondment Caroline Gardner was no longer a member of the Board.

2. Declarations of Interest

It was noted that there were no declarations of interest.

3. Minutes

The minutes of the Audit Committee meeting of 3 June 2010 were submitted and approved.

The minutes of the meeting dated 19 August 2010 were submitted and approved.

4. Matters Arising from the Minutes

Public Services Reform (Scotland) Act 2010

The Chief Operating Officer updated the Board on recent discussions with the representatives from the parliamentary public body about the recruitment process and timetable for the appointment to the Audit Scotland Board.

The Board noted the current position.

5. 2011/12 SCPA Budget Proposal & Update Fee Strategy

There was submitted a report by the Chief Operating Officer and the Assistant Auditor General setting out final proposals for approval for the budget 2011/12, and presenting drafts of the documents which would be presented to the Scottish Commission for Public Audit (SCPA).

The report also presented an updated Fee Strategy for approval.

The Board discussed the principal budgeting assumptions and the timetable for making the adjustments to fee levels and resourcing set out in the budget papers.

The Board considered the impact of an alternative timetable for restructuring and, following detailed discussions of the proposals, agreed the budgeting assumptions and the draft SCPA document subject to minor amendments.

The Board discussed the updated Fee Strategy, and welcomed and approved the document.

It was agreed that, subject to final revision, the budget and related documents were approved and could be submitted to the SCPA.

There was a discussion about the arrangements for communicating the key messages in the budget to staff at Audit Scotland.

6. Code of Audit Practice and Audit Appointments Strategy

There was submitted a report by the Assistant Auditor General on the Code of Audit Practice and Audit Appointments Strategy, which had been previously circulated. The Board discussed the feedback from the consultation on the Code of Audit Practice and made some final suggestions for revision.

Following discussion, the Board noted the response to the consultation process on the Code of Audit Practice and agreed to:

- Support the changes to the Code that would be proposed to the Accounts Commission and the Auditor General prior to including the revised version in the audit tender documents.
- Confirm its support for emphasising the value of the independent appointment of auditors.
- Note that formal publication of the Code would take place in spring 2011.
- Progressing the audit appointment/procurement process as previously approved.

7. Scheme of Delegation

The Audit Scotland Board approved the changes to the Scheme of Delegation. It was noted that the remit and role of the Remuneration Committee should be considered at the next Remuneration Committee meeting.

Action: Chief Operating Officer to prepare a paper for the next Remuneration Committee meeting

8. Board and Audit Committee meeting planner for 2011

There was submitted a report by the Chief Operating Officer presenting the proposed meeting dates for 2011 for the Audit Scotland Board and the Audit Committee, which had been previously circulated.

The dates were noted and agreed.

9. Remaining Agenda Items

The Board agreed to note the remaining items on:

- Best Companies Survey Results
- Carbon Management Plan
- Accounts Commission, Chair's report
- Accountable Officer's report

and to bring forward any comments on these items at future meetings if required.

10. Any Other Business

The Board considered the arrangements in place to manage conflicts of interest in the conduct of audits.

11. Date of the next meeting

The next Audit Scotland Board meeting will be held on **Friday, 5 November** at 9.30hrs and will be held in the **Boardroom** at **110GS**

Minutes of Meeting of Audit
Scotland held in the offices of
Audit Scotland, 110 George
Street, Edinburgh on Friday, **5
November 2010** at 11.30hrs.

PRESENT: J Baillie (Chair)
R Cleland
J Maclean
R W Black

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
D Hanlon, Finance Manager
Bernard Marr, The Advanced Performance Institute

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Minutes of the meeting of • Audit Scotland Board dated 23 September 2010
4.	Matters arising from the minutes
5.	Corporate Plan and Priorities
6.	Financial and Performance Report – Quarter 2
7.	Code of Data Matching Practice
8.	Stakeholder Feedback: Local Authority Chief Executives and Finance Directors
9.	Accounts Commission Chair's Report
10.	Accountable Officer's Report
11.	Any other business
12.	Date of Next Meeting

1. Apologies

There were no apologies given.

2. Declarations of Interest

It was noted that there were no declarations of interest.

3. Minutes

The minutes of the meeting dated 23 September 2010 were submitted and approved.

4. Matters Arising from the Minutes

Item 5 - 2011/12 SCPA Budget Proposal & Updated Fee Strategy

The Board noted that the Management Team were holding a series of budget question and answer sessions for colleagues and had prepared a pack of information about the budget which was available on the intranet.

5. Corporate Plan & Priorities

Bernard Marr from The Advance Performance Institute joined the meeting

There was submitted a report by the Chief Operating Officer on reviewing the Corporate Plan and priorities, which had been previously circulated.

Bernard Marr explained his role in the process helping Audit Scotland to create its own map of priorities and supporting activities and the Chief Operating Officer explained how the revised map was being developed by the new Management Team and would form the basis of the next corporate plan.

The Board discussed the balance between current priorities, Audit Scotland's strengths and risks and options for engaging with clients and stakeholders to enhance the contribution and impact of audit. The Board discussed the role of audit in supporting effective governance in public bodies and the importance of equity or fairness in audit approaches. The role of technology in supporting innovation was also discussed. The Chief Operating Office thanked the Board for their contribution and outlined how the review process would be taken forward.

Action(s)

The Chief Operating Officer will report back to the Board in early 2011 on the Management Team's proposals for revised corporate priorities.

Bernard Marr from The Advance Performance Institute left the meeting

6. Financial and Performance Report – Quarter 2

David Hanlon, Finance Manager, joined the meeting

There was submitted a report by the Chief Operating Officer, which summarised the performance and financial monitoring information for the second quarter of the financial year, July – September 2010.

There was discussion of the early forecast for the year end, and of the potential for identifying and providing for restructuring costs in the current financial year.

The Board noted the contents of the report and the plans to bring forward proposals for a voluntary severance scheme to the Remuneration Committee before the end of December.

Action(s)

The Chief Operating Officer to prepare a report on voluntary severance options for the Remuneration Committee by the end of December 2010.

David Hanlon, Finance Manager, left the meeting

7. Code of Data Matching Practice

There was submitted a report by the Assistant Auditor General on the Code of Data Matching Practice, which had been previously circulated.

The Board discussed the Code of Data Matching Practice and the comments received during the consultation.

The Board noted the new Code of Data Matching Practice and approved its publication under the terms of 26F of the Public Finance and Accountability (Scotland) Act 2000.

Action(s)

The Assistant Auditor General to publish the Code of Data Matching Practice.

8. Stakeholder Feedback: Local Authority Chief Executives and Finance Directors

There was submitted a report by the Chief Operating Officer on a survey which was run by Ipsos-Mori of local authority Chief Executives and Finance Directors, which had been previously circulated.

The Board noted the results of the survey and welcomed the useful insight the results provided into the views of key office holders in local government.

The Board noted the results of the survey

9. Accounts Commission Chair's Report

The Chair of the Accounts Commission submitted a report advising the Board on the recent activity of the Accounts Commission.

The Board noted the report.

10. Accountable Officer's Report

The Accountable Officer submitted a report updating the Board on progress in Audit Scotland since its last meeting.

The Board noted the report.

11. Any Other Business

The Board agreed that, to ensure effective use of meeting time, it should be assumed that all reports have been read by Board members in advance of the meeting, so introductions to reports should be brief to enable maximum time for discussion by Board members.

12. Date of the next meeting

The next Audit Scotland Board meeting will be held on:

- **Thursday, 27 January** after the conclusion of the Audit Committee and will be held in the Boardroom at 110GS.