

MINUTES OF THE AUDIT SCOTLAND BOARD
2013

Minutes of Meeting of **Audit Scotland** held in the offices of Audit Scotland, 110 George Street, Edinburgh on **Thursday, 24 January 2013** at 10.00hrs.

PRESENT: R Cleland (Chair)
J Baillie
K Bryan
C Gardner
J Maclean

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
F McKinlay, Controller of Audit and Director of Best Value and Scrutiny Improvement
B Hurst, Director of Performance Audit Group
D Hanlon, Corporate Finance Manager

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Chair's Report
4.	Minutes
5.	Matters arising from Minutes
6.	Audit Scotland Corporate Plan 2012-2015 – Priorities for 2013
7.	World Class
8.	Stakeholder Feedback: MSPs
9.	Publication Schedule January to May 2013
10.	Community Planning Partnership – Audit Update
11.	The Future Role of the Local Government Scrutiny Co-Ordination Strategic Group
12.	Financial Update – Quarter 2 report 2012-13
13.	West of Scotland Office
14.	Accountable Officer's Report
15.	Chair of Accounts Commission Report
16.	AOB
17.	Date of next meeting

1. **Apologies**

There were no apologies received.

2. **Declarations of Interest**

There were no declarations of interest.

3. **Chair's Report**

The Chair gave a verbal update on his activities since the previous meeting on 28 November 2012, including attending a Management Team meeting in December 2012.

4. **Minutes of the meeting dated 28 November 2012**

The minutes of the meeting dated 28 November were submitted and approved as an accurate record, subject to the deletion of a duplicate word at item 15.

5. **Matters arising from the minutes dated 28 November 2012**

The matters arising from the minutes:

- 5.1 The Assistant Auditor General confirmed that fees had been rebated during December 2012, and the Chief Operating Officer confirmed that a further VERA scheme had been launched.
- 5.2 The Chief Operating Officer confirmed that development of the corporate performance management framework was ongoing.
- 5.3 It was noted that the corporate plan was presented in agenda item 8.
- 5.4 The Chief Operating Officer confirmed that the Code of Conduct would be issued from the Chair to all members.

6. **Audit Scotland Corporate Plan 2012-2015 – Priorities for 2013**

The Chief Operating Officer introduced the draft Corporate Plan Priorities for 2013, which had been previously circulated. The Board welcomed and approved the document and noted the plans for investment and for consultation on the programme of performance audits and on some new projects.

Action(s)

- ***The Chief Operating Officer to publish the Corporate Priorities for 2013.***

7. **World Class**

The Assistant Auditor General introduced his discussion paper on world class auditing, which had been previously circulated. Following discussion of the elements of world class auditing set out in the paper, the Board noted plans for further investigation and development of the framework.

Action(s)

- ***The Assistant Auditor General to develop further the world class framework during 2013.***

8. Stakeholder feedback: MSPs

The Chief Operating Officer introduced the report on the MORI survey of MSPs, which had been previously circulated.

Following discussion, the Board noted the results and the value of taking part in the survey.

9. Publication Schedule - January to May 2013

The Director of Performance Audit and the Director of Best Value and Scrutiny Improvement joined the meeting and introduced their report on major work being published over the next five months.

Following discussion, the Board noted the work programme and agreed to have a twice-yearly report on forthcoming publications.

Action(s)

- ***The Chief Operating Officer to schedule a twice-yearly report on publications.***

10. Community Planning Partnership – Audit Update

Barbara Hurst, Director of Performance Audit Group and Fraser McKinlay, Controller of Audit and Director of Best Value and Scrutiny Improvement joined the meeting.

The Director of Best Value and Scrutiny Improvement introduced his update report on Community Planning Partnership audits, which had been previously circulated and was considered by the Accounts Commission at its meeting on 17 January 2013.

Following discussion, the Board welcomed the update and noted the report.

Barbara Hurst, Director of Performance Audit Group left the meeting

11. The Future role of the Local Government Scrutiny Co-ordination Strategic Group

The Director of Best Value and Scrutiny Improvement introduced his report on the future role of the local government scrutiny co-ordination strategic group, which had been considered by the Accounts Commission at its meeting on 17 January 2013.

Following discussion, the Board welcomed the update and noted the report. Fraser McKinlay, Controller of Audit and Director of Best Value and Scrutiny Improvement left the meeting.

12. Finance Update – Quarter 2 report 2012-13

David Hanlon, Corporate Finance Manager joined the meeting

The Corporate Finance Manager joined the meeting and introduced the Finance Update Quarter 2 report 2012-13 which had been previously circulated.

He also provided a verbal update on the draft quarter 3 results and projected year- end position.

Following discussion, the Board noted the Quarter 2 results.

13. West of Scotland Office

The Corporate Finance Manager provided a verbal update on the West of Scotland office move, including delays with IT connectivity. The Board noted the update.

David Hanlon, Corporate Finance Manager left the meeting

14. Accountable Officer's Report

The Accountable Officer gave a verbal update on her activities since the previous meeting on 28 November 2012.

15. Chair of the Accounts Commission's Report

The Chair of the Accounts Commission gave a verbal update on his activities since the previous meeting on 28 November 2012 meeting,

16. Any Other Business

There was no other business.

17. Date of the next meeting

It was noted that the next Audit Scotland Board meeting would be on **Thursday, 21 February 2013** and will be held at the conclusion of the Audit Committee in the offices of Audit Scotland, 110 George Street, Edinburgh, EH2 4LH.

Minutes of Meeting of **Audit Scotland** held in the offices of Audit Scotland, 110 George Street, Edinburgh on **Thursday, 21 February 2013** at the conclusion of the Remuneration and Human Resources Committee

PRESENT: R Cleland (Chair)
J Baillie
K Bryan
C Gardner
J Maclean

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
L Bradley, Director, Corporate Programmes and Performance
F McKinlay, Controller of Audit and Director of Best Value and Scrutiny
D Hanlon, Corporate Finance Manager

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Chair's Report
4.	Minutes
5.	Matters arising from Minutes
6.	Financial Performance Report – Quarter 3
7.	Corporate Performance Report – Quarter 3
8.	Community Planning Partnership – Audit Update
9.	Audit Scotland – Annual Report
10.	Standing Orders – Annual Review
11.	Accountable Officer's Report
12.	Chair of Accounts Commission Report
13.	AOB
14.	Date of next meeting

1. Apologies

There were no apologies received.

2. Declarations of Interest

There were no declarations of interest.

3. Chair's Report

The Chair gave a verbal update on his activities since the previous meeting on 24 January 2014, including discussions with a range of stakeholders.

4. Minutes of the meeting dated 24 January 2013

The minutes of the meeting dated 24 January 2013 were submitted and approved as an accurate record,

Minutes of the Audit Committee meetings on 26 January 2012, 26 April 2012, 8 June 2012 and 19 September 2012 were submitted and approved.

Minutes of the Remuneration Committee meetings on 26 January 2012, 22 March 2012, 8 June 2012 and 16 August 2012 were submitted and approved.

5. Matters arising from the minutes of the meeting on 24 January 2013

The matters arising from the minutes:

5.1 The Chief Operating Officer confirmed that the 2013 Corporate Priorities had been published.

5.2 It was noted that further work would be undertaken by the Assistant Auditor General during 2013 to develop the world class framework and that there would be a report back later in the year.

5.3 It was noted that the Chief Operating Officer has put into place a mechanism in which to report the publication schedule twice-yearly.

6. Financial Performance Report – Quarter 3

David Hanlon, Corporate Finance Manager joined the meeting.

There was submitted a report by the Chief Operating Officer on the Financial Performance Report for quarter three, which had been previously circulated. Following discussion, the Board noted the financial results for the nine months to December 2012. David provided a verbal update on the forecast position to 31 March 2013, and on current interest in the VERA scheme.

7. Corporate Performance Report for Quarter 3 – 2012/13

Lynn Bradley, Director, Programmes & Performance joined the meeting

There was submitted a report by the Director of Programmes & Performance on the quarter three Corporate Performance, which had been previously circulated.

Following discussion, the Board noted the positive performance on corporate objectives and the ongoing work to develop the new performance measurement system.

Lynn Bradley, Director, Programmes & Performance left the meeting and David Hanlon, Corporate Finance Manager left the meeting.

8. Community Planning Partnership (CPP) – Audit Update

Fraser McKinlay, Controller of Audit and Director of Best Value and Scrutiny Improvement joined the meeting

There was submitted an update report from the Controller of Audit and Director of Best Value and Scrutiny Improvement on the Community Planning Partnership audit, which had been previously circulated.

John Baillie, Chair of the Accounts Commission provided an update on the recent Accounts Commission meeting at which the three pilot Community Planning Partnership audit reports had been discussed.

Following discussion, the Board congratulated Fraser and his team on achieving a significant milestone in the project, and on the positive response by the Accounts Commission to the audit work.

9. Audit Scotland – Annual Report

Simon Ebbett, Communications Officer and Bruce Stoddart, Publications Officer, joined the meeting

There was submitted a report by the Chief Operating Officer on Audit Scotland's Annual Report, which had been previously circulated.

Simon and Bruce presented an outline design for the annual review and annual report and accounts and explained the range of publications that would be produced for the annual reporting cycle.

Following discussion, the Board thanked Simon and Bruce for the presentation, approved the proposals to produce a suite of annual report products and noted the timetable for production.

Simon Ebbett, Communications Officer and Bruce Stoddart, Publications Officer, left the meeting

10. Standing Orders – Annual Review

There was submitted a report by the Chief Operating Officer on the Standing Orders, annual review, which had been previously circulated.

Following discussion, the Board noted and approved the revised Standing Orders for the next twelve months.

11. Accountable Officer's Report

The Accountable Officer gave a verbal update on her activities since the previous meeting on 24 January 2013. She advised the Board that she would be attending the next meeting of the International Ethical Standards Board for Accountants on March 11 – 13 2013 in New York.

12. Chair of the Accounts Commission's Report

The Chair of the Accounts Commission gave a verbal update on his activities since the previous meeting on 24 January 2013 meeting,

13. Any Other Business

There was no other business.

14. Date of the next meeting

It was noted that the next Audit Scotland Board meeting would be on **Thursday, 21 March 2013** and will be held at the conclusion of the Remuneration and Human Resources Committee in the offices of Audit Scotland, 110 George Street, Edinburgh, EH2 4LH.

Minutes of Meeting of **Audit Scotland** held in the offices of Audit Scotland, 110 George Street, Edinburgh on **Thursday, 21 March 2013** at the conclusion of the Remuneration and Human Resources Committee

PRESENT: R Cleland (Chair)
J Baillie
J Maclean
K Bryan
C Gardner

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
L Bradley, Director, Corporate Programmes and Performance
F McKinlay, Controller of Audit and Director of Best Value and Scrutiny
A Cullen, Assistant Director, Performance Audit Group
D Hanlon, Corporate Finance Manager

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Chair's Report
4.	Minutes
5.	Matters arising from Minutes
6.	2013/14 Budget
7.	Standing Orders
8.	Best Companies
9.	Knowledge Management Project Update
10.	Reporting Processes
11.	Community Planning Partnership – Audit Update
12.	Accountable Officer's Report
13.	Chair of Accounts Commission Report
14.	AOB
15.	Date of next meeting

1. **Apologies**

There were no apologies received.

2. **Declarations of Interest**

There were no declarations of interest.

3. **Chair's Report**

The Chair gave a verbal update on his activities since the previous meeting on 21 February 2014 including attending a feedback session on the Best Companies results with the Leadership Group and representatives of the PCS union.

4. **Minutes of the meeting dated 21 February 2013**

The minutes of the meeting dated 21 February 2013 were submitted and approved as an accurate record.

5. **Matters arising from the minutes of the meeting on 21 February 2013**

There were no matters arising.

6. **2013/14 Budget**

David Hanlon, Corporate Finance Manager joined the meeting.

There was submitted a report by the Chief Operating Officer on the 2013/14 Budget, which had been previously circulated.

Following discussion, the Board approved the detailed operational budget for 2013/14.

David Hanlon, Corporate Finance Manager left the meeting.

7. **Standing Orders**

There was submitted a report by the Chief Operating Officer on the annual review of Standing Orders, which had been previously circulated.

Following discussion, the Board approved the Standing Orders for the next twelve months.

8. **Best Companies Survey Results**

There was submitted a report by the Chief Operating Officer on the Best Companies Survey Results, which had been previously circulated.

The Board explored the pattern of results over the four years of the survey and across Audit Scotland business groups. Following discussion, the Board welcomed the survey results and noted the report on this year's performance.

9. Knowledge Management Strategy and Phase II Programme Initiation Document

Lynn Bradley, Director of Corporate Programmes & Performance joined the meeting.

There was submitted a report by the Director of Corporate Programmes & Performance on the Knowledge Management Strategy and Phase II Programme Initiation report, which had been previously circulated.

Following discussion, the Board welcomed the progress being made on knowledge management and noted Phase II of the strategy.

Lynn Bradley, Director of Corporate Programmes & Performance left the meeting.

10. Reporting Processes

Angela Cullen, Assistant Director of Best Value and Scrutiny Improvement joined the meeting.

There were submitted two reports on Reporting Processes; one by the Director of Performance Audit Group and the other from the Controller of Audit and Director of Best Value and Scrutiny Improvement Group both of which had been previously circulated.

The Board explored the stages of review in report preparation and discussed the lean review approach in Performance Audit which aimed to simplify the process. The Board also discussed the approach to preparing and reviewing Best Value reports.

Following discussion, the Board noted the report and the need to keep quality processes under review.

Angela Cullen, Assistant Director of Best Value and Scrutiny Improvement left the meeting.

11. Community Planning Partnership – Audit Update

There was submitted an update report by the Controller of Audit and Director of Best Value and Scrutiny Improvement on the Community Planning Partnership audit, which had been previously circulated.

Following discussion, the Board noted the report.

12. Accountable Officer's Report

The Accountable Officer gave a verbal update on her activities since the previous meeting on 21 February 2013, including meetings with key stakeholders and recent discussions with the Public Audit Committee.

13. Chair of the Accounts Commission's Report

The Chair of the Accounts Commission gave a verbal update on his activities since the previous meeting on 21 February 2013 meeting, including recent meetings of the Accounts Commission and meetings with key stakeholders.

14. Any Other Business

There was no other business.

15. Date of the next meeting

It was noted that the next Audit Scotland Board meeting would be on **Thursday, 25 April 2013** and will be held at the conclusion of the Audit Committee in the offices of Audit Scotland, 110 George Street, Edinburgh, EH2 4LH.

Minutes of Meeting of **Audit Scotland** held in the offices of Audit Scotland, 110 George Street, Edinburgh on **Thursday, 25 April 2013** at the conclusion of the Remuneration and Human Resources Committee

PRESENT: R Cleland (Chair)
J Baillie
J Maclean (joined by telephone)
K Bryan
C Gardner

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
L Bradley, Director, Corporate Programmes and Performance
F McKinlay, Controller of Audit and Director of Best Value and Scrutiny Improvement
A Canning, Assistant Director, Performance Audit Group & Chair of the Diversity & Equalities Group
M Roberts, Portfolio Manager, Performance Audit Group

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Chair's Report
4.	Minutes
6.	Matters arising from Minutes
7.	On Board Consultation
8.	Measuring Impact
9.	2013 Voluntary Early Release Arrangements
10.	Annual Report on Complaints Handling
11.	Equality Outcomes & report on Mainstreaming Equalities
12.	Audit Scotland Annual Review
13.	The Scotland Act 2012 Update
14.	Community Planning Partnerships – Audit Update
15.	Accountable Officer's Report
16.	Chair of Accounts Commission Report
17.	AOB
18.	Date of next meeting

1. **Apologies**

There were no apologies received.

2. **Declarations of Interest**

There were no declarations of interest.

3. **Chair's Report**

The Chair welcomed Board members to the meeting and thanked John Maclean for joining the meeting by telephone and wished him a speedy recovery from his recent surgery.

The Chair gave a verbal update on his activities since the previous meeting on 21 March 2013 and outlined the process for concluding Board members' annual appraisal discussions.

4. **Minutes of the meeting dated 21 March 2013**

The minutes of the meeting dated 21 March 2013 were approved as an accurate record; subject to minor revision top Item 10 on reporting processes to emphasis the Board's strong support for the continued review and improvement of report production and quality processes.

5. **Matters arising from the minutes of the meeting on 21 March 2013**

There were no matters arising from the minutes dated 21 March 2013.

6. **On Board Consultation**

Mark Roberts, Portfolio Manager, Performance Audit Group joined the meeting.

There was submitted a report by the Chief Operating Officer about the On Board Consultation, which had been previously circulated.

Mark Roberts, Portfolio Manager, introduced the report and explained the background to the consultation. He outlined the main recommendations from the Audit Scotland on The Role of Boards, which was published in 2012. Following discussion, the Board noted the Scottish Government's revised guidance and the extend to which it responded to the recommendations in Audit Scotland report. The Board also noted that Audit Scotland will be responding to the Scottish Government's Consultation and agreed to keep under review the Board's own policies and practices in relation to the Scottish Government guidance to the non-executive members of public bodies, once the final guidance is issued. .

Action(s)

- ***The Chief Operating Officer to schedule a further discussion on the Board's policies and practices once final Scottish Government guidance is issued – Autumn 2013.***

Mark Roberts, Portfolio Manager, Performance Audit Group left the meeting.

7. Measuring Impact

Lynn Bradley, Director of Corporate Programme & Performance joined the meeting

There was submitted a report by the Director of Corporate Programme & Performance on Measuring Impact, which had been previously circulated.

The Board considered the background to the processes for measuring impact, noted the development of the frameworks in which impact is assessed, to include:

- Financial sustainability
- Transparency of reporting
- Value for money
- Governance and financial management.

Lynn outlined the current independent review of the approach to tracking impact and detailed some of the main recommendations which would appear in the final report, including resourcing of post-publication activity to promote awareness and understanding of recommendations.

The Board considered the twelve month impact report on the overview of Scotland's Criminal Justice System and the Audit Services review of Impact Quarter three 2012-13 and emphasised its strong support for continuing development of impact reporting. It was agreed that Lynn would present a further update on this work in June.

Action(s)

- *The Director of Corporate Programme & Performance to prepare an update to the Board at its meeting on 6 June 2013.*

Lynn Bradley, Director of Corporate Programme & Performance joined the meeting

8. 2013 Voluntary Early Release Arrangements

The Chief Operating Officer introduced the report on Voluntary Early Release Arrangements, which had been previously circulated and provided an update to the Board on the offers issued and accepted under the scheme. The Board also noted that one offer remained outstanding because of a change to the personal circumstances of the applicant.

Following discussion, the Board noted the contents of the report and appendix detailing the cost and projected annual savings from the scheme.

9. Annual Report on Complaints Handling

The Chief Operating Officer introduced the Annual Report on Complaints Handling for 2012-13, which had been previously circulated.

Following discussion, the Board noted the low numbers of complaints and noted the contents of the report.

The Board also noted the recent communication from the Ombudsman to one of the complainants and welcomed the Ombudsman's findings.

10. Equality Outcomes & Report on Mainstreaming Equalities

Angela Canning, Assistant Director, Performance Audit Group and Chair of the Diversity and Equality Group joined the meeting.

The Chair of the Diversity and Equalities Group introduced two reports on Equalities Outcomes and Mainstreaming Equalities, which had previously circulated.

Angela outlined the requirements on public bodies to produce these reports and detailed the ways in which the reports had been prepared.

The Board discussed the use of data in the reports and explored the reasons for gaps in data and the ongoing work to improve data collection and presentation.

Following discussion, the Board welcomed both reports and thanked Angela and the Group for their work in this area and approved the reports for publication subject to minor amendment.

Angela Canning, Assistant Director, Performance Audit Group and Chair of the Diversity and Equality Group left the meeting.

11. Audit Scotland Annual Review

James Gillies, Communications Manager joined the meeting.

The Communications Manager introduced the Audit Scotland Annual Review, which had been circulated in draft.

James indicated the comments and revisions to the draft were very welcome and that one of the purposes of the draft report was to stimulate discussion on the messages and themes which should be conveyed through the report.

The Board discussed the main themes and messages for the report and the importance of striking an appropriate tone in respect of Audit Scotland's role in working with audited bodies and providing audit comment and making recommendations.

It was agreed that detailed drafting comments would be provided to Simon Ebbett and that the Board would consider a further draft in May.

Action(s)

- ***Drafting comments to be submitted to Simon Ebbett and a further draft be prepared for the Board to consider in May 2013***

James Gillies, Communications Manager left the meeting

12. The Scotland Act 2012 - Update

There was submitted a report by the Assistant Auditor General on The Scotland Act 2012 update report, which had been previously circulated.

Russell outlined the issues involved in considering the lands and buildings transaction tax, auditing the Scottish rate of income tax and the issues around tax management.

The Board welcomed the report and noted the ongoing engagement through Russell and others on the implications of The Scotland Act 2012. It was agreed that Russell would provide further updates as appropriate.

Action(s)

- ***It was agreed that the Assistant Auditor General would provide further updates to the Board on the Scotland Act 2012 as appropriate.***

13. Community Planning Partnerships

Fraser McKinlay, Controller of Audit and Director of Best Value and Scrutiny Improvement joined the meeting.

There was submitted a report by the Controller of Audit and Director of Best Value and Scrutiny Improvement on the Community Planning Partnerships, which had been previously circulated.

Fraser reported on the presentation to the Scottish Parliament Public Audit Committee in March by the Auditor General for Scotland, the Chair of the Accounts Commission and Antony Clark, Assistant Director in Best Value and Scrutiny Improvement on the national key messages report on Community Planning Partnerships and on recent discussions with the National Community Planning Group.

John Baillie, Chair of the Accounts Commission, provided further update to the Board on the positive response received to the individual and key messages reports and provided an update on the briefing to the Scottish Parliament's Local Government and Regeneration Committee which had taken place on the 24 April 2013. The Board noted the plans to evaluate the Community Planning Partnership audit approach and it was agreed that a final report would be presented to the Board later in the year. The Board noted the initial costings of the three early audits and following further discussion it was agreed that further reporting on the development of Community Planning Partnership's audits would no longer be a standing item on the Board agendas but would be considered as appropriate.

The Board congratulated Fraser and the team on the successful delivery of this early work and on the professional approach and successful management of a complex project.

Action(s)

- ***A report on the evaluation of the pilot CPP audits would be prepared for the Board later in the year (August 2013).***
- ***This item would no longer be a standing item on Board agendas but would be reported as appropriate.***

Fraser McKinlay, Controller of Audit and Director of Best Value and Scrutiny Improvement left the meeting.

14. Accountable Officer's Report

The Accountable Officer gave a verbal update on her activities within Audit Scotland in engaging with staff and externally in meeting key stakeholders. Caroline Gardner also updated the Board on her IESBA meetings; Paris 17 May and in New York between 10-12 June 2013.

15. Chair of the Accounts Commission's Report

The Chair of the Accounts Commission gave a verbal update on his and the Accounts Commission's meetings and discussions.

16. Any Other Business

There was no other business.

17. Date of the next meeting

It was noted that the next Audit Scotland Board meeting would be on **Thursday, 23 May 2013** and will be held at the conclusion of the Remuneration and Human Resources Committee in the offices of Audit Scotland, 110 George Street, Edinburgh, EH2 4LH.

Minutes of Meeting of **Audit Scotland** held in the offices of Audit Scotland, 110 George Street, Edinburgh on **Thursday, 23 May 2013** at the conclusion of the Audit Committee

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

APOLOGIES: K Bryan

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
L Bradley, Director, Corporate Programmes and Performance
D Hanlon, Corporate Finance Manager
C Sweeney, Portfolio Manager, Performance Audit Group
A Davie, ISG Manager

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Chair's Report
4.	Minutes
5.	Matters arising from Minutes
6.	IT Strategy 2013-15
7.	Revised Corporate Quality Framework
8.	Governance Policies (Financial Regulations and Scheme of Delegations)
9.	Financial Performance Report – Quarter 4
10.	Corporate Performance Report – Quarter 4
11.	Accountable Officer's report

Formal meeting ended. Ronnie Cleland, John Maclean and John Baillie continued to consider the remaining agenda items.

12.	Investing VERA Savings
13.	Freedom of Information (Scotland) Act 2002 – Assessment of Compliance Audit 2012
14.	Chair of Accounts Commission Report
15.	Mid Staffordshire NHS Foundation Trust Public Inquiry
16.	AOB
17.	Date of next meeting

1. **Apologies**

Apologies were received from Katharine Bryan.

2. **Declarations of Interest**

There were no declarations of interest.

3. **Chair's Report**

The Chair welcomed Board members to the meeting provided an update on some of his activities since the April meeting, including meeting with Caroline Gardner, attending the seminar for non-executive directors hosted by the University of Aberdeen.

The Chair also informed Board members that he would be hosting a knowledge café on 12 June 2013 for Audit Scotland staff on the role of non-executive directors, and highlighted a meeting on 6 June with Scottish Parliament officials to discuss Board succession planning.

4. **Minutes of the meeting dated 25 April 2013**

The minutes of the meeting dated 25 April 2013 were approved as an accurate record, subject to correction of two typographical errors.

5. **Matters arising from the minutes of the meeting on 25 April 2013**

The matters arising from the 25 April 2013 meeting are:

Item 6 – On Board Consultation

The Board noted that this item will be considered again by the Board in autumn 2013.

Item 7 – Measuring Impact

It was noted that the Director of Corporate Programmes and Performance would update the Board at the June 2013 meeting.

Item 11 – Audit Scotland Review

It was noted that a further draft would be issued to the Board for approval in May 2013.

Item 12 – The Scotland Act 2012 – Update

It was noted that the Assistant Auditor General would update the Board on the Scotland Act 2012 as appropriate.

Item 13 – Community Planning Partnerships (CPP)

It was noted that a report on the evaluation of the pilot CPP audits would be prepared for the Board in August 2013 and that the item was no longer a standing item on Board agendas.

6. IT Strategy 2013-15

Lynn Bradley, Director of Corporate Programmes & Performance and Allan Davie, IT Manager, joined the meeting.

There was submitted a report by the Director of Corporate Programmes & Performance on the 2013-15 IT Strategy, which had been previously circulated. The Board explored the process for initiating and considering IT projects, and Allan Davie outlined the processes and approaches adopted for the IT team, including himself, to develop and maintain subject matter expertise, to maintain relationships across the public sector and to remain informed of IT developments.

The Board welcomed the focus in the strategy on developing the skills of IT users so that more benefits could be realised from systems already in place. Following discussion, the Board approved the strategy and thanked Allan and Lynn for their work on it.

Lynn Bradley, Director of Corporate Programmes & Performance and Alan Davie, IT Manager, left the meeting.

7. Revised Corporate Quality Framework

There was submitted a report by the Assistant Auditor General on the Revised Corporate Quality Framework, which had been previously circulated and discussed at the Audit Committee which took place earlier in the day.

Following discussion, the Board approved the Corporate Quality Framework and noted that it would support the first annual Quality and Transparency report to the Audit Committee at its June 2013 meeting.

8. Governance Policies (Financial Regulations and Scheme of Delegation)

There was submitted a report by the Chief Operating Officer on the Financial Regulations and Scheme of Delegation, both of which had been previously circulated and discussed at the Audit Committee which took place earlier in the day.

Following discussion, the Board approved the Financial Regulations and Scheme of Delegation.

9. Financial Performance Report – Quarter 4

David Hanlon, Corporate Finance Manager joined the meeting.

There was submitted a report by the Corporate Finance Manager on the Financial Performance Report for quarter four, which had been previously circulated.

David explained that this report had been presented to Management Team earlier in the month, and that changes since then were reflected in the draft accounts discussed at the Audit Committee meeting earlier in the day.

Following discussion, the Board noted the financial performance for Quarter 4.

David Hanlon, Corporate Finance Manager left the meeting.

10. Corporate Performance Report – Quarter 4

Lynn Bradley, Director of Corporate Programmes & Performance joined the meeting.

There was submitted a report by the Director of Corporate Programmes & Performance on the Corporate Performance Report for quarter four, which had been previously circulated.

The Board welcomed the ongoing development of the performance management report and commended Lynn and those involved for the wealth of detail provided in the report. The Board noted the changes that had been made to the assessment of objective 2.3 on identifying risks, making recommendations and following those up following the work to review how to maximise the impact of audit work. The Board noted that this reflects Management Team's view that there is scope to improve our performance in this area and emphasised the importance of the ability to demonstrate the impact of audit work.

Following discussion, the Board noted performance for Quarter 4 and for the year 2012-13.

Lynn Bradley, Director of Corporate Programmes & Performance left the meeting.

11. Accountable Officer's report

Caroline Gardner updated the Board on her activities since the Board's meeting in April 2013, including an information session with the Public Audit Committee to discuss the performance audit programme. Caroline also highlighted to the Board forthcoming engagements, including meetings with the other Auditors General of the UK and an evidence session with the Scottish Affairs Committee in Westminster. Caroline then gave her apologies for the remainder of the meeting as she had a meeting with the Cabinet Secretary for Health and Wellbeing.

Caroline Gardner left the meeting.

The Board was no longer quorate, so the Board meeting concluded.

Ronnie Cleland, John Maclean and John Baillie continued to consider the remaining agenda items for information and it was agreed that a note be kept of that discussion. Diane McGiffen and Russell Frith remained in the meeting.

12. Investing VERA Savings

There was submitted a report by the Chief Operating Officer on Investing VERA Savings, which had been previously circulated.

Following discussion the Board welcomed the plans to invest some VERA savings in establishing four new posts, and noted that recruitment would focus on enhancing some skill sets in particular, such as data analysis and handling.

The Chair commended the success of the VERA scheme, and welcomed the considered way in which it had been deployed and the benefits that it continued to bring in reshaping the business.

13. Freedom of Information (Scotland) Act 2002

Assessment of Compliance Audit 2012

There was submitted a report by the Chief Operating Officer on the recent FOI, 2012 Assessment of Compliance Audit, which had been previously circulated.

Following discussion, those present welcomed the report and commended those involved in managing freedom of information, and in particular welcomed the positive feedback from the Information Commissioner on the unique areas of best practice highlighted through the audit work.

14. Chair of the Accounts Commission's Report

The Chair of the Accounts Commission gave a verbal update on his and the Accounts Commission's meetings and discussions.

15. Mid Staffordshire NHS Foundation Trust Public Inquiry

Claire Sweeney, Portfolio Manager, Performance Audit Group joined the meeting.

There was submitted a report by Claire Sweeney on the Mid Staffordshire NHS Foundation Trust Public Inquiry, which had been previously circulated.

Those present discussed the issues highlighted by the Inquiry report, the initial discussions and response from Audit Scotland and the importance of discussion across Scottish regulators on applying lessons learned.

There was also discussion of some of the parallel lessons from the failure of the regulatory system in banking.

It was agreed that a follow up report should be prepared for the Board later in the year.

Claire Sweeney, Portfolio Manager, Performance Audit Group left the meeting.

16. Any Other Business

John Baillie requested further information on the timescales for the expectations of audit project. Russell Frith outlined progress to date in recruiting a manager for the project, and agreed to update the Board further over the next few months.

Ronnie Cleland invited the executive to consider the branding used for Audit Scotland and to report back later in the year.

17. Date of the next meeting

It was noted that the next Audit Scotland Board meeting would be on **Thursday, 6 June 2013** and will be held at the conclusion of the Audit Committee in the offices of Audit Scotland, 110 George Street, Edinburgh, EH2 4LH.

Minutes of Meeting of **Audit Scotland** held in the offices of Audit Scotland, 110 George Street, Edinburgh on **Thursday, 6 June 2013** at the conclusion of the Audit Committee

PRESENT: R Cleland (Chair)
C Gardner
J Baillie
J Maclean
K Bryan

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
A Clark, Assistant Director, Performance Audit and Best Value Team
D McConnell, Assistant Director, Audit Services Group
A Canning, Assistant Director, Performance Audit and Best Value Team
S Ebbett, Communications Officer, Corporate Services Group
B Stoddart, Publications Officer, Corporate Services Group

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Chair's Report
4.	Minutes
5.	Matters arising from Minutes
6.	Minutes of the Audit Committee dated 24 January 2013
7.	Minutes of the Remuneration and Human Resources Committee dated 28 November 2012 and 21 February 2013
8.	Carbon Scrutiny Board: Annual Report 2012/13
9.	Annual Report on working with other Countries 2012/13
10.	Annual Report from the Audit Committee – 2012/13
11.	Draft Annual Report and Accounts – Year ended 31 March 2013
12.	Audit Scotland's Annual Review
13.	Publications Schedule June to December 2013
14.	Accountable Officer's Report
15.	Chair of Accounts Commission's Report
16.	AOB
17.	Date of next meeting

1. **Apologies**

There were no apologies received.

2. **Declarations of Interest**

There were no declarations of interest.

3. **Chair's Report**

The Chair advised that he had no further update to give since the meeting on 23 May 2013 but that after the Board meeting he would be meeting with Scottish Parliament officials to discuss board succession planning.

4. **Minutes of the meeting dated 23 May 2013**

The minutes of the meeting dated 23 May 2013 were approved subject to minor amendment.

5. **Matters arising from the minutes of the meeting on 23 May 2013**

Item 14 – Mid Staffordshire NHS Foundation Trust Public Inquiry

It was noted that a follow up report would be prepared later in the year.

6. **Minutes of the Audit Committee dated 24 January 2013**

The minutes of the Audit Committee dated 24 January 2013 were approved as an accurate record subject to minor amendment.

7. **Minutes of the Remuneration & Human Resources Committee dated 28 November 2012 and 21 February 2013**

The minutes of the Remuneration & Human Resources Committee dated 28 November 2012 and 21 February 2013 were approved as an accurate record.

The Board discussed the process for circulating Committee minutes and it was agreed, that to avoid long delays between the meeting and consideration of the minutes by members once draft minutes have been approved by the Chair of each Committee they will be circulated to all Committee and Board members and attendees for comment. The procedures will also be adopted for the Board minutes.

Action(s)

- Chief Operating Officer to implement new arrangements for circulating draft minutes from the next meeting.

8. **Carbon Scrutiny Board: Annual Report 2012-13**

A Clark, Assistant Director, Performance Audit and Best Value Team and Chair of the Carbon Scrutiny Board joined the meeting.

There was submitted an Annual Report by the Chair of the Carbon Scrutiny Board, which had been previously circulated.

The Chair of the Carbon Scrutiny Board outlined the work of the Group and the progress that had been made in reducing Audit Scotland's carbon footprint.

He indicated that a review would be undertaken before the end of the year to prepare proposed targets for the Audit Scotland's next carbon management plan and that these would be presented to the Board for discussion and approval during 2013/14.

Following discussion, the Board thanked the Chair of the Carbon Scrutiny Board for the Annual Report and approved it for publication and noted the plans for reviewing the Audit Scotland's carbon management plan.

A Clark, Assistant Director, Performance Audit and Best Value Team and Chair of the Carbon Scrutiny Board left the meeting.

Action(s)

- The Carbon Scrutiny Board to publish their Annual Report 2012/13.
- Revised Carbon Management plan to be presented for approval during 2013/14.

9. Annual Report on Working with other Countries – 2012/13

David McConnell, Assistant Director, Audit Services Group and Chair of the International Steering Group joined the meeting

There was submitted an Annual Report on Working with Others Countries 2012/13 by the Chair of the International Steering Group, which had been previously circulated.

The Chair of the International Steering Group provided an overview of the nature of the work undertaken during the year and there was a discussion about the opportunities presented by the work for learning and development as well as sharing Audit Scotland's skills and experience.

It was noted that the volume of work was relatively low and it was agreed that during 2013/14 the strategy for working with other countries would be revisited, and consideration would be given as to the appropriate volume of international work. The Board noted the value of the work and expressed its strong support for it.

The Board approved the Annual Report on Working with other Countries 2012/13 for publication.

Action(s)

- The International Steering Group to publish their Annual Report 2012/13.
- Review of the International Strategy during 2013/14.

David McConnell, Assistant Director, Audit Services Group and Chair of the International Steering Group left the meeting

10. Annual Report from the Audit Committee – 2012/13

The Chair of the Audit Committee submitted the Annual Report from the Audit Committee 2012/13, which had been previously circulated and considered at the earlier Audit Committee meeting.

The Board welcomed the report and noted that on the basis of the work reviewed and progress made during 2012/13, the Audit Committee advised the Board that, in its opinion, there were adequate internal control systems in place at Audit Scotland.

The Board noted the report.

11. Draft Annual Report and Accounts – Year ended 31 March 2013

The Chair of the Audit Committee reported that the Audit Committee had met earlier in the day and had considered, in detail, the Annual Report and Accounts for 2012/13. The Board agreed to accept the recommendation of the Audit Committee to approve the Draft Annual Report and Accounts 2012/13. The Board authorised the signing of the Accounts.

Action(s)

- **The Chief Operating Officer to arrange the signing of the Accounts.**

12. Audit Scotland's Annual Review

Simon Ebbett, Communications Officer and Bruce Stoddart, Publication Assistant joined the meeting

Simon Ebbett and Bruce Stoddart presented the draft Annual Review for approval. The Board welcomed the Annual Review and commended the team for the excellent product. The Board also discussed how the review would be circulated and promoted.

The Board thanked the team for their work and approved the Annual Review for publication.

Action(s)

- **Simon Ebbett and Bruce Stoddart to publish Audit Scotland's Annual Review**

Simon Ebbett, Communications Officer and Bruce Stoddart, Publication Assistant left the meeting

13. Publications Schedule June to December 2013

Angela Canning, Assistant Director, Performance Audit and Best Value Team joined the meeting.

There was submitted the Publications Schedule for June to December 2013 by the Assistant Director, Performance Audit and Best Value Team, which had been previously circulated.

The Board noted the recent workshop held with the Auditor General for Scotland and the Accounts Commission to consider potential topics for the Performance Audit programme for 2014/15.

The Board noted the Publication Schedule to December 2013.

Angela Canning, Assistant Director, Performance Audit and Best Value Team left the meeting.

14. Accountable Officer's report

The Accountable Officer gave an update on her recent activities including meetings with stakeholders and her forthcoming attendance at the IESBA meeting on 10 & 11 June 2013 in New York.

15. Chair of the Accounts Commission's Report

The Chair of the Accounts Commission gave a verbal update on his and the Accounts Commission's meetings and discussions including the Seminar on the Performance Audit programme.

16. **Any Other Business**

There was no other business.

17. **Date of the next meeting**

It was noted that the next Audit Scotland Board meeting would be held on **Thursday, 29 August 2013** in the offices of Audit Scotland, 110 George Street, Edinburgh, EH2 4LH.

Note: Since these minutes were taken it was agreed that the August meeting would be held in the new Glasgow office.

Minutes of Meeting of **Audit Scotland** held on 29 August 2013 in the offices of Audit Scotland, 8 Nelson Mandela Place, **Glasgow** at 10.00hrs.

PRESENT: R Cleland (Chair)
J Baillie
J Maclean
K Bryan
C Gardner

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
D Hanlon, Corporate Finance Manager
L Bradley, Director of Corporate Programmes and Performance

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Chair's Report
4.	Minutes
5.	Matters arising from Minutes
6.	Minutes of the Audit Committee dated 23 May 2013
7.	Minutes of the Remuneration & Human Resources Committee dated 21 March 2013
8.	Financial Performance – Q1
9.	Corporate Performance – Q1
10.	2014/15 Budget Proposal and Autumn Budget Revision
11.	Revised Information Security Policy
12.	Proposed meeting dates - 2014
13.	Independent Budget Scrutiny Body
14.	Accountable Officer's Report
15.	Chair of Accounts Commission's Report
16.	AOB
17.	Date of next meeting

1. **Apologies**

There were no apologies received.

2. **Declarations of Interest**

There were no declarations of interest.

3. **Chair's Report**

The Chair reported on his activity since the previous meeting, including hosting a Knowledge Café at Audit Scotland on the role of non-executives, attending a meeting of the Scottish Commission for Public Audit (SCPA) on 20 June 2013 to give evidence on Audit Scotland's annual report and accounts and meeting with Caroline Gardner on 27 June 2013 as part of a series of regular meetings.

The Chair reported that he had also attended a private meeting with the SCPA on 20 June 2013 to provide annual feedback on the performance of board members. He reported on discussions about succession planning with the SCPA and advised members that he would be meeting with an independent assessor appointed by the Scottish Parliament as part of his annual performance review by the SCPA.

Following discussion about the co-option of members to the Committees of the Board, it was agreed that the Chief Operating Officer would prepare a draft specification and appointment process for the co-option of members to be circulated in early September 2013 and discussed at the next meeting of the Audit Committee.

Action(s):

- **The Chief Operating Officer to prepare and circulate a draft specification and appointment process for co-opting members to the Committees of the Board. (September 2013)**

4. **Minutes of the meeting dated 6 June 2013**

The minutes of the meeting dated 6 June 2013 were approved as an accurate record.

5. **Matters arising from the minutes of the meeting on 6 June 2013**

The Chief Operating Officer confirmed that the new arrangements for circulating draft minutes had been partially implemented. The Chief Operating Officer apologised for confusion in the circulation of minutes of committee meetings following the new arrangements agreed at the June 2013 meeting.

Item 8 – Carbon Scrutiny Board – Annual Report 2012/13

The Chief Operating Officer confirmed that the Carbon Scrutiny Board had published their Annual Report 2012/13 and that there would be a report back on the review by the end of the year.

Action(s):

- **Chair of the Carbon Scrutiny Board (December 2013)**

Item 9 – Annual Report on Working with other Countries

The Chief Operating Officer confirmed that the Annual Report on Working with other Countries had been published and a review of the International Strategy during 2013/14 would take place.

Action(s): Chair of the International Strategy Group (March 2014)

Item 11 – Draft Annual Report and Accounts – Year ended 31 March 2013

The Chief Operating Officer confirmed that the Annual Report and Accounts were signed off by the Auditor General for Scotland on the 12 June 2013 in the presence of the External Auditors and the Corporate Finance Manager.

Item 12 – Audit Scotland’s Annual Review

The Chief Operating Officer confirmed that Audit Scotland’s Annual Review had been published.

6. Minutes of the Audit Committee dated 23 May 2013

The Board noted the Audit Committee minutes dated 23 May 2013.

7. Minutes of the Remuneration & Human Resources Committee dated 21 March 2013

The Board noted the Remuneration & Human Resources Committee minutes, dated 21 March 2013.

8. Financial Performance – Quarter 1

David Hanlon, Corporate Finance Manager, joined the meeting.

There was submitted a report by the Corporate Finance Manager on the Financial Performance for quarter one, which had been previously circulated.

There was discussion of the checks and balances in place around the use of temporary workers.

The Chief Operating Officer updated the Board on the arrangements in place to manage the IT service following the departure of the IT manager. She reported that two members of the IT team would be taking on additional responsibilities in the interim and that recruitment and executive search would begin in September, following a review of the job description. The Board noted that a permanent replacement may not be in post until January.

Following discussion, the Board noted the Quarter 1 report and the financial position at 30 June 2013.

9. Corporate Performance – Quarter 1

Lynn Bradley, Director of Corporate Programmes and Performance joined the meeting.

There was submitted a report by the Director of Corporate Programmes and Performance on corporate performance for Quarter 1, which had been previously circulated. The Director of Corporate Programmes and Performance highlighted in particular the delivery of all the health audits to deadline and the publication of 5 national reports during the first quarter. She also highlighted new measures that had been introduced for corporate

objective 3.5 on supporting people. There was discussion of the Best Companies Survey and informal ways of taking feedback from colleagues in advance of the online survey.

Following discussion, the Board noted the performance report for Quarter 1 and the planned actions on objective 2.1 which had been assessed as amber from green in Quarter 4 to reflect additional expectations and management action.

Lynn Bradley, Director of Corporate Programmes and Performance left the meeting.

10. 2014-15 Budget Proposal and Autumn Budget Revision

The Assistant Auditor General and the Chief Operating Officer introduced reports on the 2014-15 Budget and Autumn Budget Revision, which had been previously circulated, including:

- 10a – VAT and Corporation Tax
- 10b – Autumn Budget Revision
- 10c – Property
- 10d – 2014/15 Budget – Initial Proposals.

10a – VAT and Corporation Tax

The Corporate Finance Manager tabled a copy of a letter dated 15 August 2013 from HMRC which questioned the basis of the Accounts Commission's current VAT position and the retrospective application of that status.

The Assistant Auditor General outlined the process by which the VAT status for the Accounts Commission and work on its behalf had been established, and drew attention to the correspondence from HMRC on 24 October 2006, which had been annexed to the report, and in which HMRC confirmed that the Accounts Commission could recover VAT charged on external audit fees by appointed third party auditors. The correspondence also set out the process by which Audit Scotland should reclaim VAT on behalf of the Accounts Commission. The Assistant Auditor General confirmed that the process outlined in the letter had been followed since then.

Following detailed discussion, the Board noted the update provided on VAT and corporation tax. The Board agreed that the latest communication on VAT status should be robustly challenged and that, given the potentially significant consequences for the cost of audit, expert advice should be sought on engaging with HMRC on this matter.

It was agreed that the Assistant Auditor General would prepare an initial response to HMRC to correct factual errors.

10b – Autumn Budget Revision

Following detailed discussion, the Board approved Audit Scotland's Autumn Budget Revision proposals to:

- Request that the 2013/14 budget is increased by £1,054k to cover additional pension charges
- To carry forward £160k of End Year Flexibility from the 2012/13 underspend to meet additional VAT liabilities.

The Board also noted the proposal to meet corporation tax liabilities from within the 2013/14 budget.

10c – Property Update

The Board discussed the property strategy and the options available to relocate Edinburgh based staff following the expiry of the leases on the George Street premises. Following discussion, the Board recognised that further detailed work would be undertaken on relocation in Edinburgh, but that on the basis of the outline options considered, no provision should be included in the 2014/15 budget submission for relocation.

10d – 2014/15 Budget – Initial Proposals

The Board noted the progress made on reducing the cost of audit by 20 per cent in real terms over four years, with corresponding reductions in the level of fees charged to audited bodies and support provided from the Scottish Consolidated Fund. The Board noted that the 2014/15 budget proposals would form the final year of the four year plan.

Having considered the impact of VAT, Corporation Tax, the Autumn Budget Revision proposals and the Property Update, the Board considered the remaining assumptions proposed for the 2014/15 budget. The Board noted the key factors set out in the report on the audit landscape, workforce, pay, pensions, property and auditor remuneration.

The Board considered the schedules to the report in detail and noted the progress made on reshaping Audit Scotland's workforce, as reflected in the budget proposals on pay costs. The Board also noted the assumptions about capital requirements and the investment that would need to be made in accommodation in future years to generate further revenue savings.

The Board noted that on current volumes of work, fee increases would need to be considered either for the 2013/14 audit year or the 2014/15 audit year.

The Board noted that proposals on fees would be discussed with the Accounts Commission at its meeting in September 2013.

Following further discussion, the Board approved the key assumptions set out in the report and agreed that a budget proposal should be prepared for approval by correspondence during September.

Action(s):

- **The Assistant Auditor General to prepare an initial response to HMRC to correct factual errors.**

- **The Assistant Auditor General to obtain expert advice on VAT and corporation tax matters to assist in responding to HMRC. (Assistant Auditor General – Immediate)**
- **The Autumn Budget Revision proposals to be submitted to the SCPA by the Chief Operating Officer. (Chief Operating Officer - 31 August 2013)**
- **The Assistant Auditor General and the Chief Operating Officer to prepare a budget submission for 2014/15 and circulate to the Board for approval by correspondence to enable the proposal to be submitted to the SCPA by 20 September 2013. (Chief Operating Officer/Assistant Auditor General - 20 September 2013)**

11. Revised Information Security Policy

Lynn Bradley, Director of Corporate Programmes and Performance re-joined the meeting.

There was submitted a report by the Director of Corporate Programmes and Performance on the Revised Information Security Policy, which had been previously circulated.

Following discussion, the Board approved the revised information security policy.

Action(s):

- **The Director of Corporate Programmes and Performance to issue the revised Information security policy and raise awareness of it with all staff. (September 2013)**

Lynn Bradley, Director of Corporate Programmes and Performance left the meeting.

12. Proposed meeting dates - 2014

There was submitted a report by the Chief Operating Officer on the proposed meeting dates for 2014, which had been previously circulated.

Following discussion, the Board approved the proposed dates.

13. Independent Budget Scrutiny Body

There was submitted a report by the Assistant Auditor General on the Independent Budget Scrutiny Body, which had been previously circulated.

Following discussion, the Board noted the proposed response. It was agreed that the Board should consider further the implications of constitutional change and audit at its next meeting.

Action(s):

- **The Assistant Auditor General to prepare a discussion paper on constitutional change and audit for the next meeting of the Board. (October 2013)**

14. Accountable Officer's report

The Accountable Officer gave an update on her recent and forthcoming activities, including change to the convenorship of the Public Audit Committee, a meeting with the Scottish Government Strategic Board, an update on the creation of the new business group and the expectations of audit project and attendance at the IESBA meeting in Sydney on 16 to 20 September 2013.

Following discussion, the Board welcomed the update.

15. Chair of the Accounts Commission's Report

The Chair of the Accounts Commission gave a verbal update on his and the Accounts Commission's activities since the previous meeting, including giving evidence at the Public Audit Committee in June, attending post-audit meetings with community planning partnerships and meeting with the Convention of Scottish Local Authorities. The Chair of the Accounts Commission outlined the arrangements for appointing his successor, which was now underway.

Following discussion, the Board welcomed the update.

16. Any Other Business

There was no other business.

17. Date of the next meeting

It was noted that the next Audit Scotland Board meeting would be held on **Thursday, 24 October** in the offices of Audit Scotland, 110 George Street, Edinburgh, EH2 4LH, following the meeting of the Audit Committee.

Minutes of Meeting of **Audit Scotland** held on 24 October 2013 in the offices of Audit Scotland, 110 George Street, Edinburgh after the conclusion of the Audit Committee meeting.

PRESENT: R Cleland (Chair)
J Baillie
J Maclean
K Bryan
C Gardner

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
D Hanlon, Corporate Finance Manager
A Devlin, Corporate Governance Manager
F McKinlay, Director of Performance Audit and Best Value
M Walker, Assistant Director, Performance Audit and Best Value
A McBean, Alexander Sloan, External Auditors

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Chair's Report
4.	Minutes
5.	Matters arising from Minutes
6.	Minutes of the Audit Committee dated 6 June 2013
7.	Corporate Information Policies – Data Protection, Freedom of Information and Environmental Information Regulations, Records Management Policy
8.	Records Management Plan
9.	Business Continuity Plan
10.	Members' Code of Conduct
11.	Co-Option to Sub-Committees of the Audit Scotland Board
12.	2014/15 Budget, 2013/14 ABR & Taxation Update
13.	CPP Audit Update
14.	Audit and Constitutional Change
15.	Measuring Impact
16.	Knowledge Management Update
17.	Accountable Officer's Report
18.	Chair of Accounts Commission's Report
19.	AOB
20.	Date of next meeting

1. **Apologies**

There were no apologies received.

2. **Declarations of Interest**

There were no declarations of interest.

3. **Chair's Report**

The Chair reported on his activity since the previous meeting, including attending the audit planning conference on 1 October 2013, involving appointed auditors from Audit Scotland and the firms. The Chair also reported back on attending the meeting of the Scottish Commission for Public Audit (SCPA) on 10 October 2013 to give evidence on Audit Scotland's Budget proposal for 2014/15. In addition to those meetings, the Chair and the Auditor General had held several conversations during the month.

4. **Minutes of the meeting dated 29 August 2013**

The minutes of the meeting dated 29 August 2013, which had been previously circulated, were approved as an accurate record.

5. **Matters arising from the minutes of the meeting on 29 August 2013**

• **Item 3 – Chair's Report**

The Chief Operating Officer reported that a draft specification and procedure for co-option to sub committees of the Board had been included in **Item 11**.

• **Item 10 – 2014/15 Budget Proposals and Autumn Budget Revision**

The Assistant Auditor General and Chief Operating Officer had submitted a report at **Item 12**.

• **Item 11 – Revised Information Security Policy**

The Director of Corporate Programmes and Performance issued the revised information security policy to all staff in September with a closing date of 18 October for all staff to confirm they have read and understood the policy. The Chief Operating Officer reported that fewer than 10 colleagues had not confirmed by the deadline, and that the most common reason was maternity leave or sickness absence and the policy would be shared with them on their return to work.

• **Item 13 – Independent Budget Scrutiny Body**

The Assistant Auditor General had prepared a discussion paper on constitutional change at **Item 14**.

6. **Minutes of the Audit Committee dated 6 June 2013**

The Board noted the Audit Committee minutes dated 6 June 2013.

7. **Corporate Information Policies**

Alex Devlin, Corporate Governance Manager, joined the meeting.

The Chief Operating Officer introduced a report on corporate information policies covering Data Protection, Freedom of Information and Environmental Information Regulations and Records Management Policy, which had previously been circulated. The Chief Operating Officer advised that Management Team had, at a meeting on 8 October 2013, recommended the plan be submitted to the Board for approval.

Following discussion, the Board approved the following policies:

- Data Protection
- Freedom of Information and Environmental Information Regulations
- Records Management.

8. Records Management Plan

There was submitted a report by the Chief Operating Officer on the records management plan, which had been previously circulated. The Chief Operating Officer advised that Management Team had, at a meeting on 8 October 2013, recommended the plan be submitted to the Board for approval. The Board were invited to approve the records management plan for submission to the Keeper of the Records.

Following discussion, the Board approved the records management plan.

Action(s):

- **The Corporate Governance Manager to submit the records management plan to the Keeper of the Records by 4 November 2013.**

9. Business Continuity Plan

There was submitted a report by the Chief Operating Officer on the business continuity policy and guidance, which had been previously circulated. The Corporate Governance Manager advised the Board of the changes that had been made to version 8 of the plan

Following discussion, the Board approved version 8 of the business continuity policy and guidance and noted the development of the major incident plan.

10. Members' Code of Conduct

The Chief Operating Officer introduced a report on the Members' Code of Conduct, which had previously been circulated and was also considered by the Audit Committee at their meeting on 24 October 2013.

Following discussion, the Board approved the Members' Code of Conduct.

Alex Devlin left the meeting.

11. Co-Option to Sub-Committees of the Audit Scotland Board

There was submitted a report by the Chair of Audit Scotland Board on Co-Option to Sub-Committees of the Audit Scotland Board, which had been previously circulated. The report invited the Board to consider, discuss and approve the proposed process for appointing members to the Board's sub-committees.

The Board discussed the impact of changes in Board membership on the Audit Committee and the Remuneration and Human Resources Committee. It was agreed that

given the forthcoming turnover in Board membership, it would be helpful to co-opt an appropriately experienced member to the Audit Committee for a 12 month period to ensure that the Audit Committee would have some continuity over the next year. It was agreed that the core skills required were senior executive and non-executive experience in the public sector and a strong knowledge of accounting. The Board approved the co-option procedure.

Action(s):

- **The Chief Operating Officer to circulate for comment to the Board a draft advert to invite applications for a co-opted member of the Audit Committee for a fixed term of 12 months.**
- **The Chief Operating Officer to arrange for the co-opted post to be advertised during November.**
- **The Chief Operating Officer to arrange for the Standing Orders of the Board to be updated to include the approved procedure for co-opting members to sub-committees of the Board.**

12. 2014/15 Budget, 2013/14 ABR & Taxation Update

Andy McBean, Alexander Sloan, External Auditors, joined the meeting.

There was submitted a report by the Assistant Auditor General and Chief Operating Officer to provide an update on the 2014/15 Budget, 2013/14 ABR & Taxation matters, which had been previously circulated.

The Board noted that the 2014/15 Budget had been approved by correspondence, following discussion at the meeting in August 2013, and submitted to the SCPA for approval.

Following discussion, the Board noted the update on the Autumn Budget Revision proposal being deferred to the Spring Budget Revision, noted the forthcoming meetings with HMRC on corporation tax and VAT and agreed that there should be regular updates on these topics at each Board meeting until the issues are resolved.

Action(s):

- **The Chief Operating Officer and Assistant Auditor General to update the Board on VAT and tax matters at each meeting until the issues are resolved.**

Andy McBean, Alexander Sloan, External Auditors, left the meeting.

13. Community Planning Partnerships

Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value joined the meeting

There was submitted a report by the Controller of Audit and Director of Performance Audit and Best Value on Community Planning Partnerships, which had been previously circulated.

Following discussion, the Board noted the update on the Accounts Commission and Auditor General for Scotland's response to the independent evaluation of the three early CPP audits and the proposed programme of CPP audits for 2013/14.

Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value left the meeting

14. Constitutional Change and Audit

There was submitted a report by the Assistant Auditor General on the Constitutional Change and Audit, which had been previously circulated. The Assistant Auditor General presented a discussion on the range of implications for Audit Scotland of various scenarios including: role and status; audit landscape; audit work; resources and transition.

Following discussion, the Board welcomed the opportunity to consider the issues raised and invited the Assistant Auditor General to prepare further briefings at relevant intervals.

Action(s):

- **The Assistant Auditor General to prepare further briefings on the implications of constitutional change at relevant intervals.**

15. Measuring Impact

This item was deferred until November 2013.

16. Knowledge Management Project Update

Martin Walker, Assistant Director, Performance Audit and Best Value joined the meeting.

There was submitted a report by the Assistant Director: Performance Audit and Best Value Group to update the Board on the Knowledge Management Project, which had been previously circulated.

Following discussion, the Board noted the progress on the knowledge management project and the next stages planned.

Action(s):

- **The Chief Operating Officer to schedule a further update on knowledge management in April 2014.**

Martin Walker, Assistant Director, Performance Audit and Best Value, left the meeting.

17. Accountable Officer's report

The Accountable Officer gave an update on her recent and forthcoming activities, and emphasised the range of events in which she was involved with colleagues across the business, including the first full meeting of the new Performance Audit and Best Value Group, the forthcoming Re: Connect conferences, the Annual Audit Planning conference and the launch of the Best Companies survey. She also highlighted forthcoming reports on the creation of Police Scotland and on hospital waiting times.

Following discussion, the Board welcomed the update.

18. Chair of the Accounts Commission's Report

The Chair of the Accounts Commission gave a verbal update on his and the Accounts Commission's activities since the previous meeting. He provided the Board with an update on the delay to appointing his successor and indicated that he would be remaining in post for at least another month.

Following discussion, the Board welcomed the update.

19. Any Other Business

The Chair, although noting that there was now some doubt about the actual retirement date of the Chair of the Accounts Commission, paid tribute to the work of the Chair of the Accounts Commission as a member of the Audit Scotland Board on what would have been his last meeting. The Chair in particular welcomed the support that he had received personally from the Chair of the Accounts Commission when he had first joined Audit Scotland's Board, and the helpful, professional and detailed contributions that the Chair of the Accounts Commission had made to the Audit Committee and to the Board. The Chair noted the dedication to public service that was always in evidence by the Chair of the Accounts Commission and the Board joined the Chair in thanking him for his service to Audit Scotland and wishing him a happy and enjoyable retirement. The Board then presented the Chair of the Accounts Commission with a Quaich on behalf of Audit Scotland.

The Chair of the Accounts Commission thanked the Chair and the Board for their kind and generous comments.

20. Date of the next meeting

It was noted that the next Audit Scotland Board meeting would be held on **Thursday, 21 November** in the offices of Audit Scotland, 8 Nelson Mandela Place, Glasgow [TBC], following the conclusion of the meeting of the Remuneration and HR Committee.

Minutes of Meeting of **Audit Scotland** held on 21 November 2013 in the offices of Audit Scotland, 8 Nelson Mandela Place, Glasgow at the conclusion of the Remuneration and HR Committee meeting

PRESENT: R Cleland (Chair)
J Baillie
J Maclean
K Bryan
C Gardner

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
D Hanlon, Corporate Finance Manager
I Metcalfe, Corporate Performance Officer
C Calder, Senior Manager, Performance Audit and Best Value
F Kordiak, Director of Audit Services
F McKinlay, Director of Performance Audit and Best Value
L Bradley, Director of Corporate Programmes and Performance
C Sweeney, Senior Manager, Performance Audit and Best Value
G Woolman, Assistant Director of Audit Services

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Chair's Report
4.	Minutes
5.	Matters arising from Minutes
6.	Minutes of the Audit Committee dated 24 October 2013
7.	Taxation Update
8.	Financial Performance Report – Quarter 2
9.	Corporate Performance Report – Quarter 2
10.	Corporate Priorities 2014
11.	Expectations of Audit
12.	Streamlining the Audit
13.	PABV Update
14.	Measuring Impact
15.	Mid Staffordshire NHS Inquiry
16.	Parliamentary Commission on Banking Standards
17.	Accountable Officer's Report
18.	Accounts Commission's Chair's Report
19.	AOB
20.	Date of next meeting

1. **Apologies**

There were no apologies received.

2. **Declarations of Interest**

There were no declarations of interest.

3. **Chair's Report**

The Chair reported on his activity since the previous meeting, including attending Re:connect events on 18 November 2013, and interviewing on 20 November 2013 for a co-opted member for the Audit Committee. The Chair commented on the lively discussions he had observed during the Re: connect events and on the quality of the professionalism of the content and materials. In addition to those meetings, the Chair and the Auditor General had held several conversations during the month.

4. **Minutes of the meeting dated 24 October 2013**

The minutes of the meeting dated 24 October 2013, which had been previously circulated, were approved as an accurate record.

5. **Matters arising from the minutes of the meeting on 24 October 2013**

• **Item 8 – Records Management Plan**

The Chief Operating Officer confirmed that the records management plan had been submitted to the Keeper of the Records by the deadline of **4 November 2013**. She advised that the plan had been recommended for approval to the Keeper of the Records, subject to minor revision.

• **Item 11 – Co-Option to Sub-Committees of the Audit Scotland Board**

The Board noted that the agreed actions had been undertaken and the Chair of the Board reported back on panel interviews which had been held on 20 November 2013 with two applicants. The Chair advised the Board that the panel had agreed a preferred candidate, and that he would confirm the outcome of the process once he had approached the preferred candidate.

• **Item 12 – 2014/15, 2013/14 ABR & Taxation Update**

This was covered under **Item 7**.

• **Item 14 – Constitutional Change and Audit**

The Board noted that the Assistant Auditor General would prepare further briefings on the implications of constitutional change at relevant intervals.

• **Item 14 – Knowledge Management Project Update**

The Board noted that an update on knowledge management would be scheduled for April 2014.

6. **Minutes of the Audit Committee dated 24 October 2013**

The Board noted the Audit Committee minutes dated 24 October 2013.

7. Taxation Update

David Hanlon, Finance Manager, joined the meeting.

The Assistant Auditor General provided a progress report on engagement with HMRC to resolve the dispute on VAT and outlined initial advice provided by the appointed adviser from Grant Thornton. The Finance Manager provided a verbal update on corporation tax negotiations and the planned appeal against the penalties levied, on the advice of the tax adviser.

The Board noted the update.

8. Financial Performance Report – Quarter 2

There was submitted a report by the Chief Operating Officer on the Financial Performance Report for Quarter 2, which had been previously circulated. The Finance Manager outlined the main results presented in the report and explained the underlying trends in financial performance. The Finance Manager also outlined the work underway on the end-of-year forecast, which would be discussed with Management Team on 3 December 2013.

Following discussion, the Board noted the financial results for the six months to September 2013.

9. Corporate Performance Report – Quarter 2

Lynn Bradley, Director of Corporate Programmes and Performance and Ian Metcalfe, Corporate Performance Officer joined the meeting.

There was submitted a report by the Chief Operating Officer on the Corporate Performance Report for Quarter 2, which had been previously circulated.

The Director of Corporate Programmes and Performance highlighted the new additions to the report, in particular, in assessing progress on the objective of delivering world class audits. The Board discussed options for independent assessment and benchmarking this objective. The Assistant Auditor General reported that the expectations of audit project included work to benchmark Audit Scotland against a number of international audit agencies, and that this would be reported to the Board in 2014.

Following discussion, the Board noted the report and performance against the strategic objectives.

Lynn Bradley, Director of Corporate Programmes and Performance; David Hanlon, Finance Manager and Ian Metcalfe, Corporate Performance Officer, left the meeting.

10. Corporate Plan 2012-15 – Priorities for 2014

The Chief Operating Officer introduced a report on the development of Corporate Priorities for 2014, which had previously been circulated. The Board were invited to note the development of the Corporate Plan priorities for 2014.

Following discussion, the Board noted the emerging themes and noted the Corporate Plan priorities for 2014 would be presented formally for approval at the Board meeting on 23 January 2014.

The Board also noted the longer-term plan to revise the corporate strategy following the completion of the expectations of audit project.

11. Expectations of Audit

Carol Calder, Senior Manager, Performance Audit and Best Value, joined the meeting.

There was submitted a presentation by the Assistant Auditor General to update the Board on Expectations of Audit, which had been previously circulated. The Senior Manager, Performance Audit and Best Value, presented further detail on the project to the Board.

The Board discussed progress to date and the work to be undertaken to understand the views and expectations of clients and stakeholders on the role of public audit. The Board also discussed the opportunities for benchmarking with other countries and the Assistant Auditor General outlined the research being undertaken in this area.

Following discussion about how the Board would contribute to the project, it was agreed that the Assistant Auditor General would lead a discussion with the Board at its meeting on 23 January 2014.

Action(s):

- **The Assistant Auditor General to facilitate a discussion with the Board on expectations of audit – January 2014.**

Carol Calder, Senior Manager, Performance Audit and Best Value, left the meeting.

12. Streamlining the Audit

Fiona Kordiak, Director, Audit Services and Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value, joined the meeting.

The Director of Audit Services introduced a report on the project to streamline the audit approach, which had been previously circulated.

The Director outlined the approach taken to involve staff in shaping the project and set out the project's key objectives. The Board discussed the approach to reviewing the project and it was agreed that the Director of Audit Services would report back to the Board during 2014 on the early impact.

Action(s):

- **The Director of Audit Services to report on the early impact of the streamlining audit project during 2014 (September 2014)**

13. PABV Update

There was submitted an update by the Controller of Audit and Director of Performance Audit and Best Value on the Creation of PABV, which had been previously circulated.

Following discussion, the Board noted the update and welcomed the progress that had been made in creating the new group alongside the pressures of delivering the work programme.

Fiona Kordiak, Director, Audit Services and Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value, left the meeting.

14. Measuring Impact

Lynn Bradley, Director of Corporate Programmes and Performance, joined the meeting.

There was submitted a report by the Director of Corporate Programmes and Performance, which had been previously circulated. The Director of Corporate Programmes and Performance provided an update on the actions being taken to strengthen and measure our impact over the next 18 months. She also tabled impact reports for the Board to consider further.

Following discussion, the Board welcomed the update and requested that during 2014, a summary of impact achieved be produced from existing data sources.

Action(s):

- **Director of Corporate Programmes and Performance to produce a summary of impact achieved. (June 2014)**

Lynn Bradley, Director of Corporate Programmes and Performance, left the meeting.

15. Mid Staffordshire NHS Inquiry

Claire Sweeney, Senior Manager, Performance Audit and Best Value and Gillian Woolman, Assistant Director, Audit Services, joined the meeting.

There was submitted a report by the Senior Manager of Performance Audit and Best Value on Audit Scotland's response to the *Report of the Mid Staffordshire NHS Foundation Trust Public Inquiry*, which had been previously circulated.

The Board noted the action plan for Audit Scotland and the on-going work programme.

Following discussion, the Board agreed that a further update should be provided once the forthcoming report on Vale of Leven hospital had been considered

Action(s):

- **Senior Manager, Performance Audit and Best Value to update the Board on implications of the Mid Staffordshire Inquiry. (May 2014)**

16. Parliamentary Commission on Banking Standards

There was submitted a report by the Assistant Director, Audit Services on the impact of the *Parliamentary Commission on Banking Standards*, which had been previously circulated.

The Board were invited to note the issues for consideration and proposed actions.

Following discussion, the Board welcomed the report and noted the actions underway.

Claire Sweeney, Senior Manager, Performance Audit and Best Value and Gillian Woolman, Assistant Director, Audit Services left the meeting.

17. Accountable Officer's report

The Accountable Officer gave an update on her recent and forthcoming activities, and outlined the range of events in which she was involved with colleagues across the business, including Re:connect, the Annual Audit Planning Day and team in Aberdeen and Inverness. She discussed recent meetings with the Public Audit Committee and highlighted her attendance at International Ethical Standards Board for Accountants in New York on 5 – 9 December 2013.

Following discussion, the Board welcomed the update.

18. Chair of the Accounts Commission's Report

The Chair of the Accounts Commission gave a verbal update on his and the Accounts Commission's activities since the previous meeting. He advised the Board that his successor would be attending Board meetings from January 2014.

Following discussion, the Board welcomed the update and thanked John again for his contribution to the Board and to Audit Scotland.

19. Any Other Business

The Chair of the Remuneration Committee requested that the Board approve the annual report on the performance of the Remuneration & Human Resources Committee and the minutes of the May 2013 meeting, as discussed and agreed at the meeting of the Remuneration Committee which had taken place immediately prior to the Board meeting.

The Board approved the annual performance report and minutes of the May 2013 meeting of the Remuneration & Human Resources Committee.

20. Date of the next meeting

It was noted that the next Audit Scotland Board meeting would be held on **Thursday, 23 January 2014** in the offices of Audit Scotland, 110 George Street, Edinburgh, at the conclusion of the meeting of the Audit Committee.