

Minutes of Meeting of **Audit Scotland** held on 24
March 2016 in the offices of Audit Scotland at
102 West Port, Edinburgh

PRESENT: I Leitch (Chair)
C Gardner
H Logan
D Sinclair
R Griggs

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
D Hanlon, Corporate Finance Manager
J Gillies, Communications Manager
B Stoddart, Graphic Designer
M Taylor, Assistant Director, Audit Services Group
M Walker, Assistant Director, Corporate Performance and Risk

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Chair's Report
4.	Accountable Officer's Report
5.	Accounts Commission Chair's Report
6.	Minutes of the meeting dated 26 February 2016
7.	Minutes of the Audit Committee meeting dated 3 December 2015
8.	Minutes of the Remuneration and Human Resources Committee meeting dated 29 October 2015
9.	Review of the Actions Tracker
10.	Audit Scotland Budget 2016/17
11.	Audit Scotland Annual Report and Accounts
12.	Securing World Class Audit (a) Funding and Fees – Fee Setting Policies (b) New Financial Powers Update
13.	Openness and Transparency: Publication of Board Papers
14.	Evaluation of Board Effectiveness
15.	Discussion on Standing Orders
16.	AOB
17.	Date of next meeting

1. Apologies

There were no apologies.

2. Declarations of Interest

Ian Leitch declared his membership of the Scottish Legal Complaints Commission. Heather Logan declared her membership of the Audit and Advisory Committee of the Scottish Public Services Ombudsman (SPSO).

3. Chair's Report

Ian Leitch advised that he had held regular meetings with Diane McGiffen, Chief Operating Officer, and Martin Walker, Assistant Director Corporate Performance and Risk, to discuss Board matters and discussions with Russell Frith on the progress of work on fees and funding. The Chair congratulated Caroline Gardner on her election as a Fellow to the Royal Society of Edinburgh.

4. Accountable Officer's Report

Caroline Gardner provided an update on her activity since the previous board meeting, including the conclusion of work in advance of the dissolution of the fourth session of the Scottish Parliament. She advised of evidence sessions with the Public Audit Committee on the Community Planning: an update report and on the Changing Models of Health and Social Care report, and the recent publication of Section 22 reports on Further Education colleges. Caroline reported on the work now beginning to prepare for the next session of the Scottish Parliament, and on recent discussions with Scottish Parliament officials on Audit Scotland's role in supporting the orientation process for new MSPs. Caroline also advised that the moratorium on publications for both the Scottish parliamentary elections and the European Union referendum had a significant impact on what was possible before the end of June, but that the report on Common Agriculture Policy Futures Programme: an Update report would be published on 16 May 2016.

5. Accounts Commission Chair's Report

Douglas Sinclair provided an update on the work of the Accounts Commission since the previous meeting of the Board. He advised that the Commission's annual Local Government Overview report had been published and received considerable coverage in the media, and on the outcome of the recent Accounts Commission Strategy Seminar and the discussions held.

6. Minutes of the meeting dated 26 February 2016

The Board considered the note of the meeting of Board members on 26 February 2016, which had been previously circulated. The Board members confirmed the note was an accurate record of the meeting.

The Chair advised that, as previously raised, a discussion on the question of the quorum would be considered in conjunction with item 15.

7. Minutes of the Audit Committee meeting dated 3 December 2015

The Board considered the note of the meeting of the Audit Committee 3 December 2015.

8. Minutes of the Remuneration and Human Resources meeting dated 29 October 2015

The Board considered the note of the Remuneration and Human Resources meeting of 29 October 2015, which had been previously circulated.

9. Review of the Actions Tracker

The members noted the update provided by the Action Tracker, which had been previously circulated.

The Chair advised that a discussion on the question of the quorum would be considered in conjunction with item 15.

It was agreed that action was concluded on item 6 on Ethical Standards.

10. Audit Scotland Budget 2016/17

David Hanlon, Corporate Finance Manager, joined the meeting.

David Hanlon, Corporate Finance Manager, introduced the Audit Scotland Budget 2016/17 report, which had been previously circulated.

David invited members to consider and approve the proposed budget for 2016/16 which was based on that approved by the Scottish Commission for Public Audit (SCPA) on 29 January 2016 and included in the 2016/17 Scottish Budget Bill which was approved by Parliament on 24 February 2016.

Members noted the proposed budget and discussed the proposed increase in service charges, the terms of the lease at West Port and the action taken to negotiate a more favourable position with the landlords. Members also discussed the outline plans for modest investment in the Glasgow office to make better use of the available space and to consider the incorporation of a shower to support more active colleagues who cycle and exercise.

Following discussion, members approved the budget.

David Hanlon, Corporate Finance Manager, left the meeting.

11. Audit Scotland Annual Report and Accounts

James Gillies, Communications Manager, and Bruce Stoddart, Graphic Designer, joined the meeting.

James Gillies introduced the Audit Scotland Annual Report and Accounts report, a copy of which had been previously circulated. Bruce Stoddart provided a demonstration of the Audit Scotland Annual Report and Accounts which provided an outline of the format and proposed content, following which members were invited to comment.

Members welcomed the opportunity to comment on the proposed outline, provided feedback on the proposed design and noted that a final version would be presented to their meeting in June 2016.

Action:

- **The Communications Manager will report on Audit Scotland Annual Report and Accounts. (June 2016)**

James Gillies, Communications Manager, and Bruce Stoddart, Graphic Designer, left the meeting.

12. Securing World Class Audit

(a) Funding and Fees – Fee Setting Policies

Russell Frith, Assistant Auditor General, introduced the report on Funding and Fees – Fee Setting Policies, a copy of which had been previously circulated.

Russell invited members to consider the detailed policies to be adopted for the setting of fees from 2016/17 and agree the basis for apportionment of costs in setting fees.

Member considered the proposals and requested further detail on the proposed approach to consultation on fees with clients and stakeholders.

Following discussion, members agreed the basis for the apportionment of costs in setting fees, subject to reviewing the outcomes of the proposals in practice. The Board also noted the work underway to confirm the impact on fees of the proposed policies, the discounts offered by firms and the review of auditor remuneration at individual body level and that a report on the overall likely impact will be brought to the Board at its meeting in May together with a draft consultation paper.

Action:

- **The Assistant Auditor General will report on the impact of the proposed policies and bring a draft consultation paper to the next meeting of the Board. (May 2016)**

(b) New Financial Powers Update

Mark Taylor, Assistant Director, Audit Services Group, joined the meeting.

Mark Taylor, Assistant Director, Audit Services Group, introduced the New Financial Powers Update report, which had been previously circulated.

Mark invited members to note the key developments surrounding further financial devolution, including Audit Scotland's organisational arrangements in this area. There was considerable discussion of the impact of the new financial powers and the risks and opportunities that they present to the Scottish Government, the Scottish Parliament and to audit work.

Members welcomed the update and discussed their role in overseeing how Audit Scotland is able to respond to the new financial powers, noting the proposal for the team to bring six monthly briefings to the Board, and further briefings where necessary. The Chair thanked Mark for his comprehensive update.

Action:

- **The Assistant Director, Audit Services Group, will provide an update on the New Financial Powers. (September 2016)**

Mark Taylor, Assistant Director, Audit Services Group, left the meeting.

13. Openness and Transparency: Publication of Board Papers

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the report on Openness and Transparency: Publication of Board Papers, a copy of which had been previously circulated. Martin invited members to consider and agree the categories and criteria to inform the decision on public/private papers and the supporting guidance and administrative arrangements to achieve increased openness and transparency around the conduct of Board business.

During detailed discussion, members considered the proposed criteria and process to determine public and private papers, the process of publication and the supporting administrative arrangements.

Members welcomed the report and agreed to implement the new arrangements with effect from the papers for the May 2016 meeting. Members also agreed that the effectiveness of the arrangements should be reviewed after six months.

Actions:

- **The Assistant Director, Corporate Performance and Risk to issue the operational guidance for the publication of Board papers prior to the next meeting of the Board. (April 2016)**
- **The Chief Operating Officer to schedule a future agenda item to review the arrangements. (December 2016)**

14. Evaluation of Board Effectiveness

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the report on Evaluation of Board Business, which had been previously circulated. The Chief Operating Officer advised the Board that the questionnaire should be considered in the context of setting up a facilitated session for the Board to consider how it works and its priorities, and that, with the agreement of the Board a date would be set for late May or June 2016. Members agreed that such a session would be useful, and that the questionnaire could help to inform the focus for that event.

There was discussion on the existing review arrangements in place to assess the performance of Board members and the Chair of the Board.

Members considered the proposed process, timeline and agreed the self evaluation process for 2015/16. Members noted that the self evaluation questionnaire could be further refined to better reflect the operating environment and role of the Audit Scotland Board.

Actions:

- **The Chief Operating Officer to identify potential dates and develop options for the facilitated session. (May 2016)**
- **The Assistant Director, Corporate Performance and Risk to refine the self evaluation questionnaire. (May 2016)**

15. Discussion on Standing Orders

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the report on Discussion on Standing Orders, a copy of which had been previously circulated. Martin invited members to discuss the options for changes to Standing Orders in light of recent discussions and reports.

The Chair advised that he wished to undertake further discussion with the Auditor General for Scotland and the Chair of the Accounts Commission for Scotland on the quorum arrangements for meetings and that the item therefore be deferred.

- **The Chief Operating Officer to schedule a future agenda item following the further discussions noted above. (May 2016)**

16. AOB

a) The Board noted the publication of the Public Audit Committee legacy paper which contains several references to Audit Scotland.

- **The Chief Operating Officer to circulate a copy of the PAC legacy paper to Board members. (April 2016)**

b) The Chief Operating Officer provided an update on the arrangements for the opening of the West Port office after the meeting of the Board.

17. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting had been scheduled for **3 May 2016** in the offices of Audit Scotland, 102 West Port, Edinburgh. Russel Griggs advised that he would be able to attend meetings in the morning of 3 May, but would have to leave at lunchtime.