

Minutes of Meeting of **Audit Scotland** held on 15
September 2016 in the offices of Audit Scotland at
102 West Port, Edinburgh

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

APOLOGIES: R Griggs

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
M Walker, Assistant Director, Corporate Performance and Risk
D Hanlon, Corporate Finance Manager
J Webber, Senior Executive Assistant

<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 18 August 2016
7.	Review of the Actions Tracker
8.	Review of Information Governance Policies
9.	New Financial Powers Update
10.	Securing World Class Audit: Audit Procurement – Post Tender Review
11.	Securing World Class Audit: Budget Proposal 2017/18 and Fee Strategy 2016/17
12.	Publication of Board Papers
13.	AOB
14.	Review of meeting
15.	Date of next meeting

1. Apologies

The members noted Russel Griggs apologies for today's meeting.

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, since the previous meeting of the Board, he had held regular meetings with Caroline Gardner, Auditor General for Scotland and Diane McGiffen, Chief Operating Officer, and that he had met with Russell Frith prior to this morning's meeting to discuss the papers scheduled for discussion at item 11.

4. Accountable Officer's Report

Caroline Gardner provided an update on her activity since the previous board meeting. She advised that work continued to develop our support and engagement with the Scottish Parliament, and of her recent meetings with the new Cabinet Secretary for Finance and a number of MSPs.

Caroline advised of her recent speaking commitments, notably at the Holyrood Summer School on 19 August, the University of Strathclyde conference on 12 September, the Fraser of Allandar Institute budget discussion on 13 September and that evening's EY Dinner.

She informed the Board on the work underway to conclude this year's audits and looking ahead to the quality reviews which were due to commence in October alongside the new appointments. The Board noted that an update will be shared with them at their meeting in December 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 he had attended to the Scottish Parliament's Local Government and Communities Committee to give evidence on the Local Government Overview report 2016.

He also advised that the Social Work in Scotland report would be published on 22 September and highlighted some of the main issues covered by the report.

6. Minutes of the meeting dated 18 August 2016

The Board considered the note of the meeting of the Board on 18 August 2016, which had been previously circulated, and confirmed the note was an accurate record of the meeting, subject to correcting the spelling of Kevin Stewart's surname at item 5.

With regard to the action for Russell Frith under item 10, Heather Logan requested more detail in the report around recovery and how this will be maintained when this comes to the Board in December 2016.

7. Review of the Actions Tracker

An updated version of the Action Tracker was tabled, which had been further revised. The members noted the update provided by the Action Tracker.

8. Review of Information Governance Policies

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the report on the Review of Information Governance Policies, which had been previously circulated.

The Board was invited to note the review and reapprove the policies for Data Protection, Freedom of Information and Records Management for a further year.

The Board considered and duly approved the policies for a further year.

9. 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, a copy of which had been previously circulated.

Mark invited members to note the update on key developments surrounding further financial devolution, including Audit Scotland's organisational arrangements in this area.

Heather Logan sought clarification on Audit Scotland's responsibilities as distinct from the Auditor General for Scotland's to respond to the consultation from the Joint Exchequer Committee in relation to the setting of robust auditing arrangements with respect to the fiscal framework and the Scotland Act 2016. Mark advised that while the timeline for this was not yet finalised we continued to engage with the Scottish Government regarding the developments, including concerns around resourcing, given the considerable scope of the new powers and the need for clarity around the impact this may have for the Auditor General and Audit Scotland.

Turning to internal resource, Mark advised members that the team will focus on the work programme which will identify any additional requirements.

The Chair thanked Mark for the update.

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

10. Securing World Class Audit: Audit Procurement - Post Tender Review

The Board noted the report on Audit Procurement – Post Tender Review, a copy of which had been previously circulated.

Russell Frith advised members that the Audit Strategy team involved were content with the procurement exercise. In response to Heather's query on the matter of conflicts arising, Russell advised the team would consider requesting details of conflicts earlier in the process in the next procurement round.

Caroline informed members that as a member of the interview panel, she felt the process had gone very well, recognising the valuable contribution of Fiona Daley in developing the thinking and providing assurance of the exercise.

The Board welcomed the report and, at the suggestion of Douglas Sinclair, Russell would approach the independent consultant, Fiona Daley, to invite her input to the review in light

of her involvement in the procurement exercise. The Board also noted the proposal to involve Fiona in the quality review work to be taken forward by Elaine Boyd, a report on which is scheduled to come to the Board in December 2016.

Action(s):

- **The Assistant Auditor General, to invite input from Fiona Daley on the procurement review process. (October 2016)**
- **The Assistant Director, Audit Strategy, to bring a report to the Board on the quality review work. (December 2016)**

11. Budget Proposal 2017/18 and Fee Strategy 2016/17

David Hanlon, Corporate Finance Manager, joined the meeting.

Diane McGiffen, Chief Operating Officer, advised the Board of her discussion with the new secretary for the SCPA, who had confirmed that Audit Scotland would not be required to submit a budget proposal this month due to the scheduling of the UK and Scottish budget process. Diane would advise members when written notification of the submission date is received.

Diane invited members to consider and approve the draft Budget Proposal 2017/18, which had been previously circulated.

The Chair commented he had shared a number of minor drafting points with Russell prior to this meeting and invited members to note the documents will be reviewed and refined by the communications team.

Following discussion, the Board approved the budget proposal.

Turning to the Fee Strategy 2016/17, Russell Frith introduced the report, which had been previously circulated.

Douglas Sinclair was interested to know how we were communicating with audited bodies around the new fee arrangements, particularly in light of those organisations which would see an increase in fees.

Caroline advised that with the delay to the submission of the budget and fee strategy our intention would be to advise audited bodies of their likely fees and provide them with the opportunity to respond.

The Chair highlighted the ability to apply a reduction in fee setting across a particular sector to allow a transition to the new fee strategy.

Following discussion, the Board approved the Fee Strategy 2016/17.

On behalf of the members, the Chair thanked Russell, David and their respective teams for their work on the submissions.

David Hanlon, Corporate Finance Manager, left the meeting.

12. Publication of reports

The Board approved all reports for publication with the following exception:

- Item 11 – Budget proposal 2017/18 and Fee Strategy 2016/17 (draft due for future publication).

Action(s):

- **The Assistant Director, Corporate Performance and Risk to arrange to publish the reports on the Audit Scotland website alongside the approved minute. (October 2016)**

13. Review of meeting

Diane McGiffen tabled a summary which provided a distillation of matters discussed at the Board development event held on 30 August 2016.

The Chair welcomed the clear summation, acknowledging the positive outcomes from the event.

Diane invited members to discuss the proposal of having separate dates for the Board and Committee meetings and following discussion the Board agreed to trial separate dates for a period of time and to keep this under review.

The members took the opportunity to reflect on the quality of reports and balance of support and challenge of discussions at today's meeting.

14. AOB

There was no further business.

15. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting had been scheduled for **27 October 2016** in the offices of Audit Scotland, 102 West Port, Edinburgh.