

Agenda

Wednesday 28 March 2018, 10.15am

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

1. Welcome and apologies
 2. Declarations of interest
 3. Decision on items to be taken in private For approval
-

Standing items

4. Chair's report – verbal update
 5. Accountable Officer's report – verbal update
 6. Accounts Commission Chair's report – verbal update
 7. Review of minutes: For approval
 - Board meeting, 28 February 2018
 - Audit Committee meeting, 15 November 2017
 8. Review of action tracker For information
-

Strategy and planning

9. Audit Scotland budget 2018/19 For approval
-

Business management

10. Any other business
 11. Review of meeting
 12. Date of next meeting: 2 May 2018
-

Items to be taken in private

13. Audit Scotland draft annual report and accounts For approval
[Item to be taken in private to support the effective conduct of business – information intended for future publication]
 14. Draft Corporate plan 2018-21 For approval
[Item to be taken in private to support the effective conduct of business – information intended for future publication]
 15. Internal audit services procurement For approval
[Item to be taken in private due to commercial sensitivity]
-

Wednesday 28 February 2018, 10.00

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

Present:

I Leitch (Chair)
C Gardner
G Sharp
H Logan (by telephone)
R Griggs (by telephone)

Apologies:

None

In attendance:

D McGiffen, Chief Operating Officer
M Walker, Assistant Director, Corporate Performance and Risk
S Dennis, Corporate Finance Manager (by telephone)
J Webber, Senior Executive Assistant

1. Welcome and apologies

The Chair welcomed members and attendees to the meeting of the Audit Scotland Board, the agenda and papers for which had been published on Audit Scotland's website on Monday 26 February 2018. Ian Leitch advised that because of the adverse weather Heather Logan and Russel Griggs were participating by telephone, as allowed for in the Standing Orders.

2. Declarations of interest

There were no declarations of interest.

3. Decision on items to be taken in private

The members agreed that there were no items of business to be taken in private.

4. Chair's report

Ian Leitch provided a verbal update on meetings with Diane McGiffen on general business matters.

The members welcomed the update.

5. Accountable Officer's report

Caroline Gardner advised the Board that following the evidence session to the Public Audit and Post Legislative Scrutiny (PAPLS) Committee session on the development of the Audit and Accountability Framework, the Committee were seeking views from the other parliamentary committees. Caroline also advised that she and the team were due to present the Early Learning and Childcare report to PAPLS on 8 March 2018 and invited the Board to note the media coverage of this joint report with the Accounts Commission.

Caroline informed the Board that Fiona Kordiak had chaired the first meeting of the new Quality Group and that the Appointments and Assurance Team were working towards the second in-

year Quality Report, together with the first annual report under the new Quality framework which will include the findings from the independent review of our work and that of the firms by ICAS.

Caroline advised the Board that she would be speaking at the CIPFA Conference Scotland on 23 March 2018 and invited them to note that Fraser McKinlay was speaking at the IMPACT 2018 Conference in Australia on 19 and 20 March 2018 on 'The future of performance audit in an increasingly devolved Scotland'. The conference brings international experts together to share insights on changing government landscapes and also provided a good opportunity for Fraser to meet with the Heads of Audit at the New South Wales Audit Office.

The Board discussed international engagement and Diane McGiffen advised Antony Clark, who leads Audit Scotland's international strategy, would be attending the first meeting at the Auditors Alliance in Paris on 26 March 2018.

Following discussion, the Board welcomed the update.

6. Accounts Commission Chair's report

Graham Sharp advised the Board that the Accounts Commission approved the Annual Assurance and Risks report at their meeting on 8 February 2018 and were currently organising a series of engagement events with Councils in June 2018.

Graham advised that consultation on the work programme had concluded and the March Accounts Commission meeting would consider the proposed programme of work, the Local Government Overview report and two statutory reports on local authorities.

Graham welcomed the joint report with the Auditor General for Scotland on Early Learning and Childcare.

The Chair of the Accounts Commission advised of forthcoming meetings with the Standards Commission and Best Value meetings with Falkirk Council and Clackmannanshire Council and of the Commission's Strategy Seminar which was taking place on 13 and 14 March 2018.

The members noted the work programme would come to the Board for information once it had been approved by the Auditor General for Scotland and the Accounts Commission.

The Board welcomed the update.

7. Review of minutes

The Board considered the minutes of the Board meeting on 31 January 2018, which had been previously circulated, and agreed these were an accurate record of the meeting.

8. Review of actions tracker

The Board noted the updates provided by the action tracker.

9. Q3 Finance performance report 2017/18

Stuart Dennis, Corporate Finance Manager, joined the meeting by conference call.

Stuart Dennis, Corporate Finance Manager, introduced the Q3 Financial performance report 2017/18, which had been previously circulated.

Stuart invited the Board to consider the financial results for the 9 months to December 2017.

Heather Logan noted the report was coming to the Board in advance of it being considered by the Audit Committee because of the timing of the meetings and sought and received further clarification on the presentation of income in the report, the level of staff and agency staff and secondments in the quarter and how that compared to the annual budget, and on levels of fee income.

Stuart advised the Board on the presentation of income in the report and that the income for PABV forms part of the pooled central charges that, the increased staff costs are offset from additional audit work the fees for which are agreed with audited bodies. Stuart also advised that work was underway with the Appointments and Assurance Team to analyse where fees were above indicative levels and details of audit fees by the in-house team and audit firms forms part of our annual report and accounts which will be reported in June 2018.

Diane McGiffen and Heather Logan agreed to discuss further the refinement of quarterly reporting.

Following discussion, the Board welcomed the report.

Stuart Dennis, Corporate Finance Manager, left the meeting

10. Q3 Corporate performance report 2017/18

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the Q3 Corporate performance report 2017/18, which had been previously circulated.

Martin invited the Board to note the strong performance of Audit Scotland's strategic objectives in the quarter and to the year to date.

Graham Sharp asked how issues arising are monitored and how emerging themes across sectors are monitored and discussed.

Martin advised the Board of the corporate review process which includes assessing data, trends and emerging issues by the Performance and Risk Management Group, review by the Assistant Director, Corporate Performance and Risk, and formal consideration by Management Team. Diane McGiffen also invited the Board to note there were additional regular updates by way of weekly correspondence updates, monthly reporting on Parliamentary engagement and media coverage and where any concerns were raised by audited bodies to the Appointments and Assurance team these are investigated and escalated as appropriate to the Auditor General for Scotland and the Controller of Audit on behalf of the Accounts Commission.

Following discussion, the Board welcomed the assurance around the review and monitoring arrangements.

11. Q3 Becoming world class improvement programme report 2017/18

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the Q3 Becoming world class improvement programme report 2017/18 which had previously been circulated.

Martin invited the Board to note the overall good progress reported on each of the workstreams highlighting the budget approval from the SCPA to support the additional work on new financial powers, the external quality review work underway by ICAS, the first tranche of Career Development Gateways (CDG) which are now open for colleagues, the rolling five year work programme and parliamentary engagement.

The Board recognised the importance of balance and independence in Audit Scotland's external engagement and welcomed the initial feedback that the CDG process was going well.

Following discussion, the Board welcomed the report.

12. Any other business

There was no further business.

13. Review of meeting

The members recognised the constraints of some members having to join by conference call and agreed the meeting had been conducted effectively. The Chair thanked everyone for their contribution.

14. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting was scheduled for 10.00am on Wednesday 28 March 2018 in the offices of Audit Scotland, 102 West Port, Edinburgh

Audit Committee Meeting

Wednesday 15 November 2017, 10.00am

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

Present:

H Logan (Chair)
G Sharp
R Griggs (joined the meeting from 10.40am)

In attendance:

C Gardner, Auditor General for Scotland
I Leitch, Chair of the Audit Scotland Board
D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
M Walker, Assistant Director, Corporate Performance and Risk
S Dennis, Corporate Finance Manager
A Devlin, Corporate Governance Manager
E Boyd, Assistant Director
J Gilchrist, Manager
C Robertson, BDO
A O'Donnell, BDO
J So, Alexander Sloan

1. Private meeting

A private meeting was held with BDO, the internal auditors, and Alexander Sloan, external auditors prior to the start of the meeting.

There were no issues raised from the private meeting.

2. Welcome and apologies

The Chair of the Audit Committee welcomed Graham Sharp, Chair of the Accounts Commission to his first meeting of Audit Scotland's Audit Committee, and thanked Ronnie Hinds for his time and commitment to the Audit Committee's work as interim Chair of the Accounts Commission.

There were no apologies.

3. Declarations of interest

There were no declarations of interest.

4. Minutes of meeting 13 September 2017

The Audit Committee members reviewed the minutes of the meeting of 13 September 2017, which had previously been circulated.

The minutes were approved as an accurate record of the meeting.

5. Review of actions tracker

The Audit Committee members reviewed the outstanding actions on the actions tracker. Updates were given by Audit Scotland's officers on:

35AC: An update would be provided to the members on discussions with SCPA about external audit at the end of the meeting.

41AC: The members noted progress on the revised TOR for the Management Team. The Chair asked if the definition of the constitution of the Management Team would be included in the update. The Chief Operating Officer informed the members that it would.

41AC continued: The Chief Operating Officer to revise the Management Team TOR. (January 2018)

43AC: To be covered at item six on today's agenda.

45AC: Completed, the audit quality framework was approved by the Board at its meeting on 25 October 2017.

46AC and 47AC: Completed and will be reported at item 13 on today's agenda.

48AC: Completed, the policies were approved by the Board at its meeting on 25 October 2017.

49AC: The Assistant Director, Corporate Performance and Risk, updated the members on the lack of a technical solution to quantify any losses for files and records management as many files were correctly deleted in accordance with the policy. The members were advised that the Knowledge, Information and Technology Governance Group (KITGG) were keeping a close watching brief on this issue.

The members welcomed and noted the update.

6. Audit Committee terms of reference

The Chair invited comments from members on the report submitted by the Corporate Governance Manager, which had been previously circulated.

The Chair of the Audit Committee informed the members that the role of the Committee in monitoring external audit would be covered at the end of the meeting.

The members approved the inclusion of audit quality within its Terms of Reference.

7. Internal audit progress report

Claire Robertson, BDO, submitted the internal audit progress report, which had been previously distributed. Claire informed the members that progress against the plan was on schedule and invited any questions or comments.

The Chair asked about the scope to the IT General Controls audit. Andrew O'Donnell outlined the scope of the audit and what areas the auditor would look at during the work. The Chair asked if the scope had been distributed to the members in advance of the audit; it was confirmed that it had, along with the TOR for the core financial controls audit. The Assistant Director, Corporate Performance and Risk informed the members that Digital service provision for the Accounts Commission was being covered in separate discussions between the Digital Services Manager and Commission members.

The members noted the report.

8. Internal audit reports

Claire Robertson, BDO submitted the internal audit reports on procurement and contract management and audit efficiency, which had been previously distributed.

Procurement and contract management

Andrew O'Donnell, BDO provided an overview of the good practice points and key findings as well as the audit outcome of substantial assurance for design and reasonable assurance for operational effectiveness.

The Chair invited comments and questions on the report from the members.

The Chair of the Board asked about the draft procurement strategy. He was informed that the strategy is required for tenders over £5 million and that good progress was being made on it in advance of its requirement for the next procurement of external auditors in a few years time.

The Chair of the Audit Committee asked why a central register of contracts and central repository for procurement documentation would take until January to implement. The Chief Operating Officer informed the Chair that it had taken time setting up systems to meet the 2014 procurement act, that we have a central register for regulated contracts, and this was available on the Scottish Governments procurement portal. The members were informed that the time needed was for non-regulated contracts and that this was being progressed.

The Chair asked about the statement in the report on the potential for spend with major suppliers which may require more formal competition and whether this is a cause for concern with internal audit. Claire Robertson, BDO informed the members that Audit Scotland's processes were satisfactory and that they had no cause for concern regarding this issue.

Audit efficiency

Andrew O'Donnell, BDO gave an overview of the good practice points and key findings as well as the audit outcome of substantial assurance for both design and operational effectiveness.

Russel Griggs joined the meeting at 10.40 via video link for Audit Scotland's Glasgow office.

The Chair of the Audit Committee asked the member if he had any declarations of interest to declare. Russel replied that there were none. He also had no comment to make on the minutes of the previous meeting.

The Chair invited comments and questions on the report from the members.

A discussion took place on the following points:

- Whether having two systems for recording time to audit work would potentially cause difficulty during reporting. Claire Robertson advised that it would be more efficient to have one time recording system. The Chief Operating Officer advised the members that work continued on this with the aim of having one system.
- Was MKI used by PABV staff working on ASG financial audit work. The members were informed that MKI was not always used by PABV staff who predominantly use the CentralTime system. Time recording information was therefore collated from the two systems. The Auditor General added that MKI was the principal tool for informing the fee setting.
- Time spent on training and corporate work and the need to review whether the balance between audit work and non-audit work was appropriate. The members were informed that a project was underway to review how staff spend their time and that this would be reported at a future date.
- ASG staff not completing timesheets expeditiously and whether that affected charging and payment phasing. The Chief Operating Officer outlined the process used by ASG managers to ensure that timesheets are done timeously. The members were also informed that as the charges consisted of three phased payments that late timesheet completion did not impact on charging.

The members noted the two internal audit reports.

9. Update on internal audit recommendations

The Corporate Governance Manager submitted a progress report on internal audit recommendations, which had been previously distributed.

The Chair noted that the implementation of the business performance management recommendation regarding a performance management system was originally 31 December 2016. The Assistant Director, Corporate Performance and Risk explained that due to work pressures it had taken longer than envisaged but that external consultants had been engaged on the project and that a report on the framework and an options appraisal on technical solutions would be received by the end of December.

The Chair asked if the report/conclusions would be brought to the Audit Committee/Board. The Chair was informed that the options presented and the financial implications of those would inform the appropriate route for reporting.

The members noted the progress on outstanding internal audit recommendations.

10. Internal audit procurement 2018

The Chair of the Audit Committee noted that the internal auditors would have a potential conflict of interest if present for this item. It was agreed it would be considered at the end of the meeting to minimise disruption.

11. Audit quality – first report 2017/18

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

There was submitted a report on audit quality by the Assistant Director, Appointments and Assurance Team, which was previously circulated.

Elaine Boyd, Assistant Director, Appointments and Assurance Team introduced the first audit quality report for 2017/18 by highlighting the main points in the report. The members were also informed that she believed the quality reports would evolve over time.

The Chair of the Audit Committee welcomed the report and invited comments and questions from the members.

Graham Sharp, Chair of the Accounts Commission informed the members that the Accounts Commission was happy with the new framework and that there would be a section on audit quality in its annual report. Graham asked that the assurance team liaise with the Secretary to the Accounts Commission on future audit quality reports so that any issues could be picked up and addressed as appropriate in advance of the reports going to the Accounts Commission's Committees.

A discussion took place which included the following points:

- The structuring of issues raised in the report on the basis of priority and risk.
- Whether reducing the audit scope resulted in a reduction in the audit fee and how the smaller body provisions would be applied when setting the fees for 2017/18 audits. The members were informed that the audit plans would inform where the smaller body provisions would be applied.
- For firms, the fact that the FRC combined scores in public reports and whether a more detailed breakdown was available. The members were advised that we would approach the FRC on this. The Chair also asked whether we had sought assurances from Firms with scores which indicated improvement was required. In one case discussions had taken place around the action being taken by the Firm. The members were advised that

in another case the scores in question were from a 2013 report and that a new report would be available in December 2017.

- The lack of wider dimensions reporting on the public audit risks in five NHS boards and most FE colleges. The Chief Operating Officer informed the members about the sector wide meetings for raising issues and ensuring consistency going forward.
- The refusal of one request to carry out non-audit services and whether this raised concerns over the firm's judgement.

The Auditor General commented that the first audit quality report indicates good progress has been made in this important area of our work and the Chair and members endorsed that view.

The members noted the report.

Action: 51AC: Assistant Director, Appointments and Assurance Team to ask the FRC for access to more detailed scoring for elements 1 and 2A. (March 2018)

Elaine Boyd and John Gilchrist left the meeting.

12. Q2 financial performance report

There was submitted a report by the Corporate Finance Manager, on the Q2 financial performance report, which had previously been circulated.

The Corporate Finance Manager gave a short introduction to the main points of the report before taking questions.

The Chair asked whether the price variances noted indicated an underlying issue within the audited bodies that should be considered further. The Accountable Officer pointed out that the variances totalled less than one percent of the fees and would have no adverse effect on the strategy of lowering audit fees. Moreover, the price variances reflected increases in audit scope as a result of known issues so there was currently no cause for concern about rising trends.

The members noted the report.

13. Review of risk register

There was submitted a report by the Assistant Director, Corporate Performance and Risk, on the review of Audit Scotland's risk register, which had been previously circulated.

The Assistant Director, Corporate Performance and Risk, introduced the report by informing the members that there were no substantial changes since Management Team reviewed the register at the end of October.

The Chair asked whether compliance with the assurance maps should be brought in to the register as a cross cutting risk. The members were informed that this had been discussed at Management Team and its view was that the assurance framework was covered through the extensive annual assurance process and therefore does not need to be brought into the register as a strategic risk.

A discussion took place around Brexit and whether the risk register's amber rating was appropriate. The Chief Operating Officer informed the members that a report would be coming to the Board on 29 November on constitutional change and the actions being taken around this.

The Chair discussed the risks within the Digital Services Team and the reply received in the pre meeting note. The Chair asked Audit Scotland to consider when a potential single point of failure within the small Digital Services Team might become a strategic risk.

The Audit Committee noted the report.

14. Risk interrogation – failure of impact and influence

There was submitted a report by the Assistant Director, Corporate Performance and Risk, on the risk interrogation – failure of impact and influence, which had been previously circulated.

Russel Griggs noted that impact and influence will change over time due to the issues arising from the audit work. The Chief Operating Officer informed the members that a review of strategic engagement, including impact and influence will commence next year and this would include feedback from key stakeholders.

The Chair welcomed the examples of impact in the annexes to the report.

The Audit Committee noted the report.

15. Risk interrogation – 2018 schedule

There was submitted a report by the Assistant Director, Corporate Performance and Risk, on the risk interrogation – 2018 schedule, which had been previously circulated.

The Assistant Director, Corporate Performance and Risk introduced the paper and advised the members that the suggested interrogations were based on the current level of risk, the time since the last interrogation and the extent to which risks were being considered as part of other review and improvement work. The members were also advised that proposed risk interrogations could change depending on emerging issues and risks.

The members welcomed the report and approved the schedule of risk interrogations for 2018.

16. Business continuity arrangements – annual review 2017

The Corporate Governance Manager submitted a report on the annual review of Audit Scotland's business continuity arrangements, which had been previously circulated.

The Chair welcomed the report and commented that the arrangements were very comprehensive. The Chair invited comments from the other members.

Russel Griggs asked whether a 'blind' penetration test should be arranged, independent of the Digital Services Management Team. The Assistant Director, Corporate Performance and Risk, informed the member that penetration testing was currently undertaken under the direction of the Digital Services Manager, but that an alternative arrangement would be considered. The Chief Operating Officer noted that extensive security arrangements were in place and that systems were the subject of real penetration threats on an ongoing basis.

The Chair of the Audit Committee suggested that this could be revisited in 2018 after the Digital Services team implement all the changes and enhancements that were currently underway to increase security and resilience as part of the Digital Services Strategy agreed by the Board at its meeting on 25 October 2017.

Action: 52AC: Assistant Director, Corporate Performance and Risk to review the arrangements for penetration testing. (March 2018)

17. Review of the external auditor's independence and objectivity

There was submitted a report by the Assistant Director, Corporate Performance and Risk, on the review of the external auditor's independence and objectivity, which had been previously circulated.

The members noted the report.

18. Standing orders – update

There was submitted a report by the Corporate Governance Manager, on an update to Audit Scotland's Standing Orders, which had been previously circulated.

The Chair of the Audit Committee invited comments from the members and those in attendance on the changes. The Chair of the Board advised that the Standing Orders should include more detail on the approval of the agenda prior to publication including the items likely to be taken in private. A discussion took place on the process for deciding on papers and reports to be taken on public or in private.

Russel Griggs sought clarification from the members regarding a review of the Board meeting in public. The Board members agreed to review the arrangements after six months and noted that the Standing Orders could be amended at any point as required by the Board.

The Members agreed to recommend the Board approve the Standing Orders at its next meeting on 29 November 2017 subject to the amendment discussed.

**Action: 53AC: The Corporate Governance Manager to amend the Standing Orders.
(November 2017)**

19. Data incident / loss

The Corporate Governance Manager submitted a report on data incidents/loss, which had been previously circulated.

The members noted the report.

20. Proposed Audit Committee dates for 2018

There was submitted a report by the Chief Operating Officer on the proposed Audit Committee dates for 2018, which had been previously circulated.

The Chair informed the members that the meeting date for the Committee on 14 March 2018 should show its location as Glasgow to coincide with the Remco and that the schedule should be updated to reflect this.

The members approved the meeting dates for 2018.

**Action: 54AC: The Chief Operating Officer to amend the Audit Committee meeting schedule to reflect that the meeting on 14 March 2018 will be held in Glasgow.
(November 2017)**

21. Any other business

There was no other business raised.

22. Review of meeting

The Chair of the Audit Committee invited members to comment on the standard of the papers submitted to them and on the meeting itself. Members were satisfied with the papers and the meeting.

23. Date of next meeting

The next meeting will be held at 10.00am on 14 March 2018 in the offices of Audit Scotland, Nelson Mandela Place, Glasgow.

The internal and external auditors left the meeting

The Chair returned to items 5 and 10 on the agenda

Item 5 - Actions tracker item 35AC:

The Chief Operating Officer informed the members that she had been in discussions with the Parliament on the role of the Audit Committee in providing feedback on the external auditor's performance and value for money. The members were informed that feedback would be given around September/October each year. After discussion the members agreed that the Chair of the Audit Committee would, after discussion with the Chief Operating Officer, provide feedback to the SCPA.

Item 10 - Internal Audit Procurement 2018

There was a report submitted by the Corporate Governance Manager on the procurement of internal audit services with effect from April 2018, which had previously been circulated to members only.

The members agreed to proceed with the procurement of internal audit services for 2018/19 – 2020/2021.

Action: 50AC: The Corporate Governance Manager to proceed with the procurement of internal audit services for 2018/19 – 2020/2021. (March 2018)

Ref	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB49	Board	18	Making a Difference: Public Engagement Work with Young Scot	Diane McGiffen, Chief Operating Officer, to schedule an update report in March 2018.	31/03/2017	01/03/2018	Diane McGiffen	Tricia Meldrum	Ongoing		A verbal update will be provided at the meeting on 28 March 2018 with a report scheduled for May 2018.
ASB58	Board	18	2016/17 Annual report on international work and international strategy 2017-20	Antony Clark, Chair of International Steering Group to consider the longer term impact of international work in future reporting.	06/06/2017	01/06/2018	Antony Clark	Sarah Pollock	Ongoing		A report will be scheduled by June 2018.
ASB64	Board	5	Accountable Officer's Report	An update report on developments within the Appointments and Assurance and Professional Support teams to be scheduled.	29/11/2017	28/03/2018	Diane McGiffen/Fiona Kordiak	Diane McGiffen/Fiona Kordiak	Ongoing		A verbal update will be provided at the meeting on 28 March with a report to be scheduled later in the year.
ASB66	Board	10	Q2 Corporate performance report	An update on the BVAR audit days to be reported to the next meeting of the Audit Committee.	29/11/2017	14/03/2018	Martin Walker	Martin Walker	Ongoing		This item will form part of the report under ASB71 at the meeting on 2 May 2018.
ASB67	Board	10	Q2 Corporate performance report	The annual report on international work to expand on the engagement with the Canadian Comprehensive Auditing Foundation in developing the performance audit work.	29/11/2017	06/06/2018	Antony Clark	Antony Clark	Ongoing		This item is scheduled for the meeting on 6 June 2018.
ASB70	Board	11	2018 Audit Scotland staff conference update	A discussion on audit quality and reputational risk to be scheduled following consideration of the Annual Audit Quality report.	31/01/2018	22/08/2018	Diane McGiffen	Elaine Boyd	Ongoing		A report will be scheduled to come to the Board meeting on 22 August 2018.
ASB71	Board	11	2018 Audit Scotland staff conference update	A review of Best Value to be scheduled for the Board once it has been reported to the Accounts Commission.	31/01/2018	02/05/2018	Diane McGiffen	Fraser McKinlay	Ongoing		A report is scheduled to come to the Board meeting on 2 May 2018.
ASB72	Board	11	2018 Audit Scotland staff conference update	Ongoing updates on the implications for public audit in light of the new financial powers and Brexit to be scheduled, as appropriate.	31/01/2018	02/05/2018	Diane McGiffen	Mark Taylor	Ongoing		A report is scheduled to come to the Board meeting on 2 May 2018.
ASB73	Board	12	Publications schedule: January to June 2018	A copy of the Openness and transparency briefing paper to be circulated to members.	31/01/2018	30/04/2018	Diane McGiffen	Joy Webber	Ongoing		A copy of the briefing paper will be shared on publication in April 2018.

Purpose

1. This report presents Audit Scotland's proposed operational budget for 2018/19 to the Board for approval.
2. No changes are proposed to the total budget resource approved by the Scottish Commission for Public Audit (SCPA) however a number of offsetting changes are proposed as follows:
 - additional income of £236k
 - an increase in approved auditor fees of £90k
 - an increase in management contingency budget of £146k
3. Appendix 1 provides an analysis of the proposed budget compared to the SCPA approved budget by subjective heading.

Background

4. The proposed 2018/19 budget is based on the one approved by the SCPA and included in the 2018/19 Scottish Budget Bill.
5. The detail of the original budget was discussed and approved at the Audit Scotland Board meeting held on 25 October 2017 and was presented to the SCPA on 20 December 2017.
6. In total the funding provided by Scottish Parliament remains at £7.148m with £6.973m revenue and £0.175m capital funding.

Budgetary Assumptions

7. The main budget assumptions used in preparing the 2018/19 SCPA approved budget have been reviewed with no changes proposed to the assumptions underpinning the operational budget at this stage.
8. The assumptions are subject to change following further discussion and agreement at Remuneration Committee of a proposed Audit Scotland pay award policy for 2018/19.

Additional Income

9. The initial budget proposal was based on estimates of work for 2016/17 audits. Following completion of the audit work it was identified that the new Integrated Joint Board bodies needed more time allocated to the audits than initially planned and this has led to an increase in the base fee being applied to these bodies. Fee letters have been issued to audited bodies in respect of 2017/18 audits and the revised income budget is based on the recovery of this increased work.

Approved Auditors

10. The increase in the baseline fee leads to the fee payment due to external audit firms increasing with the budget requiring an uplift of £90k to reflect this additional commitment.

Management Contingency

11. The balance of the increase in income budget of £146k has been allocated to management contingency at this stage. Potential changes to the budget assumptions in respect of a pay award policy will have implications on the management contingency budget.

Recommendation

12. The Board is invited to note the contents of this paper and approve Audit Scotland's revised budget for 2018/19 in the knowledge that this is subject to further change based on 2018/19 pay award policy decisions.

AUDIT SCOTLAND BUDGET: 2018/19

£(000)'s	SCPA Approved 2018-19	Proposed Budget 2018-19
Basic Salaries	11,372	11,372
Employer's On costs	3,439	3,439
Agency Staff	70	70
Payroll provisions	730	730
Former AGS pension	25	25
Pension Adjustments	100	100
Accounts Commission Members	164	164
	15,900	15,900
Approved Auditors	3,991	4,081
Rent & Rates	525	525
Accommodation Costs	410	410
Travel & Subsistence	894	894
Legal & Professional Fees	615	615
Printing & Stationery	148	148
Training	528	528
Recruitment	105	105
Communications (telephone, postage)	46	44
Insurance	79	79
Information technology	456	458
Internal Audit	30	30
External Audit	30	30
Other	65	65
Depreciation	384	384
Management Team Contingency	150	296
	8,456	8,692
GROSS ADMINISTRATIVE COSTS	24,356	24,592
Corporation Tax	-	-
Bank Interest	-	-
Secondment Income	-	-
Other Income	-	-
OTHER INCOME	-	-
NET EXPENDITURE	24,356	24,592
FEES & CHARGES INCOME	(17,383)	(17,619)
NET OPERATING COST	6,973	6,973
Capital	175	175
TOTAL RESOURCE REQUIREMENT	7,148	7,148