

MEETING: 13 JUNE 2019

REPORT BY: SECRETARY TO THE COMMISSION

AUDIT SCOTLAND BOARD UPDATE

Purpose

1. This report provides an update on the business of the Audit Scotland Board.

Background

2. Audit Scotland is established in statute to “provide such assistance and support as the Auditor General and the Accounts Commission require in the exercise of their respective functions and, in particular, is to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions”.¹
3. Audit Scotland (i.e. its Board) consists of the Auditor General, the Chair of the Commission, and three other members.² These three members, including a Chair, are appointed by the Scottish Commission for Public Audit.³
4. As well as being a member of Audit Scotland’s Board, the Commission Chair is also a member of its two committees, the Audit Committee and the Human Resources and Remuneration Committee.
5. In *Public Audit in Scotland*⁴, the Commission, the Auditor General and Audit Scotland set out how they together deliver public audit in Scotland. They state that “by working together and each fulfilling our distinct roles, the Auditor General, the Accounts Commission and Audit Scotland will ensure a strong system of public audit works to support transparency and promote improvement in the performance of public bodies.”
6. To this end, the Commission at its meetings considers for its interest the business of Audit Scotland Board.

Current Board business

7. This report provides the Commission with the latest available minutes from the meeting of the Audit Scotland Board, in this case the meeting of 1 May 2019. They are attached in Appendix 1.
8. The most recent meeting of the Board was on 5 June 2019, but the minute of this meeting is not yet publicly available as it is yet to be ratified by the Board. This will be available after the next Board meeting on 18 September 2019 and considered by the Commission at its October meeting.

¹ Public Finance and Accountability (Scotland) Act 2000, Section 10(3).

² Public Finance and Accountability (Scotland) Act 2000, Section 10(2).

³ The Scottish Commission for Public Audit was established under Section 12 of the Public Finance and Accountability (Scotland) Act 2000 and is made up of 5 MSPs. Its main areas of responsibility are to (a) examine Audit Scotland’s proposals for the use of resources and expenditure and report on them to the Parliament; (b) appoint an auditor to audit the accounts of Audit Scotland; (c) lay these accounts and auditor’s report before the Parliament; and (d) appoint three of the five members of Audit Scotland’s Board , including its Chair.

⁴ *Public Audit in Scotland*, Accounts Commission, Auditor General and Audit Scotland, May 2015.

9. The Commission has agreed however that the agenda for the most recent Board meeting be provided (even if the minute is not yet available). The agenda is attached in Appendix 2. The Chair will provide a verbal update on any relevant business for members' interest, and invites questions from members to this end.

Conclusion

10. The Commission is invited to consider this update for its interest and seek further information from the Chair as appropriate.

Paul Reilly
Secretary to the Commission
4 June 2019

Minutes



Wednesday 1 May 2019, 10.45am

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

Present:

Ian Leitch (Chair)
Caroline Gardner
Graham Sharp
Heather Logan
Alan Alexander

Apologies:

None

In attendance:

Diane McGiffen, Chief Operating Officer
Martin Walker, Assistant Director, Corporate Performance and Risk
Joy Webber, Senior Executive Assistant
Mark Taylor, Audit Director, Audit Services and Performance Audit and Best Value
Mark Roberts, Senior Manager, Performance Audit and Best Value
David Robertson, Digital Services Manager
Nicola Paton, PMO Analyst, Digital Services
Stuart Dennis, Corporate Finance Manager
Fiona Kordiak, Director, Audit Services
Simon Ebbett, Communications Manager
Fiona Daley, Consultant, Audit Quality and Appointments
Owen Smith, Senior Manager, Audit Quality and Appointments

1. Welcome and apologies

The Chair welcomed members and attendees to the meeting in public of the Audit Scotland Board, the agenda and papers for which had been published on Audit Scotland's website on Monday 29 April 2019.

2. Declarations of interest

There were no declarations of interest.

3. Decision on items to be taken in private

The Board agreed the items to be taken in private.

4. Chair's report – verbal update

Ian Leitch provided a verbal update of meetings with Caroline Gardner and Diane McGiffen on general business matters and of meetings with the Scottish Commission for Public Audit regarding succession planning for Audit Scotland's Board.

The Board welcomed the update.

5. Accountable Officer's report – verbal update

Caroline Gardner invited the Board to note ongoing engagement with the Scottish Parliament on the next round of budget scrutiny. She advised that Mark Taylor attended a meeting of the Convenors Group and there was ongoing discussion about how to support the Parliament's scrutiny of devolved financial powers.

Caroline invited the Board to note recent Public Audit and Post Legislative Scrutiny committee (PAPLS) sessions which had considered The Control of Dogs (Scotland) Act 2010, the coverage of Freedom of Information legislation and evidence sessions on IT system issues.

Caroline advised members that the Social Security report was scheduled to be published on 2 May 2019.

Caroline invited the Board to note that Audit Scotland colleagues were heading into the busiest period of the audit year and that work supporting colleagues' wellbeing over this period was being given a clear priority.

The Board welcomed the update.

6. Accounts Commission Chair's report – verbal update

Graham Sharp invited the Board to note that since the Accounts Commission's meeting on 11 April 2019, it had published Best Value Assurance Reports (BVARs) on South Lanarkshire and Stirling and the 'How Council's work – Safeguarding public money' report.

Graham advised of the forthcoming Local Government and Communities Committee meeting of the Scottish Parliament on 8 May 2019 which would consider the Local Government Overview report.

Graham invited the Board to note that the next meeting of the Accounts Commission would consider its draft Annual report, draft Strategy and draft Engagement Strategy and the BVAR on North Lanarkshire Council.

Graham advised that shortlisting for the Deputy Chair position would take place on 2 May 2019.

7. Review of minutes: Board meeting 18 March 2019

The Board considered the minutes of the meeting of 18 March 2019, which had been previously circulated, and agreed that these were an accurate record, subject to updating when some attendees had joined and left the meeting.

The Chair invited members to note that in relation to Item 20 Graham Sharp had confirmed that the Accounts Commission was content with the overall timeframe set out in the report and would welcome more detailed information on flexibility and contingency in the project plan.

The Board noted that regular updates would be provided as the project progresses.

8. Review of action tracker

The Board noted the updates provided by the action tracker.

9. Audit and Accountability framework update

Mark Taylor, Audit Director, Audit Services and Performance Audit and Best Value, joined the meeting.

Mark Taylor introduced the Audit and accountability framework update report, which had been previously circulated.

Mark invited the Board to note the contents of the report and welcomed any comments or questions.

During discussion, the Board welcomed the agreed framework setting out arrangements for the audit and accountability of devolved matters between the Scottish and UK Governments. The Board noted the formal consultation by the Scottish Government with Audit Scotland on the draft framework and the constructive engagement between Audit Scotland and the National Audit Office throughout its development.

Mark advised the Board that Audit Scotland is undertaking the first financial audit of Social Security Scotland, working with the National Audit Office to agree and formalise the audit arrangements for aspects of this work and obtain assurance over areas administered by the Department of Work and Pensions. Mark advised that the team continues to build skills and capacity for auditing wider aspects for the devolved powers, drawing on the skills and experience of the National Audit Office.

The Chair noted the concerns of the Cabinet Secretary in that the framework does not fully satisfy arrangements for Audit Scotland's access to UK public bodies and Mark advised that the Auditor General for Scotland and Audit Scotland share those concerns. Turning to the potential implications of the joint work referred to in paragraph 15, the Chair asked how significant the risk was that agreement is not reached on the audit arrangements. Mark advised, that from a Scottish perspective, the risk relates to the relationship with the National Audit Office and the provision in the framework for the Comptroller and Auditor General to explain any issues to the Scottish Government. Caroline Gardner advised that, while not without risk, the framework will be tested over the next three years when a review of the fiscal arrangements will be carried out by 2022.

Heather Logan asked about planning for the audit work in light of these issues and Mark Taylor advised that Audit Scotland has a plan for the short and medium term.

Alan Alexander welcomed the paper which provided a summary of the risk. Turning to the Memorandum of Understanding (MOU) between Audit Scotland and the National Audit Office, Mark advised of initial discussions with the National Audit Office in advance of the review of the MOU and ahead of starting audit work in late summer 2019. Mark also advised that the MOU is one element of risk mitigation and that Audit Scotland is also considering other options.

Diane McGiffen advised that, in terms of risk and the wider strategic impact on public audit, Audit Scotland regularly explores areas of common interest and concern across the UK through engagement with the UK audit agencies and regular meetings with the Auditors General and Chief Operating Officers.

Following discussion, the Board welcomed the report and expressed its support for the Auditor General for Scotland's position.

Mark Taylor, Audit Director, Audit Services and Performance Audit and Best Value, left the meeting.

10. EU Withdrawal – verbal update

Mark Roberts, Senior Manager, Performance Audit and Best Value, joined the meeting.

Mark Roberts provided a verbal update on the recent decision to extend the EU departure date to 31 October 2019.

Mark invited the Board to note the ongoing uncertainty and outlined of what Audit Scotland has done to prepare for EU withdrawal both in audit reporting for 2018/19 and operationally through business continuity planning.

The Chair welcomed the update and Caroline Gardner and Graham Sharp expressed their thanks to Mark and his colleagues for their work in planning, communicating with colleagues and noted the wider benefits for business continuity planning brought by the work.

Mark Roberts, Senior Manager, Performance Audit and Best Value, left the meeting.

11. Information security management policy review

David Robertson, Digital Services Manager and Nicola Paton, PMO Analyst, Digital Services, joined the meeting.

David Robertson introduced the Information security management policy review report, a copy of which had been previously circulated.

Nicola Paton invited the Board to note the policy had been reviewed internally by the Audit Scotland Knowledge, Information and Technology Governance Group (KITGG). She advised that this review had highlighted minor changes which had been incorporated into the policy prior to its consideration and approval by Management Team on 9 April 2019. Nicola invited the Board to approve the updated policy.

Following discussion, the Board approved the Information Security Management Policy.

David Robertson, Digital Services Manager and Nicola Paton, PMO Analyst, Digital Services, left the meeting.

12. Data protection policy

Martin Walked introduced the revised draft Data protection policy, which had been previously circulated.

Martin invited the Board to consider and approve the amended policy which incorporated changes to reflect guidance issued by information commissioners relating to the processing of personal data and detailed guidance on the rights of the individual. Martin also advised that that only one subject access request had been received in the current year.

The Board discussed a couple of points for minor clarification and noted that GDPR rules would most likely still apply for some time following the withdrawal from the EU.

Following discussion, the Board approved the updated policy subject to minor amendments.

13. 2018/19 Accounting policies, key accounting estimates and judgements

Stuart Dennis, Corporate Finance Manager, joined the meeting.

Stuart Dennis introduced the 2018/19 Accounting policies, key accounting estimates and judgements report, a copy of which had been previously circulated.

Stuart invited the Board to approve the inclusion of the accounting policies, key accounting estimates and judgements in to the notes of the 2018/19 accounts.

The Board noted the good practice and approved the inclusion of the key accounting policies in the notes of the 2018/19 accounts.

Stuart Dennis, Corporate Finance Manager, left the meeting.

14. Equality outcomes and mainstreaming progress report

Gillian Woolman, Audit Director, Audit Services and Richard Robinson, Senior Manager, Performance Audit and Best Value, joined the meeting.

Gillian Woolman introduced the Mainstreaming equality and equality outcomes progress report, which had been previously circulated.

Gillian invited the Board to review the progress reported, consider and comment on the proposed new outcome and to approve the report for publication.

During discussion, the Board welcomed the new outcome to consider how public bodies address human rights and socio-economics disadvantage.

Caroline Gardner reflected on the excellent work done by the team which captured the range of responsibilities well. Heather Logan welcomed the report, in particular highlighting the examples throughout the report which brought the issues to life. Heather asked if there was any gaps or duplication around the work undertaken on audited bodies by different teams or other regulators. Gillian advised that there were no concerns given the good lines of communication between audit teams on the scope of audits. Richard Robinson advised the overview reports provide one vehicle to draw the key messages together.

Following discussion, the Board welcomed the report and approved its publication.

Gillian Woolman, Audit Director, Audit Services and Richard Robinson, Senior Manager, Performance Audit and Best Value, left the meeting.

15. Strategic improvement programme 2019-2021 and the Performance management framework project

Martin Walker introduced the Strategic improvement programme 2019-2021 and Performance management framework project update report which had been previously circulated.

Martin invited the Board to note the progress reported on the overall strategic improvement programme and that the Management Team review of the digitally enabled projects for 2019 on 12 March 2019 had confirmed the need to reschedule the next phase of the performance management framework (PMF) project in order to prioritise system resilience projects.

The Board noted the progress to date and the key messages from the reports previously considered by Management Team. The Board also noted the decision to rephrase the projects.

Heather Logan asked about the options appraisal process for the Time Recording (TR) and PMF systems and the assessment of 'in-house' and 'off the shelf products'. She also asked whether the objective to have a single audit system for electronic working papers (EWP) remained.

Martin advised that a TR and expenses system has been developed in-house which would be assessed against other off the shelf products available in the market. Martin also confirmed that the objective is to have all colleagues use a single TR system.

On the PMF, Martin advised that the Management Team decision to progress the in-house business intelligence led solution was consistent with the recommendation made by external consultants. He advised that the external consultant's report had included an options appraisal which considered three main solutions. These were, an enterprise solution (which typically offers modules for a variety of organisational functions including Human Resources and Finance as well as PMF), a 'stand alone' PMF system and the business intelligence led solution.

Martin advised that EWP would be a significant project and that the objective would be to procure a single EWP system for all of the audit work.

Heather Logan noted that the TR and PMF projects had been running for some time and sought assurance that the proposed solutions would be fit for purpose, cost effective and proportionate for an organisation of Audit Scotland's size. She advised that she would like additional information on project governance and the options appraisal work, and in particular information on the financial implications of the projects and the projected business benefits.

Martin advised the cost of the in-house developed TR system was covered in existing budgets, compared favourably with off the shelf solutions and would provide all the functionality required.

On the PMF, Martin advised that changes to the licensing model for the software to deliver the solution had changed during the course of the project and this amounted to around £35k. In terms of current performance management arrangements Martin advised that these were fit for purpose as confirmed by an internal audit. However, he also advised that the current process

was more labour intensive than he would like and that the new approach would be more efficient and provide for more timely and flexible analysis of the performance data.

Alan Alexander sought clarification on resourcing outlined in Appendix 2 to the report. Martin advised that the Finance system upgrade, the HR system upgrade, TR system and the PMF system have costs and timings attached to them. He advised that the SharePoint on-line project was progressing to schedule and was being delivered within existing resources.

Martin advised that the EWP project was at a very early stage and that an initial project scoping workshop would take place on 8 May 2019. He advised that this would inform the project objectives, scope, timescales, risks, resource requirements and governance and that reports would come forward to the Management Team and the Board as appropriate.

Alan Alexander asked whether the projects are on track. Martin advised that the HR and Finance systems would be upgraded by the end of July and that the TR and expenses system would be in place by October following a period of parallel running in accordance with the schedule. Martin also confirmed that the SharePoint online project is progressing well and is expected to be completed by the end of December as planned.

Diane McGiffen advised that the report was for information only and sought to provide a summary of the strategic improvement programme and an update on the interconnected projects being delivered to support the organisational objectives. Diane advised that further information on the option appraisals, costs and benefits would be shared with members in advance of the next meeting of the Board.

Action ASB90: Martin Walker to circulate additional information on the projects. (June 2019)

16. Review of audit market – update

Fiona Kordiak, Director, Audit Services, joined the meeting.

Fiona Kordiak introduced the Review of audit market update report, a copy of which had been previously circulated.

Fiona invited the Board to consider and comment on the high level summary of issues for audit as reported in the Kingman Review, Competition and Markets Authority report, the Brydon review and the House of Commons Business, Energy and Industrial Strategy Committee inquiry on audit.

The Board emphasised that the public audit model in Scotland, approved by the Audit Scotland Board, has for some years implemented key elements of what is now proposed for the commercial sector. The Board agreed to continue to consider developments as part of the preparation of the new Code of Audit Practice, procurement strategy and the update of the audit quality framework.

The Chair noted Audit Scotland intends to respond to the Brydon Review and advised that the Board would like to see any proposed response.

Following the discussion, the Board welcomed the report.

Action ASB91: Fiona Kordiak to circulate a copy of the proposed response to the Brydon Review. (May 2019)

Fiona Kordiak, Director, Audit Services, left the meeting.

17. Any other business

There was no further business.

18. Review of meeting

The members agreed that items of business had been carefully considered and the Chair thanked everyone for their contributions.

19. Date of next meeting: 5 June 2019

The members noted the draft agenda for the next meeting of the Audit Scotland Board scheduled for 5 June 2019 in the offices of Audit Scotland, 102 West Port, Edinburgh.

Items taken in private

20. Draft Corporate plan update 2019/20

Martin Walker introduced the Draft Corporate plan update 2019/20, which had been previously circulated.

Martin invited the Board to consider and comment on the draft Corporate Plan and subject to any amendments approve the publication of the plan in June 2019.

The Board considered the draft Corporate plan and approved it for publication in June 2019 subject to minor amendments.

21. Communication and engagement strategy review

Simon Ebbett, Communications Manager, joined the meeting.

Simon Ebbett introduced the Communication and engagement strategy review update report, which had been previously circulated.

Simon invited the Board to note the workshops with colleagues to refresh the Communications and engagement strategy which had identified common themes about independence and getting messages out to public services users.

The Board welcomed the update.

Simon Ebbett, Communications Manager, left the meeting.

22. Preparations for audit procurement: project update

Fiona Daley, Consultant and Owen Smith, Senior Manager, Audit Quality and Appointments, joined the meeting.

Fiona Daley introduced the Preparations for audit procurement: Project update report, which had been previously circulated.

Fiona invited the Board to note progress and consider the proposed project governance arrangements outlined in the appendix to the report.

The Board considered the progress reported and agreed with the proposed governance structure.

Following discussion, the Board welcomed the report.

Fiona Daley, Consultant and Owen Smith, Senior Manager, Audit Quality and Appointments, left the meeting.

Agenda



Wednesday 5 June 2019 at 11.30am

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

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

4. Chair's report – verbal update For information
 5. Accountable Officer's report – verbal update For information
 6. Accounts Commission Chair's report – verbal update For information
 7. Review of minutes: Board meeting 1 May 2019 For approval
 8. Review of action tracker For information
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Business performance

9. Q4 Financial performance report For information
 10. Q4 Corporate performance report For information
 11. Q4 Becoming world class improvement programme update report For information
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Governance

12. 2018/19 Annual report on International work For approval
13. 2018/19 Annual report on Freedom of information and environmental information requests For approval
14. 2018/19 Annual report on complaints For approval
15. 2018/19 Annual report from the Chair of the Remuneration and Human Resources Committee For approval
16. 2018/19 Annual report from the Chair of the Audit Committee For approval

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| 17. 2018/19 Governance statement on internal control and certificate of assurance | For approval |
| 18. Policy on the provision of non-audit services by Audit Scotland's external auditor | For approval |
| 19. Review of HR policies | For approval |
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Conclusion

- 20. Any other business
 - 21. Review of meeting
 - 22. Date of next meeting: 18 September 2019
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Items to be taken in private

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| 23. 2018/19 Audit Scotland Annual report [Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |
| 24. 2018/19 Annual report on Quality of public audit in Scotland [Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |
| 25. Preparations for audit procurement: project update [Item to be taken in private due to commercial sensitivity] | For approval |