

MINUTES OF THE AUDIT SCOTLAND BOARD
2014

Minutes of Meeting of **Audit Scotland** held on 23 January 2013 in the offices of Audit Scotland, 110 George Street, Edinburgh at the conclusion of the Remuneration and HR Committee meeting

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

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Chief Operating Officer
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. (a)	Spring Budget Revision
6. (b)	Taxation Update
6. (c)	Records Management Plan
7.	Corporate Plan Priorities 2014
8.	Expectations of Audit
9.	Accountable Officer's Report
10.	Accounts Commission's Chair's Report
11.	AOB
12.	Date of next meeting

1. Apologies

There were no apologies received.

The Board noted that Russell Frith, Assistant Auditor General, who would normally be in attendance, had submitted his apologies.

2. Declarations of Interest

There were no declarations of interest.

3. Chair's Welcome and Report

The Chair welcomed Douglas Sinclair to the Audit Scotland Board and congratulated him on his recent appointment as Chair of the Accounts Commission. The Chair invited Douglas to raise with him at any time any changes or adaptations to the format and ways of working that had been developed with John Baillie, the previous Chair of the Accounts Commission.

The Chair then reported on his activity since the previous meeting, including attending a meeting of Audit Scotland's Management Team in December 2013, and meetings and telephone calls with Caroline Gardner, Auditor General for Scotland.

4. Minutes of the meeting dated 21 November 2013

The minutes of the meeting dated 21 November 2013, which had been previously circulated, were approved as an accurate record.

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

- **Item 12 – 2014/15, 2013/14 ABR & Taxation Update**
This item was covered under **item 6 (b)**.
- **Item 10 – Corporate Plan 2013-15 – Priorities for 2014**
This item was covered under **item 7**.
- **Item 11 – Expectations of Audit**
This item was covered under **item 8**.
- **Item 12 – Streamlining the Audit**
The Director of Audit Services to report on the early impact of streamlining audit project during 2014. **(September 2014)**
- **Item 14 – Measuring Impact**
The Director of Corporate Programmes and Performance to produce a summary of impact achieved in 2014. **(June 2014)**
- **Item 15 – Mid Staffordshire NHS Inquiry**
The Senior Manager, Performance Audit and Best Value to update the Board on implications of the Mid Staffordshire Inquiry. **(May 2014)**

6. (a) Spring Budget Revision

The Board noted for the record that the Spring Budget Revision proposal had been approved by correspondence. The Board were invited to note that the letter to the Convenor had been issued on 16 January.

6. (b) Taxation Update

David Hanlon, Corporate Finance Manager, joined the meeting.

The Corporate Finance Manager provided a progress report on engagement with HMRC on the VAT status of Audit Scotland and the Accounts Commission. He reported that a meeting with HMRC on 28 November 2013 had been productive and that the potential liability for corporation tax had been significantly reduced. The Finance Manager reported that further information had been shared with HMRC during December 2013, and that an update on progress would be sought by Audit Scotland's advisers at the end of January.

The Board welcomed the update.

6. (c) Records Management Plan

The Chief Operating Officer introduced a report on the Records Management Plan, which had been previously circulated.

The Board welcomed the positive report from the Keeper of the Records following his evaluation of Audit Scotland's records management plan and thanked all those involved for their work in this area.

7. Corporate Plan 2012-15 – Priorities for 2014

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

The Director of Corporate Programmes and Performance introduced a report on the development of Corporate Priorities for 2014, which had previously been circulated. The Board were invited to consider and approve the priorities for 2014.

Following discussion, the Board noted that the 2014 priorities represented ongoing work, and that the Expectations of Audit project provided the framework within which the longer-term strategy would be revised, in consultation with the Accounts Commission and the Auditor General.

Douglas Sinclair requested that the priorities be scheduled for discussion at the Accounts Commission meeting in February 2014, so that the Accounts Commission could note the priorities for its interest.

Following discussion, the Board agreed that the corporate priorities should be scheduled for discussion by the Accounts Commission at its February meeting, and published thereafter assuming there were no significant amendments to be agreed by the Board.

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

8. Expectations of Audit

Caroline Gardner, the Auditor General for Scotland, introduced discussion on the Expectations of Audit project, in the absence of the Assistant Auditor General, Russell Frith. Caroline explained the origins of the project, and the work currently underway to collect feedback from clients, stakeholders and staff on what audit should try to deliver over the next five to ten years. The Chief Operating Officer then set out the route-map for considering the client and stakeholder feedback and engaging in dialogue with Audit Scotland the Accounts Commission and the Auditor General for Scotland on the priorities that should drive Audit Scotland's next strategic plan, to be published in 2015.

The Chair then led an initial discussion with the Board on their early views of priorities for audit over the next few years. There was a wide-ranging discussion which included focus on the need for audit to remain independent and at the same time to meet the needs of its clients and stakeholders.

It was agreed to reschedule the discussion for the February 2014 meeting of the Board, when Russell would be present.

Action(s):

- **The Expectations of Audit discussion to be rescheduled for February 2014.**

9. 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.

She discussed recent meetings with the Public Audit Committee and forthcoming publications on Reshaping Care for Older People and Modern Apprenticeships.

The Accountable Officer also updated the Board on her work with the International Ethics Standards Board for Accountants, and a task force that she was leading on how auditors should respond to illegal acts.

Following discussion, the Board welcomed the update.

10. 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.

Following discussion, the Board welcomed the update.

19. Any Other Business

There was no other business.

20. Date of the next meeting

It was noted that the next Audit Scotland Board meeting would be held on **Thursday, 20 February 2014** in the offices of Audit Scotland, 18 George Street, Edinburgh, at the conclusion of the meeting of the Audit Committee.

Minutes of Meeting of **Audit Scotland** held on 20 February 2014 in the offices of Audit Scotland at 18 George Street Edinburgh at 10.00.

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

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
D Hanlon, Corporate Finance Manager
J Gillies, Communications Manager
Chay Nicholson, Publications Assistant
Shirley James, Web Officer

<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. (a)	Q3 Financial Performance Report 2013/14
6. (b)	Q3 Performance Report 2013/14
7.	Taxation Update
8.	Standing Orders Annual Review
9.	Best Companies Survey Results
10.	MORI Survey of MSPs
11.	Expectations of Audit Project – Initial Feedback
12.	Audit Scotland Annual Reporting 2013/14
13.	Accountable Officer's Report
14.	Accounts Commission's Chair's Report
15.	AOB
16.	Date of next meeting

1. Apologies

There were no apologies received.

The Board noted that Diane McGiffen, Chief Operating Officer, would present the Q3 Performance Report 2013/14 in the absence of Lynn Bradley, Director of Corporate Programmes and Performance.

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 contact with the Scottish Parliament about the appointment of new members of the Audit Scotland Board and updates with Caroline Gardner, Auditor General for Scotland.

4. Minutes of the meeting dated 23 January 2014

The minutes of the meeting dated 23 January 2014, which had been previously circulated, were approved as an accurate record, subject to minor correction under the date of next meeting.

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

• **Item 7 – Corporate Plan 2013/15 – Priorities for 2014**

Douglas Sinclair reported that the Corporate Priorities document been well received by the Accounts Commission who had considered it and approved it for their interest at their meeting in February 2014.

• **Item 8 – Expectations of Audit**

It was noted that this item would be dealt with at **item 11**.

6. (a) Q3 Financial Performance Report 2013/14

David Hanlon, Corporate Finance Manager, joined the meeting.

There was submitted a report by the Corporate Finance Manager on the Financial Performance for Quarter 3, 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 had been discussed with Management Team on 11 February 2014.

There was discussion about the timing of financial performance reports at the Board and it was noted that the arrangements for the consideration of financial reports by the Audit Committee and the Board would be revised following discussion between with the Chair of the Audit Committee and the Chief Operating Officer, following on from the Board meeting.

Action: Arrangements for timing and consideration of financial reports by the Audit Committee and the Board to be revised - Chief Operating Officer, March 2014

Following discussion, the Board noted the financial results for the nine months to December 2013.

6. (b) Q3 Performance Report 2013/14

The Chief Operating Officer introduced the Corporate Performance Report for Quarter 3, which had been previously circulated.

The Board discussed Audit Scotland's performance across the range of measures set out in the report.

The Board also discussed the IT strategy update and it was agreed to invite the new IT manager to the next meeting of the Board to discuss in more detail some of the challenges and opportunities presented by IT.

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

Action: IT Manager to attend March 2014 Board meeting for briefing on IT.

7. Taxation Update

The Corporate Finance Manager provided a progress report on engagement with HMRC on corporation tax negotiations, the Accounts Commission's VAT status and the planned appeal against penalties, on the advice of the tax adviser.

The Board noted the update.

David Hanlon, Corporate Finance Manager, left the meeting.

8. 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, and was recommended to the Board by the Audit Committee following its January 2014 meeting.

Following discussion, the Board approved the revised Standing Orders for a further year.

Action: The Chief Operating Officer to publish the revised Standing Orders - March 2014

9. Best Companies Survey Results

Diane McGiffen, Chief Operating Officer, introduced a report on the Best Companies Survey Results, which had been previously circulated.

The Board was invited to consider and comment on the latest results of the Best Companies Survey which staff undertook in October and November 2013.

The Chief Operating Officer provided an update on the meetings with the Leadership Group and the Branch Executive of the PCS Union which had taken place on the 18 and

19 February respectively to discuss the results of the survey, and tabled a copy of the staff newsletter, Abacus, which would present the full results to colleagues.

The Chief Operating Officer highlighted two particular areas that would be the focus of more attention: personal development and growth, where results had improved following work in that area, and wellbeing, where results had continued to drop.

Following discussion, the Board noted the improved overall results from the survey and that Audit Scotland had retained its One to Watch status. The Board also noted the wellbeing results and it was agreed to consider these issues further once the results had been disseminated and discussed further within Audit Scotland.

Action: The Board to receive a further report on the Best Companies Survey and resulting actions from the Chief Operating Officer - June 2014

10. Ipsos MORI Survey of MSPs

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

The Board were invited to review the results of the survey and comment on the findings.

Following discussion, the Board noted the results of the survey and welcomed the insight it provided annually.

11. Expectations of Audit Project – Initial Feedback

Russell Frith, the Assistant Auditor General, introduced a report on the Expectations of Audit project, which had previously been circulated together with the reports from the external stakeholder consultation exercise and the benchmarking work.

The Assistant Auditor General invited the Board to consider and comment on the initial feedback received from stakeholder consultations and the report on benchmarking with other public audit agencies.

The Board welcomed the report and in discussion highlighted a number of areas for further consideration including our relationship with Parliament and other stakeholders and our funding model.

It was agreed to schedule a further discussion for the May 2014 meeting of the Board.

Action(s):

- **The Assistant Auditor General to prepare a further discussion paper on the expectations of audit project - May 2014.**

12. Audit Scotland Annual Reporting 2013/14

James Gillies, Communications Manager, Shirley James, Web Officer and Bruce Stoddart, Publications Assistant, joined the meeting.

The Communications Manager introduced the report on the annual reporting process for 2013/14, which had previously been circulated.

James Gillies introduced the demonstration of the proposed annual reporting format this year and invited the Board to consider and comment on the design plans, themes and messages.

Following discussion, the Board welcomed the demonstration, provided initial feedback on the design, in particular about the general introduction and description of role and purpose of Audit Scotland. It was agreed that the review should use accessible language and simple explanations wherever possible. The Board thanked the team for their contribution.

James Gillies, Shirley James, Web Officer and Bruce Stoddart, Publications Assistant Communications Manager, left the meeting.

13. 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.

She discussed recent meetings with the Public Audit Committee, the Permanent Secretary, audit engagement on welfare reform issues and the forthcoming publication of a report on Reshaping Care for Older People. She reported on a recent visit to Audit Scotland by senior members of the National Audit Office which the Chief Operating Officer had hosted.

The Accountable Officer also updated the Board on her work with the International Ethics Standards Board for Accountants which would involve a meeting in New York in March 2014.

Following discussion, the Board welcomed the update.

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 activities since the previous meeting. He provided an update on recent reports on local authorities and on engagement with other scrutiny bodies through the Strategic Scrutiny Forum and the ongoing discussion about the remit and role of that group.

Following discussion, the Board welcomed the update.

15. Any Other Business

There was no other business.

16. Date of the next meeting

It was noted that the next Audit Scotland Board meeting would be held on **Thursday, 20 March 2014** in the offices of Audit Scotland, 8 Nelson Mandela Place, Glasgow, at the conclusion of the meeting of the Human Resources and Remuneration Committee meeting.

Minutes of Meeting of **Audit Scotland** held on 20 March 2014 in the offices of Audit Scotland at 8 Nelson Mandela Place, Glasgow at the conclusion of the Remuneration and Human Resources Committee meeting

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

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
D Hanlon, Corporate Finance Manager
D Henning, IT Manager
G Byers, Application Developer

<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.	Taxation Update
7.	Audit Scotland Budget 2014/15
8.	Internal Audit Procurement
9.	IT Strategy and Presentation
10.	Accountable Officer's Report
11.	Chair of the Accounts Commission's Report
12.	AOB
13.	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 contact with Caroline Gardner, Auditor General for Scotland and Diane McGiffen, Chief Operating Officer. He also welcomed the opportunity to attend the Knowledge Café held in Glasgow on the implications of the Scotland Act.

4. **Minutes of the meeting dated 20 February 2014**

The minutes of the meeting dated 20 February 2014, which had been previously circulated, were approved as an accurate record. It was noted that the agenda incorrectly referred to minutes of 23 January 2014.

5. **Matters Arising from the minutes of the meeting on 20 February 2014**

• **Item 5 – Q3 Financial Performance Report**

The Chief Operating Officer reported that she and the Chair of the Audit Committee had agreed revised arrangements for reporting financial information to the Audit Committee in advance of consideration by the Board.

• **Item 6 – Q3 Performance Report**

It was noted that the IT manager would be attending for item 9.

• **Item 8 – Standing Order Annual Review**

The Chief Operating Officer advised the Board that the Standing Orders Annual Review had been published in March 2014.

6. **Taxation Update**

David Hanlon, Corporate Finance Manager, joined the meeting.

The Corporate Finance Manager provided a progress report on engagement with HMRC on corporation tax negotiations, the Accounts Commission's VAT status and the planned appeal against penalties, on the advice of the tax adviser.

The Board noted the update.

7. **Audit Scotland Budget 2014/15**

There was submitted a report by the Chief Operating Officer on the Audit Scotland Budget 2014/15, which had been previously circulated.

David Hanlon, Corporate Finance Manager, invited the Board to consider and approve the revised budget as set out for 2014/15.

The Chief Operating Officer advised the Board that in earlier discussions the Remuneration and Human Resources Committee had considered an increase to the vacancy factor assumption from 1% to 2%.

Following discussion, the Board approved the revised Budget for 2014/15 as presented, and agreed to increase the vacancy factor assumption from 1% to 2%.

David Hanlon, Corporate Finance Manager, left the meeting.

8. Internal Audit Procurement

The Chair of the Audit Committee provided a verbal update on the Internal Audit Procurement process currently underway. The Board noted that interviews would be held on 1 and 2 April 2014. The Chair of the Audit Committee advised that he, Heather Logan, Diane McGiffen and David Hanlon would be interviewing various firms and details of the proposed appointment would be advised in April 2014.

Action: The Board to receive details of the proposed appointment for approval – April 2014

9. IT Strategy and Presentation

David Henning, IT Manager, and Gavin Byers, Application Developer, joined the meeting.

David Henning, IT Manager, introduced the report on the proposed IT Strategy, which had been previously circulated.

The Board noted the proposed investment for 2014/15 and the refresh of the IT Strategy to support the new corporate plan.

Following discussion, the Board noted the report.

The IT Manager then delivered a short presentation on the audit intelligence system prototype.

Following the demonstration, the Board thanked the IT Manager for the update on the IT Strategy and the demonstration of the prototype of the audit intelligence system.

David Henning, IT Manager, and Gavin Byers, Application Developer, left the meeting.

10. Accountable Officer's Report

The Accountable Officer gave a verbal update on her recent and forthcoming activities, and outlined the range of events in which she was involved with colleagues across the business. She highlighted a meeting with Paul Grice, Chief Executive of the Scottish Parliament, engagement with the Public Audit Committee and her involvement in recruitment for a new Chair of the National Audit Office.

She also reported on her forthcoming attendance at an International Ethics Standards Board for Accountants in Toronto on 7, 8 and 9 April 2014.

Following discussion, the Board welcomed the update.

11. 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 the publication of reports on Options Appraisal and the Local Government Overview. He indicated that recruitment would begin shortly for a Deputy Chair and two members. He also highlighted the forthcoming Accounts Commission Strategy Seminar.

Following discussion, the Board welcomed the update.

12. Any Other Business

The Chair thanked Katharine Bryan for her outstanding contribution to the Board over the past three years. He commended in particular her work as Chair of the Remuneration and Human Resources Committee and noted the considerable benefit there had been from giving people issues such detailed attention during her tenure. He thanked Katharine for her flexible approach and the support and challenge that she brought to issues and the valued contribution she had made.

The Board joined the Chair in thanking Katharine and offered their very best wishes to her as she retired.

Katharine thanked the Chair and the Board for their kind words and thanked all those she had worked with for their commitment and professionalism.

13. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting would be held on **Thursday, 24 April 2014** in the offices of Audit Scotland, 110 George Street, Edinburgh, at the conclusion of the Audit Committee meeting.

Minutes of Meeting of **Audit Scotland** held on 24 April 2014 in the offices of Audit Scotland at 110 George Street, Edinburgh at the conclusion of the Audit Committee meeting

PRESENT: R Cleland (Chair)
C Gardner
D Sinclair
J Maclean
I Leitch

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
D Hanlon, Corporate Finance Manager
F McKinlay, Director, Performance Audit and Best Value
A Clark, Assistant Director, Performance Audit and Best Value
M Walker, Assistant Director, Performance Audit and Best Value

<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 Remuneration and Human Resources Committee meeting
7.	VAT and Corporation Taxation Update
8.	Property Update - Edinburgh
9.	Internal Audit Procurement
10.	Annual Report on Complaints Handling
11.	Knowledge Management Project Update
12.	The Scotland Act 2012 - Update
13.	Community Planning Partnerships – Audit Update
14.	Accountable Officer's Report
15.	Chair of the 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 warmly welcomed Ian Leitch to his first Audit Scotland Board meeting.

The Chair reported on his activity since the previous meeting, including attending the Accounts Commissions Strategy Seminar in Dunkeld, contact with Caroline Gardner, Auditor General for Scotland, Diane McGiffen, Chief Operating Officer and a meeting with Ian Leitch. He also outlined his involvement in recent Knowledge Cafés and invited other Board members to host or attend such events as a useful way of engagement with Audit Scotland colleagues.

4. **Minutes of the meeting dated 20 March 2014**

The minutes of the meeting dated 20 March 2014, which had been previously circulated, were approved as an accurate record, subject to a minor correction.

5. **Matters Arising from the minutes of the meeting on 20 March 2014**

• **Item 8 – Internal Audit Procurement**

It was noted that the Chair of the Audit Committee would provide a verbal update at item 9.

6. **Minutes of the Remuneration and Human Resources Committee meeting dated 20 March 2014**

The minutes of the Remuneration and Human Resources Committee meeting dated 20 March 2014, which had been previously circulated, were approved as an accurate record.

Diane McGiffen, Chief Operating Officer and Russell Frith, Assistant Auditor General, left the meeting.

The confidential minutes of the Remuneration and Human Resources Committee meeting dated 20 March 2014, which had been previously circulated, were also approved as an accurate record.

Diane McGiffen, Chief Operating Officer and Russell Frith, Assistant Auditor General, re-joined the meeting.

7. **VAT and Corporation Taxation Update**

David Hanlon, Corporate Finance Manager, joined the meeting.

The Corporate Finance Manager introduced a report on VAT and Corporation Taxation matters, which has been previously circulated. The Board was invited to note the satisfactory conclusion of discussions with HMRC in connection with our VAT and Corporation Tax issues.

The Board noted the report and welcomed the conclusion of the ongoing VAT and corporation tax issues. The Board congratulated David, Russell and the team involved in resolving the matter and noted that the appointment of external specialist advisers to assist in the matter had been of significant value in reaching a satisfactory conclusion. The Auditor General advised that she would write to the Convenor of the SCPA to inform him of the outcome.

8. Property Update - Edinburgh

There was submitted a report by the Corporate Finance Manager on the Property Update - Edinburgh, which had been previously circulated.

David Hanlon invited the Board to note the agreement of Management Team to the extension of the lease at 110 George Street for 11 months, as part of the work underway to rationalise property requirements in Edinburgh.

Following discussion, the Board noted the progress made to date.

David Hanlon, Corporate Finance Manager, left the meeting.

9. Internal Audit Procurement

The Chair of the Audit Committee provided a verbal update on the Internal Audit Procurement process which had been completed and had been discussed at the earlier Audit Committee meeting. The Board were invited to approve the appointment of TIAA as the supplier of internal audit services to Audit Scotland for the next three years.

Following discussion, the Board approved the appointment of TIAA as the supplier of internal audit services to Audit Scotland.

Action:

- **The Chief Operating Officer to write to TIAA awarding them the internal audit contract for three years. (May 2014)**

10. Annual Report on Complaints Handling

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

The Board were invited to note that three complaints had been received during the year and that the procedure would be reviewed during 2014/15 to ensure the process captures all complaints, including those handled at the local level in Audit Scotland.

Following discussion, the Board noted the report, the low volume of complaints and welcomed a review of the current process.

11. Knowledge Management Project Update

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

Martin Walker, Assistant Director, introduced the Knowledge Management Project Update report, which had been previously circulated.

The Board was invited to consider the update and note the intention to use the outcomes from the Expectations of Audit project to inform the development of a Strategy for Public Audit and the subsequent Corporate Plan. The Knowledge Management strategy will continue to be reviewed during 2014 in the context of those developments.

The Board noted the report and the challenging nature of the project and welcomed the update.

It was agreed to consider an internal audit on knowledge management as part of the internal audit programme to be developed with the new internal auditors.

Action:

- **The Chief Operating Officer to advise the internal auditors to consider an internal audit of knowledge management as part of the planning process. (June 2014)**

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

12. The Scotland Act 2012 - Update

The Assistant Auditor General introduced an update report on The Scotland Act 2012, which had been previously circulated.

The Board was invited to note the work being undertaken in advance of the implementation of the Scotland Act. The Board discussed the resource implications of the work and noted that these would be considered as part of the budgeting process.

Following discussion, the Board noted the update and thanked the Assistant Auditor General for the report.

13. Community Planning Partnerships – Audit Update

Fraser McKinlay, Director of Performance Audit and Best Value, and Antony Clark, Assistant Director Performance Audit and Best Value, joined the meeting.

The Assistant Director of Performance Audit and Best Value introduced the report on Community Planning Partnerships – Audit Update, which had been previously circulated. The Board discussed the development of CPP auditing, the evolution of the approach, the cost of audits and the complexity of charging options.

Following discussion, the Board noted the report and the intention to await the outcome of the Expectations of Audit project, and the overview of the next round of CPP audits before reporting back to the Board.

The Board commended Antony and the team for the excellent handling and delivery of a complex project.

Action:

- **The Director of Performance Audit and Best Value to report back on Community Planning Partnerships in November 2014. (November 2014)**

Fraser McKinlay, Director of Performance Audit and Best Value, and Antony Clark, Assistant Director Performance Audit and Best Value, left the meeting.

14. Accountable Officer's Report

The Accountable Officer gave a verbal update on her recent and forthcoming activities, and outlined the range of events in which she was involved with colleagues across the business. She discussed recent engagement with the Public Audit Committee and her continued involvement in recruitment for a new Chair of the National Audit Office.

She also reported on her attendance at an International Ethics Standards Board for Accountants in Toronto on 7, 8 and 9 April 2014.

The Accountable Officer updated the Board on forthcoming engagement with staff and invited Board members to attend or join all or part of any of the sessions, as a useful way of seeing the style and tone of engagement events and to meet directly with staff.

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 the outcomes from the recent Accounts Commission Strategy Seminar.

Following discussion, the Board welcomed the update.

16. Any Other Business

There was no other business.

17. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting would be held on **Thursday, 22 May 2014** in the offices of Audit Scotland, 8 Nelson Mandela Place, Glasgow, at the conclusion of the Remuneration and Human Resources Committee meeting.

Minutes of Meeting of **Audit Scotland** held on 22
May 2014 in the offices of Audit Scotland at 8
Nelson Mandela Place, Glasgow at 10:00am

PRESENT: R Cleland (Chair)
C Gardner
J Maclean
I Leitch

D Sinclair (joined by telephone)

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
F Kordiak, Director, Audit Services
S Boyle, Assistant Director, Audit Services

<u>Item No</u>	<u>Subject</u>
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2.	Declarations of Interest
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4.	Minutes
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6.	Minutes of the Audit Committee meeting dated 23 January 2014
7.	ICAS Quality Monitoring Results 2014
8.	Working With Other Countries
9.	Mid Staffordshire NHS Foundation Trust Public Inquiry
10.	Accountable Officer's Report
11.	Chair of the Accounts Commission's Report
12.	AOB
13.	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 contact with Caroline Gardner, Auditor General for Scotland, and Diane McGiffen, Chief Operating Officer.

4. **Minutes of the meeting dated 24 April 2014**

The minutes of the meeting dated 24 April 2014, which had been previously circulated, were approved as an accurate record.

5. **Matters Arising from the minutes of the meeting on 24 April 2014**

- **Item 9 Internal Audit Procurement**

The Chief Operating Officer confirmed that TIAA had received a letter awarding them the internal audit contract for three years and that the first meeting with the internal auditors would take place on 27 May 2014.

- **Item 11 Knowledge Management Project Update**

The Chief Operating Officer confirmed that TIAA would be invited to consider an internal audit of knowledge management at the 27 May 2014 meeting.

- **Item 13 Community Planning Partnerships**

It was confirmed that the Director of Performance Audit and Best Value would report back on Community Planning Partnerships in November 2014.

Following discussion it was agreed that the Chief Operating Officer would provide an update on the review of complaints handling in October 2014.

6. **Minutes of the Audit Committee meeting dated 23 January 2014**

The minutes of Audit Committee meeting dated 23 January 2014, which had been previously circulated, were approved as an accurate record.

7. **ICAS Quality Monitoring Results 2014**

Fiona Kordiak, Director, Audit Services and Stephen Boyle, Assistant Director, Audit Services, joined the meeting.

Fiona Kordiak, the Director of Audit Services introduced a report on the ICAS Quality Monitoring Results 2014, which has been previously circulated. She outlined the background to the ICAS review, the parallels with ICAS reviews of firms and the focus of the review on financial statements work.

The Board explored the matters and observations expressed since the first review, and the new matters identified during the 2014 review. The Director of Audit Services provided assurance of the origin and nature of the small number of systemic issues identified in audit programmes and how these had been addressed, and on the commitment of the Audit Services Group Management team to drive up consistency through training, development and review. Stephen Boyle described how the results of the review had been communicated to staff across Audit Scotland and how the learning from it was being used to inform training and development for 2014.

The Board also discussed next steps in the external review of the work of the Audit Services Group and the plan to supplement further independent review of financial statements work with appropriate external review of wider aspects of audit work, once suitable partners were identified.

Following discussion, the Board thanked Fiona and Stephen for the discussion on the ICAS review and were satisfied that the executive team had taken appropriate action to respond to the review.

8. Working With Other Countries

The Director of Audit Services introduced the Working with Other Countries report together with the draft supporting International Strategy, International Policy and Annual Report, which had been previously circulated. The Board was invited to consider and comment on the draft supporting documentation and approve plans for publishing the annual report.

There was a detailed discussion of the origins of the programme of work with other countries and the scheme of delegation under which the programme was managed. The Board discussed the sharing of information about requests for assistance or visits and it was noted that the Accountable Officer would continue to inform the Board of any exceptional or unusual requests. It was noted that the Board also received an annual report on the work undertaken in each financial year.

The Board requested that the mission for working with other countries be further clarified in the strategy and that some success measures be identified.

The Board provided other general comments on the supporting policy and annual report and approved the publication of the annual report.

The Board noted the arrangements for the EURORAI seminar in October and that they would be invited to attend the dinner on 23 October 2014, and would be welcome to attend any part of the conference on 24 October 2014. The Board noted that the costs of the event are primarily met by EURORAI and that Audit Scotland's contribution was limited to £5,000.

Action:

- **The Director of Audit Services to revise the strategy document to incorporate the Board's comments and present to a future Board meeting for approval.**

Fiona Kordiak, Director, Audit Services and Stephen Boyle, Assistant Director, left the meeting.

9. Mid Staffordshire NHS Foundation Trust Public Inquiry

The Chief Operating Officer introduced the Mid Staffordshire NHS Foundation Trust Public Inquiry report, which had been prepared by the Senior Manager, Performance Audit and

Best Value, a copy of which had been previously circulated. The Board was invited to note the update.

Following discussion, the Board welcomed the update and agreed a further report would come to the Board in September 2014.

Action:

- **The Senior Manager, Performance Audit and Best Value to provide a further update to the Board. (September 2014)**

10. Accountable Officer's Report

The Accountable Officer gave a verbal update on her recent and forthcoming activities, and outlined the range of events in which she was involved with colleagues across the business. She discussed recent engagement with the Public Audit Committee and the conclusion of her involvement in recruitment for a new Chair of the National Audit Office.

The Accountable Officer outlined a forthcoming engagement in New York on 29 May 2014, funded by the Consultative Committee of Accountancy Bodies (CCAB).

Following discussion, the Board welcomed the update.

11. 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 the appointment of Paul Reilly to the post of Secretary to the Accounts Commission and its principal adviser, the publication of the Overview report on Local Government and its reception by Cosla and Chief Executives, and the publication of its report on Procurement in Councils. He also provided an update on the recruitment of the Deputy Chair and new members of the Accounts Commission.

Following discussion, the Board welcomed the update.

16. Any Other Business

There was no other business.

17. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting would be held on **Thursday, 5 June 2014** in the offices of Audit Scotland, 110 George Street, Edinburgh, at the conclusion of the Audit Committee meeting.

Minutes of Meeting of **Audit Scotland** held on 5 June 2014 in the offices of Audit Scotland at 110 George Street, Edinburgh at the conclusion of the Audit Committee meeting

PRESENT: R Cleland (Chair)
C Gardner
J Maclean
I Leitch
D Sinclair

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
A Clark, Assistant Director, Performance Audit and Best Value
A Canning, Assistant Director, Performance Audit and Best Value
A Devlin, Corporate Governance Manager
M Walker, Assistant Director, Performance Audit and Best Value

<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 meeting dated 24 April 2014
7.	Q4 Financial Performance Report 2013/14
8.	Q4 Corporate Performance Report 2013/14
9.	Carbon Management Plan: Five Year progress Report
10.	2014 Equalities Report
11.	2013/14 Annual Report on Freedom of Information and Environmental Information
12.	2013/14 Annual Report from the Audit Committee
13.	2013/14 Draft Annual Report and Accounts
14.	Annual Review 2013/14
15.	Review of Impact 2013/14
16.	Update Report on Whistleblowing
17.	Publication Schedule June to December 2014
18.	Accountable Officer's Report
19.	Accounts Commission Chair's Report
20.	AOB
21.	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 contact with Caroline Gardner, Auditor General for Scotland, Diane McGiffen, Chief Operating Officer and chairing an interesting discussion with Jeremy Peat on 2 June 2014 around the possible economic outcomes for Scotland following the Referendum.

4. **Minutes of the meeting dated 22 May 2014**

The minutes of the meeting dated 22 May 2014, which had been previously circulated, were approved as an accurate record.

5. **Matters Arising from the minutes of the meeting on 22 May 2014**

- **Item 8 Working with other countries**

It was noted that the Director of Audit Services would revise the strategy document to incorporate the Board's comments and present to the Board meeting in August 2014 for approval. **(August 2014)**

- **Item 9 Mid Staffordshire NHS Foundation Trust Public Inquiry**

It was noted that the Senior Manager, Performance Audit and Best Value, would provide an update to the Board meeting in September 2014. **(September 2014)**

6. **Minutes of the Audit Committee meeting dated 24 April 2014**

The minutes of Audit Committee meeting dated 24 April 2014, which had been previously circulated, were approved as an accurate record.

7. **Q4 Financial Performance Report 2013/14**

David Hanlon, Corporate Finance Manager, joined the meeting.

David Hanlon, the Corporate Finance Manager, introduced the Q4 Financial Performance Report 2013/14, which had been previously circulated and which had been considered by the earlier Audit Committee meeting.

The Board noted the draft financial results and thanked David for the report.

David Hanlon, Corporate Finance Manager, left the meeting.

8. Q4 Corporate Performance Report 2013/14

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

The Director of Corporate Programmes and Performance introduced the Q4 Corporate Performance Report 2013/14, which had been previously circulated. Lynn outlined the overall positive progress against our strategy and invited the Board to review the performance reported and consider whether additional attention should be given to any area.

There was discussion of the status of each corporate objective reported and the Board noted the continued scrutiny in identifying particular risks and making recommendations for improvement through audit work, managing information and intelligence to deliver excellent audits and empowering and supporting staff.

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

9. Carbon Management Plan: Five Year Progress Report

Antony Clark, Assistant Director, Performance Audit and Best Value, joined the meeting.

The Assistant Director, Performance Audit and Best Value, introduced the Carbon Management Plan: Five Year Progress Report, a copy of which had been previously circulated. The Board was invited to approve the publication of the Carbon Scrutiny Board's annual report and to consider the proposed approach to reviewing and refreshing Audit Scotland's Carbon Management Plan during 2014/15 to be aligned with the Corporate Plan. The Board were also invited to note the progress reported against the objectives set out in the plan.

Following detailed discussion, the Board approved the publication of the Carbon Scrutiny Board's annual report. The Board also provided general comment on the proposed approach to refreshing Audit Scotland's Carbon Management Plan and noted the areas of focus for the 2015-20 plan.

Action:

- **The Carbon Scrutiny Board to publish their annual report 2013/14. (June 2014)**

Antony Clark, Assistant Director, Performance Audit and Best Value, left the meeting.

10. 2014 Equalities Update

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

The Assistant Director, Performance Audit and Best Value, introduced the 2014 Equalities Update, a copy of which had been previously circulated. She outlined the background to the report, and the work undertaken during the year which she had led as Chair of the Diversity and Equality Steering Group (DESG) at Audit Scotland.

The Board was invited to note progress on the equalities agenda and approve the publication of a short summary report on the website along with staffing information.

Following discussion, the Board approved the publication of the summary report and staffing information. The Board noted that the Mark Taylor, Assistant Director Audit

Services, was now the Chair of the DESG. The Board thanked Angela for her contribution.

Action:

- **The DESG to publish the summary report on equalities. (June 2014)**

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

11. 2013/14 Annual Report on Freedom of Information and Environmental Information

Alex Devlin, Corporate Governance Manager, joined the meeting.

The Corporate Governance Manager introduced the 2013/14 Annual Report on Freedom of Information and Environmental Information report, a copy of which had been previously circulated.

Following discussion, the Board noted the report and the volume of information requests during the year.

Alex Devlin, Corporate Governance Manager, left the meeting.

12. 2013/14 Annual Report from the Audit Committee

The Chair of the Audit Committee submitted the 2013/14 Annual Report from the Audit Committee, a copy of 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 the progress made during 2013/14, 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.

13. 2013/14 Draft Annual Report and Accounts

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 2013/14. The Board agreed to accept the recommendation of the Audit Committee to approve the draft Annual Report and Accounts 2013/14. The Board authorised the signing of the Accounts.

Action:

- **The Chief Operating Officer to arrange for the signing of the Accounts. (June 2014)**

14. Annual Review 2013/14

The Board welcomed the electronic Annual Review 2013/14 which had been previously circulated and approved its online publication alongside the Annual Report and Accounts 2013/14. The Board thanked the Communications Team for their work on the review.

Action:

- **The Chief Operating Officer to arrange for the online publication of the Annual Review 2013/14 alongside the Annual Report and Accounts 2013/14. (June 2014)**

15. Review of Impact 2013/14

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

The Director of Corporate Programmes and Performance introduced the Review of Impact 2013/14 Report, a copy of which had been previously circulated.

The Director of Corporate Programmes and Performance invited the Board to note the report and welcomed any comments.

The Board noted the report and encouraged further development of impact reporting.

The Chair also noted that this would be Lynn's last attendance at the Board, prior to leaving Audit Scotland at the end of July. On behalf of the Board the Chair thanked Lynn for her contribution to the development of Audit Scotland in the various roles that she had held, and wished her success in the next chapter of her career. The Chair presented Lynn with a bouquet in appreciation of her service.

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

16. Update Report on Whistleblowing

Martin Walker, Assistant Director, Performance Audit and Best Value, and Alex Devlin, Corporate Governance Manager, joined the meeting.

The Assistant Director, Performance Audit and Best Value and the Corporate Governance Manager introduced the Update on Whistleblowing Report, a copy of which had been previously circulated.

The Board noted the report and welcomed the actions identified in Audit Scotland's role as an employer and as a prescribed person, including signing up to be one of the first hundred organisations to consider the proposed next steps.

Martin Walker, Assistant Director, Performance Audit and Best Value, and Alex Devlin, Corporate Governance Manager, left the meeting.

17. Publication Schedule June to December 2014

The Board noted the publication schedule to December 2014, which had been previously circulated, and the moratorium on publications prior to the referendum in September 2014.

18. Accountable Officer's Report

The Accountable Officer gave a verbal update on her recent and forthcoming activities, and outlined the range of events in which she was involved with colleagues across the business. She discussed recent engagement with the Public Audit Committee and the conclusion of her involvement in recruitment for a new Chair of the National Audit Office.

The Accountable Officer highlighted a forthcoming engagement for the International Ethics Standards Board for Accountants in New York on 7, 8 and 9 July, followed by a roundtable meeting of None Compliance with Laws and Regulations (NOCLAR) in Washington on 10 July 2014.

Following discussion, the Board welcomed the update.

19. 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 an update on the recruitment of the Deputy Chair and new members of the Accounts Commission.

Following discussion, the Board welcomed the update.

20. Any Other Business

There was no other business.

21. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting would be held on **Wednesday, 20 August 2014** in the offices of Audit Scotland, 8 Nelson Mandela Place, Glasgow, at the conclusion of the Audit Committee meeting.

Minutes of Meeting of **Audit Scotland** held on 20 August 2014 in the offices of Audit Scotland at 8 Nelson Mandela Place, Glasgow at the conclusion of the Audit Committee meeting and Risk Workshop

PRESENT: R Cleland (Chair)
C Gardner
I Leitch
J Maclean
D Sinclair

APOLOGIES: None

IN ATTENDANCE: H Logan
D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
M Walker, Assistant Director, Corporate Performance and Risk
Ian Metcalfe, Corporate Performance Officer
F Kordiak, 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 Remuneration and Human Resources Committee meeting dated 22 May 2014
7.	Q1 Financial Performance Report 2014/15
8.	Q1 Corporate Performance Report 2014/15
9.	2015/16 Budget – Initial Proposals
10.	Review of Fees and Funding
11.	Working with Other Countries – 2014-16 Strategy and Supporting Policy
12.	Policy on the Provision of non-audit services by Audit Scotland's External Auditor
13.	Proposed Board Dates for 2015
14.	Annual Review of Information Governance Policies
15.	Accountable Officer's Report
16.	Accounts Commission Chair's 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 Heather Logan to the meeting and explained that Heather had been invited to attend the August and September 2014 Board meetings as part of her induction in advance of becoming a board member in October 2014.

The Chair also welcomed Martin Walker, Assistant Director, Corporate Performance and Risk to the meeting as part of his induction in his new role.

The Chair reported on his activity since the previous meeting. In addition to meetings and conversations with Caroline Gardner, Auditor General for Scotland, Diane McGiffen, Chief Operating Officer, the Chair highlighted his attendance at the meeting with the SCPA on 7 August 2014 to present the annual report and accounts, and a subsequent private meeting with the SCPA to discuss board performance and succession planning. The Chair also reported back on a meeting with Caroline Gardner, Huw Vaughan Thomas, the Auditor General for Wales, and Isobel Garner, the new Chair of the Wales Audit Office.

4. **Minutes of the meeting dated 5 June 2014**

The minutes of the meeting dated 5 June 2014, which had been previously circulated, were approved as an accurate record.

5. **Matters Arising from the minutes of the meeting on 5 June 2014**

- **Item 9 - Carbon Management Plan: Five Year Progress Report**
The Chief Operating Officer confirmed that the Carbon Management Plan: Five Year Progress Report had been published. **(June 2014)**
- **Item 10 – 2014 Equalities Update**
The Chief Operating Officer confirmed that the Equalities Update report 2014 had been published. **(June 2014)**
- **Item 13 – 2013/14 Draft Annual Report and Accounts**
The Chief Operating Officer confirmed that the Annual Report and Accounts had been signed. **(June 2014)**
- **Item 14 – Annual Review 2013/14**
The Chief Operating Officer confirmed that the Annual Review and the Annual Report and Accounts had been published online. **(June 2014)**

6. **Minutes of the Remuneration and Human Resources Committee meeting dated 22 May 2014**

The minutes of Remuneration and Human Resources Committee meeting dated 22 May 2014, which had been previously circulated, were approved as an accurate record.

7. Q1 Financial Performance Report 2014/15

The Board noted the Q1 Financial Performance Report 2014/15, which had been previously circulated and which had been considered by the earlier Audit Committee meeting.

8. Q1 Corporate Performance Report 2014/15

Ian Metcalfe, Corporate Performance Officer, joined the meeting.

The Assistant Director, Corporate Performance and Risk introduced the Q1 Corporate Performance Report 2014/15, which had been previously circulated. Martin Walker outlined the overall positive progress in the first quarter and outlined the next steps in refining the performance report and indicators used in advance of the new corporate plan.

There was discussion about the progress of some key performance areas from red to amber or green, and about the movement of indicators over time.

The Board welcomed the report and noted Martin Walker's request to meet individually with Board members to discuss their requirements and expectations on performance reporting.

Ian Metcalfe, Corporate Performance Officer, left the meeting.

9. 2015/16 Budget – Initial Proposals

David Hanlon, Corporate Finance Manager, joined the meeting.

The Corporate Finance Manager introduced the 2015/16 Budget – Initial Proposals Report, a copy of which had been previously circulated. The Board was invited to discuss the budget assumptions reported and outline areas of general agreement to enable the detailed budget proposal to be prepared for the September Board meeting.

Following discussion, the Board agreed with the range of assumptions set out in the initial proposals.

Action:

- **The Chief Operating Officer and the Assistant Auditor General to prepare a final budget proposal for consideration and approval by the Board in September. (September 2014)**

David Hanlon, Corporate Finance Manager, left the meeting.

10. Review of Fees and Funding – Baseline Report and Key Questions

The Assistant Auditor General introduced the Review of Fees and Funding – Baseline Report and Key Questions, a copy of which had been previously circulated. He outlined the background to the report and invited the Board to consider whether the report identified the key questions to be considered during the next phase of the work.

There was discussion about the apportionment and recovery of costs across sectors, the importance of transparency in the fee setting process, the mechanics of changing the current arrangements and the process for engaging with stakeholders on options. It was agreed that the key questions had been identified in the report, and that Russell should

undertake further work on the apportionment of costs, the work delivered and the recovery of costs across sectors. The Board noted the timeline for the overall work on the workstream “Securing the audit” of which the funding and fees discussion is a part, and welcomed the opportunity for more detailed discussion before the end of 2014.

The Board noted that Russell would be discussing the initial report with the Accounts Commission at its meeting on 21 August 2014.

Action:

The Assistant Auditor General to undertake further work on the apportionment and recovery of costs across sectors for consideration by the Board and to report on the remainder of the workstream to the Board by end 2014.

11. Working with Other Countries – 2014-16 Strategy and Supporting Policy

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

The Director of Audit Services introduced the Working with Other Countries – 2014-16 Strategy and Supporting Policy Report, a copy of which had been previously circulated. Fiona invited the Board to consider and approve the updated and final versions of the documents.

Following discussion, the Board approved the strategy and policy.

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

12. Policy on the Provision of non-audit services by Audit Scotland’s External Auditor

The Assistant Auditor General introduced the Policy on the Provision of non-audit services by Audit Scotland’s External Auditor Report, a copy of which had been previously considered by the Audit Committee, which had agreed to recommend it to the Board for approval.

Following discussion, the Board approved the recommended policy.

13. Proposed Board Dates for 2015

The Chief Operating Officer introduced the Proposed Board Dates for 2015 Report which had been previously circulated.

It was agreed that Board members would confirm suitability of dates with the Chief Operating Officer in time for a final timetable to be presented at the September 2014 meeting for approval.

Action:

- **Board members to confirm proposed Board dates with the Chief Operating Officer by 11 September 2014. (September 2014)**

14. Annual Review of Information Governance Policies

The Chief Operating Officer introduced the Annual Review of Information Governance Policies Report, a copy of which had been previously circulated. She advised the Board that the policies had been reviewed during July 2014 and that no amendments had been made.

The Board approved the Freedom of Information, Data Protection and Records Management policies for a further year.

15. Accountable Officer's Report

The Accountable Officer gave a verbal update on her recent and forthcoming activities, and outlined the range of events in which she was involved with colleagues across the business. She highlighted that the last Re:Connect session would take place in Glasgow at the end of August, and that the events had provided an effective forum for hearing from staff and considering areas for improvement across the business. She also highlighted her forthcoming engagement with the International Ethics Standards Board for Accountants (IESBA) on Responding to Non-Compliance with Laws and Regulations in Paris for two days at the end of August 2014.

Following discussion, the Board welcomed the update.

19. 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 engagements at the Scottish Parliament, a meeting with the Leader of the Labour Party in Scotland and provided an update on the recruitment of the Deputy Chair and new members for the Accounts Commission.

Following discussion, the Board welcomed the update.

20. Any Other Business

There was no other business.

21. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting would be held on **Thursday 18 September 2014** in the offices of Audit Scotland, 110 George Street, Edinburgh, at the conclusion of the Audit Committee meeting.

Minutes of Meeting of **Audit Scotland** held on 18 September 2014 in the offices of Audit Scotland at 110 George Street, Edinburgh at the conclusion of the Audit Committee meeting

PRESENT: R Cleland (Chair)
C Gardner
I Leitch
J Maclean
D Sinclair

APOLOGIES: None

IN ATTENDANCE: H Logan
D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
D Hanlon, Corporate Finance Manager
M Walker, Assistant Director, Corporate Performance and Risk
C Sweeney, Senior Manager, Performance Audit and Best Value

<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 meeting dated 5 June 2014
7.	2015/16 Budget Proposal & Updated Fee Strategy
8.	Review of Governance Documents (Standing Orders)
9.	Mid Staffordshire NHS Foundation Trust Public Inquiry
10.	Accountable Officer's Report
11.	Accounts Commission Chair's Report
12.	AOB
13.	Date of Next Meeting

1. Apologies

There were no apologies received.

2. Declarations of Interest

The Assistant Auditor General sought clarification from the Chair on whether members should declare an interest in item 7 if they are members of the audit committees of public bodies affected by the fee proposals being considered. It was agreed that the principle for declarations of interest should be that if members were in any doubt about potential conflicts, a declaration should be made, and the Chair and the Board would consider the significance of any potential conflict.

Douglas Sinclair and Heather Logan declared an interest in item 7 as both are members of the Scottish Public Services Ombudsman's Audit and Advisory Committee.

3. Chair's Report

The Chair reported on his activity since the previous meeting. He advised the Board that he had attended a very interesting meeting of the Leadership Group at Audit Scotland which had included discussion of the work programmes supporting the goal of becoming world class and a contribution from Kate Kuring, visiting from the Victorian Auditor General's Office in Australia. The Chair encouraged board members to take the opportunity to join such meetings on occasion. The Chair also highlighted meetings and conversations with Caroline Gardner, Auditor General for Scotland and Diane McGiffen, Chief Operating Officer.

4. Minutes of the meeting dated 20 August 2014

The minutes of the meeting dated 20 August 2014, which had been previously circulated, were approved as an accurate record, subject to a spelling correction on item 8.

5. Matters Arising from the minutes of the meeting on 20 August 2014

- **Item 9 – 2015/16 Budget – Initial Proposals**
It was noted that the Chief Operating Officer and Assistant Auditor General would present the final budget proposal for consideration and approval at **item 7**.
- **Item 10 – Review of Fees and Funding – Baseline Report and Key Questions**
It was noted that the Assistant Auditor General would undertake further work for consideration by the Board and report back on the remainder of the workstream by the end of 2014. **(December 2014)**
- **Item 13 – Proposed Board Dates for 2015**
It was noted that all except the September 2015 Board date had now been agreed and that further discussions were ongoing to find a suitable option for September.

6. Minutes of the Audit Committee meeting dated 5 June 2014

The minutes of the Audit Committee meeting dated 5 June 2014, which had been previously circulated, were approved as an accurate record.

7. 2015/16 Budget Proposal & Updated Fee Strategy

David Hanlon, Corporate Finance Manager, joined the meeting.

There was submitted a report by the Chief Operating Officer and the Assistant Auditor General on the 2015/16 Budget Proposal and Updated Fee Strategy, which had been previously circulated. The Corporate Finance Manager outlined the final budget assumptions and the supporting fee strategy and provided details of the analysis which had been undertaken since the August 2014 Board meeting.

The Board noted that the budget proposals made no assumptions about constitutional change beyond those already contained in the Scotland Act 2012. The Chief Operating Officer indicated that discussions had taken place within the business about the options for releasing some key colleagues to respond to the audit implications of any further constitutional change but that, at this stage, those had no significant impact which could be quantified for the 2015/16 budget.

The Board discussed the budgetary assumptions on property in detail and on the options that had been considered for re-locating, including the potential to share premises with other public sector bodies. The Board noted that a detailed report on property would be presented to the Board at its October 2014 meeting, and that the Corporate Finance Manager had worked closely with the Scottish Futures Trust to establish whether there were suitable options available in the public sector in the timescale required and taking into account the usage of the current buildings.

The Board noted that the extension of the scope of the audit of the European Agricultural Fund would require six additional employees, but that the costs of the work would be recovered from the National Audit Office. The Board also noted that the budget reflected further volume increases in work through the audits of Integrated Joint Boards, Revenue Scotland and Food Standards Scotland.

The Board noted that despite the one-off cost pressures of investing in property to deliver savings and the volume increases, the underlying budget continued to deliver underlying cost reductions and that the 1% increase in fees indicated in earlier years had been retained, with a proposed freezing of fees for 2015/16 audits at the 2014/15 levels.

The Assistant Auditor General outlined the operation of the indicative and agreed fee mechanisms following questions from the Board about Annex 2 of the Draft Fee Strategy.

Following discussion, the Board approved the SCPA budget submission and Fee Strategy.

David Hanlon, Corporate Finance Manager, left the meeting.

Action:

- **The Chief Operating Officer and the Assistant Auditor General to finalise the budget proposal and fee strategy for submission to the SCPA. (September 2014)**

8. Review of Governance Documents (Standing Orders)

The Chief Operating Officer introduced the Review of Governance Documents (Standing Orders) report, which had been previously circulated. She outlined the issues emerging from a review of Audit Scotland's governance documents which had been conducted by Brechin Tindal Oats (bto).

The Board discussed the issues raised and considered the options set out in the briefing note.

It was agreed that items of business not on the agenda could only be conducted at a meeting of the Board with the consent of the Chair and with a minuted explanation of why the matter had to be conducted without the standard notice.

Clarification was sought about whether the Appeals Committee had the power to take decisions and it was agreed that the Chief Operating Officer would seek further advice from bto.

The Board agreed that proxies should not be appointed, but agreed to amend the wording of the Standing Orders to make it clearer that attendance by video or telephone conference call was permissible.

There was detailed discussion on the section of the report dealing with Directions and Voting. It was agreed that the introduction to the Standing Orders should contain a statement about the guiding principle being that the Board would seek to operate by consensus, recognising that the Auditor General and the Accounts Commission could issue Directions to Audit Scotland. It was agreed that the Standing Orders would not be amended to incorporate a voting procedure. It was recognised that there may be occasions where it is acceptable to reach a decision by majority, while still acknowledging the direction powers of the Auditor General and the Accounts Commission.

There was discussion about the style of minute the Board would prefer and whether it should simply record the reports considered and the decisions reached, or capture more of the discussion. The Board considered the matter in the context of openness and transparency and it was agreed that the Chair would consider the appropriate level of detail in the draft minute for circulation.

Action:

- **The Chief Operating Officer to seek further advice from bto on outstanding issues and present a revised version of the standing orders incorporating the key points from the discussion for approval at the November 2014 Audit Committee meeting.**

9. Mid Staffordshire NHS Foundation Trust Public Inquiry

Claire Sweeney, Senior Manager, Performance Audit and Best Value, joined the meeting.

The Senior Manager, Performance Audit and Best Value introduced the update report on the Mid Staffordshire NHS Foundation Trust Public Inquiry, a copy of which had been previously circulated. The Board was invited to note the actions taken to date around the management of risk in relation to the issues raised in the Francis Report and related inquiries.

Following discussion, the Board noted the actions outlined in the report and agreed to receive a further update following the publication of the Vale of Leven inquiry, the date of which was still unknown.

Action:

- **The Board to receive a further update on scrutiny in the health service following the publication of the Vale of Leven inquiry report (Date to be confirmed).**

Claire Sweeney, Senior Manager, Performance Audit and Best Value, left the meeting.

10. Accountable Officer's Report

The Accountable Officer gave a verbal update on her recent and forthcoming activities, and outlined the programme of publications that would begin again once the Referendum moratorium ended, including the report on the NHS financial performance at the end of November and a series of Section 22 reports on issues that had emerged from the accounts of public bodies. She outlined the arrangements in place for the management team to consider the implications of the referendum result on 19 September 2014, and outlined the range of work underway inside Audit Scotland under the heading of Becoming World Class. This work would support, and be featured in, the next corporate plan. She also highlighted the range of events in which she was involved with colleagues across the business, and highlighted her forthcoming meeting in New York in October for the International Ethics Standard Board. She also indicated that she had accepted an invitation to speak at the World Congress of Accountants in Rome.

Following discussion, the Board welcomed the update.

11. 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 and reported that progress had been made on the appointment of a Deputy Chair and new members, to take up office from 1 October 2014. He also informed the Board of recent meetings with members of Solace.

Following discussion, the Board welcomed the update.

12. Any Other Business

The Chair closed the meeting by thanking the Board for their support and challenge during his tenure as Chair and wishing his successor, John Maclean, every success in his new role. The Chair said that the role had been a highlight of his career and had been continuously challenging and fulfilling. He expressed his appreciation of all the Board members with whom he had worked and of the Management Team and staff of Audit Scotland, who were consistently professional and thoughtful in their conduct of business.

John Maclean gave a vote of thanks on behalf of the Board, and presented the Chair with a token gift to mark his retirement.

13. Date of Next Meeting

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

Minutes of Meeting of **Audit Scotland** held on 23 October 2014 in the offices of Audit Scotland at 110 George Street, Edinburgh at the conclusion of the Audit Committee meeting

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

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
D Hanlon, Corporate Finance Manager
M Walker, Assistant Director, Corporate Performance and Risk
D Blattman, HR & OD Manager
A Devlin, Corporate Governance 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.	East of Scotland Reprovision
7.	Developing our Corporate Plan 2015-18
8.	Scotland Act Referendum Update
9.	Review of Complaints Handling Arrangements
10.	Wellbeing Strategy
11.	Accountable Officer's Report
12.	Accounts Commission Chair's 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 welcomed Heather Logan to her first Board meeting and expressed his appreciation for the work of the outgoing Chair, Ronnie Cleland, who had provided useful advice and information to assist in the new role. The Chair reported on his activity since his appointment became effective. He advised the Board of meetings with the SCPA and referenced meetings and conversations with Caroline Gardner, Auditor General for Scotland and Diane McGiffen, Chief Operating Officer.

4. Minutes of the meeting dated 18 September 2014

The minutes of the meeting dated 18 September 2014, which had been previously circulated, were approved as an accurate record.

5. Matters Arising from the minutes of the meeting on 18 September 2014

- **Item 7** – The Board noted that the Budget Proposal and Updated Fee Strategy had been submitted to the Scottish Commission for Public Audit (SCPA) and that the SCPA would meet on 30 October 2014 to take evidence.
- **Item 8** – The Chief Operating Officer advised the Board that revised Standing Orders would be presented to the November 2014 meeting of the Audit Committee for approval.
- **Item 9** – it was noted that a further update on scrutiny of the health service would be provided following the publication of the Vale of Leven inquiry report.

6. East of Scotland Reprovision – Confidential Item

David Hanlon, Corporate Finance Manager, joined the meeting.

There was submitted a confidential report by the Chief Operating Officer on the East of Scotland Reprovision, which had been previously circulated. The Board noted that the report was confidential because it contained commercially sensitive information on offers from landlords.

The Chief Operating Officer introduced the report and highlighted the significant opportunity for improved business efficiency and financial savings that relocation would provide. The Board noted that the 2015/16 Budget Proposal being considered by the SCPA included a request for £1.3 million to invest in fitting out a new property.

The Board considered the information provided to detail the preparatory work undertaken over a number of years to explore property options, including working with the Scottish Futures Trust (SFT) to identify options for relocating within the public sector property portfolio including the real and perceived issues that may exist in maintaining the

independence of Audit Scotland. The Board also noted that SFT had assisted in space utilisation studies of the current Edinburgh properties which had helped establish the size of property being sought. The Board explored the benefits and savings of the preferred property at West Port and the second choice option at City Point, and explored how car parking had been taken into account in assessing the costings for each property.

Following discussion, the Board:

- Noted that all three options in the report would generate significant financial savings over a ten year lease period, and that the preferred option of West Port would deliver the highest savings of £2,677,688.
- Noted that the Corporate Finance Manager had received a further enhancement to the offer to increase the rent free period on West Port from 36 months to 39 months.
- Noted the provisions made in the 2015/16 budget of £591,000 revenue funding and £1.3million capital funding to support relocation and that this would be considered by the SCPA at its meeting on 30 October 2014.
- Noted the operational, financial and carbon reduction benefits to be gained from relocation within Edinburgh, and that relocation within Edinburgh would generate minimal business disruption.
- Noted the proposed timetable for relocation.
- Approved the proposal to conclude a lease for the property at 102 West Port and to engage in discussions to further enhance the terms available.
- Noted that Management Team will work to deliver the fit-out and furniture costs of the project within the available budget.

The Board also invited the negotiation team to consider further opportunities to improve the terms available, in particular on rent free periods, lease breaks, signing a longer lease, rent review processes and dilapidation agreements.

David Hanlon, Corporate Finance Manager, left the meeting.

Action:

- **The Chief Operating Officer to arrange for negotiations to begin to conclude a lease for the property at 102 West Port and to seek further enhancements to the terms outlined in the report.**

7. Developing our Corporate Plan 2015-18

Martin Walker, Assistant Director, Corporate Performance and Risk, joined the meeting.

The Assistant Director, Corporate Performance and Risk, introduced the Developing our Corporate Plan 2015-18 report, which had been previously circulated. He provided an overview of the characteristics, process and proposed content for the 2015-18 corporate plan and invited the Board to consider and provide any comments on the timeline and content.

The Board welcomed the update and discussed the timetable for delivering the plan and the progress being made to develop it. Douglas Sinclair updated the Board on a recent meeting to develop the Strategy for Public Audit and the initial progress made. The Board stressed the importance of developing smart objectives to help align individual

performance plans with the corporate plan to ensure that delivery would be embedded in the objectives of all staff.

Following discussion, the Board noted the proposed characteristics, approach and broad content of the plan.

Martin Walker, Assistant Director, Corporate Performance and Risk, left the meeting.

8. Scotland Act Referendum Update

The Assistant Auditor General introduced the update report on the Scotland Act Referendum, a copy of which had been previously circulated. The Board was invited to note the potential implications of the outcome of the Referendum for public audit.

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

9. Review of Complaints Handling Arrangements

Alex Devlin, Corporate Governance Manager, joined the meeting.

The Corporate Governance Manager introduced the report on Review of Complaints Handling Arrangements, a copy of which had been previously circulated. The Board was invited to note the update on the review undertaken in July 2014 on the effectiveness of the complaints handling process.

Following discussion, the Board noted the recommendations from the review to raise awareness of complaints handling arrangements for stage 1 complaints.

Alex Devlin, Corporate Governance Manager, left the meeting.

10. Wellbeing Strategy

David Blattman, HR & OD Manager, joined the meeting.

The HR & OD Manager introduced the Wellbeing Strategy report, a copy of which had been previously circulated. The HR & OD Manager invited the Board to note the activity in supporting employee wellbeing during 2014 and the achievement of a Bronze Award under the Healthy Working Lives scheme.

The Board stressed its strong support for the wellbeing strategy and acknowledged the achievements made under the Healthy Working Lives scheme and noted the next steps outlined in the report.

The Board discussed the occupational health support and health screening support provided through the strategy, and thanked the HR and OD manager and colleagues for their work in this area.

11. Accountable Officer's Report

The Accountable Officer gave a verbal update on her recent and forthcoming activities. She highlighted the range of events in which she was involved with colleagues across the business, in particular her recent meetings in October for NOCLAR and the International Ethics Standard Board. She also advised of her speaking engagement at the World Congress of Accountants in Rome in November and an invitation to join the Public Sector Audit Appointments Limited body.

Following discussion, the Board welcomed the update.

12. 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 and reported that Ronnie Hinds had been appointed as the Deputy Chair from 1 October 2014 and that two new Accounts Commission members had also been appointed. He provided an update on the Accounts Commission's recent consideration of the community planning reports.

Following discussion, the Board welcomed the update.

13. Any Other Business

There was no further business.

14. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting would be held on **Thursday 20 November 2014** in the offices of Audit Scotland, 8 Nelson Mandela Place, Glasgow, at the conclusion of the Audit Committee.

Minutes of Meeting of **Audit Scotland** held on 20 November 2014 in the offices of Audit Scotland at 8 Nelson Mandela Place, Glasgow at the conclusion of the Audit Committee meeting

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

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
D Hanlon, Corporate Finance Manager
M Walker, Assistant Director, Corporate Performance and Risk
F Kordiak, Director of Audit Services
A Craik, Senior Audit Manager
B Howarth, Assistant Director, Audit Services
Carole Grant, Senior Audit Manager
Carol Hislop, Senior Audit 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.	Q2 Financial performance Report 2014/15
7.	Q2 Corporate Performance Report 2014/15
8.	2014/15 Spring Budget Revision
9.	Review of Corporate Governance Documents
10.	Edinburgh Office Reprovision
11.	Streamlining the Audit
12.	European Agricultural Funds Audit
13.	Accountable Officer's Report
14.	Accounts Commission Chair's Report
15.	AOB
16.	Date of Next Meeting

1. Apologies

There were no apologies received.

2. Declarations of Interest

Heather Logan and Douglas Sinclair declared their membership of the audit advisory committee of the Scottish Public Services Ombudsman.

3. Chair's Report

The Chair reported on his activity since the last Board meeting, advising of his attendance at the Development Event for Non Executive Directors hosted by Sir Peter Housden on 3 November 2014 and made reference to meetings and conversations with Caroline Gardner, Auditor General for Scotland and Diane McGiffen, Chief Operating Officer.

4. Minutes of the meeting dated 23 October 2014

The minutes of the meeting dated 23 October 2014, which had been previously circulated, were approved as an accurate record.

5. Matters Arising from the minutes of the meeting on 23 October 2014

- **Item 6** – It was noted that an update on negotiations for the terms of the lease for the preferred property would be covered under item 10 on the agenda.

6. Q2 Financial Performance Report 2014/15

David Hanlon, Corporate Finance Manager, joined the meeting.

There was submitted a report by the Corporate Finance Manager on the Q2 Financial Performance 2014/15, a copy of which had been previously circulated and which had been considered at the earlier meeting of the Audit Committee.

The Board noted the financial results for quarter 2.

7. Q2 Corporate Performance Report 2014/15

Martin Walker, Assistant Director, Corporate Performance and Risk, joined the meeting.

The Assistant Director, Corporate Performance and Risk, introduced the Q2 Corporate Performance Report 2014/15, which had been previously circulated. He provided an overview of business performance during the second quarter of the year, which overall was a positive performance with high quality audits being delivered on time and within the overall revenue budget.

The Board requested further details on the delayed publication of three reports and was satisfied with the explanations provided. The Board also discussed the assessment of performance on innovation in the report and use of managers' assessments.

Following further review, the Board welcomed the update.

Martin Walker, Assistant Director, Corporate Performance and Risk, left the meeting.

8. 2014/15 Spring Budget Revision

There was submitted a report by the Corporate Finance Manager on the 2014/15 Spring Budget Revision, which had been previously circulated. The Corporate Finance Manager outlined the background to pension accounting and its implications for Audit Scotland's budget processes. He also explained the projected outturn for 2014/15.

Following discussion, the Board approved Audit Scotland's Spring Budget Revision Proposal to request that the 2014/15 budget is increased by £1,716k to cover additional pension charges.

Action:

- **The Chief Operating Officer to make a request to the Scottish Commission for Public Audit for a £1,716k Spring Budget Revision.**

David Hanlon, Corporate Finance Manager, left the meeting.

9. Review of Corporate Governance Documents

The Board agreed that, following discussion at the Audit Committee earlier, it would approve the revised Code of Conduct and Standing Orders, and would consider a revised version of the proposed Financial Regulations and Scheme of Delegation at its meeting in January.

Action:

- **The Chief Operating Officer to publish the revised Code of Conduct and Standing Orders and to present a further version of the Financial Regulations and Scheme of Delegation taking account of the Audit Committee's comments in January 2015.**

10. Edinburgh Office Re provision

David Hanlon, Corporate Finance Manager, joined the meeting.

There was submitted a report by the Corporate Finance Manager on the Edinburgh Office Re provision, a copy of which had been previously circulated.

The Board was invited to note the report.

Following discussion, the Board noted the progress being made and welcomed the update.

11. Streamlining the Audit

Fiona Kordiak, Director of Audit Services, Brian Howarth, Assistant Director, Audit Services and Alasdair Craik, Carole Grant and Carol Hislop Senior Audit Managers joined the meeting.

There was submitted a report by the Director of Audit Services on Streamlining the Audit, which had been previously circulated.

The Director of Audit Services introduced the team who would be presenting both update reports about work in the Audit Services Group. The Assistant Director of Audit Services then provided an update on the approach and benefits to date of the streamlining the audit project. The Board discussed compliance with the new approach and the cultural and methodological changes involved. Carol Hislop provided examples from her audit portfolio of how the streamlining process had enabled the team to focus in more depth on some core issues and of the value of that to both the audited body and the Accounts Commission.

Following a wide ranging discussion, the Board noted the report.

12. European Agricultural Funds Audit

There was submitted a report by the Director of Audit Services on European Agricultural Funds Audit, which had been previously circulated.

Alasdair Craik introduced the report and provided an overview of the challenges faced in responding to changes in the requirements of the audit of European Agricultural funds, and how those had been met. The Board explored the risks involved in the audits at both an operational and strategic level. It was noted that the risks had not featured on the Corporate Risk Register discussed earlier at the Audit Committee as these were of the category of routine operational risks managed by the business in the delivery of audit work.

Following discussion, the Board welcomed the update, thanked the team for their presentations and requested a further update report from the Director of Audit Services at an appropriate point during 2015.

Action:

- **The Director of Audit Service Group to provide an update report at an appropriate point during 2015.**

Fiona Kordiak, Director of Audit Services, Brian Howarth, Assistant Director, Audit Services and Alasdair Craik, Carole Grant and Carol Hislop Senior Audit Managers left the meeting.

13. Accountable Officer's Report

The Accountable Officer gave a verbal update on her recent and forthcoming activities. She highlighted the range of events in which she was involved with colleagues across the business, in particular her recent commitments including speaking at the Scottish Internal Audit Conference on 6 November, attending the World Congress of Accountants Meeting on 12 and 13 November in Rome, the Audit Scotland Annual Audit Update in Dunblane on 18 November and Public Audit Committee meetings.

Following discussion, the Board welcomed the update.

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 activities since the previous meeting and reported on a meeting with the Cabinet Secretary for Finance and Sustainable Growth to discuss community planning partnerships.

Following discussion, the Board welcomed the update.

15. **Any Other Business**

There was no further business.

16. **Date of Next Meeting**

It was noted that the next Audit Scotland Board meeting would be held on **Thursday 22 January 2015** in the offices of Audit Scotland, 110 George Street, Edinburgh at 10:00hrs.