

# Standing Orders

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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# Standing orders

## Introduction

1. The Constitution and membership of Audit Scotland is unusual in having both members appointed by the Scottish Parliament and members with or having access to Direction giving powers. The Board will seek to operate on a consensus basis recognising that on occasion a majority decision may be reached and that the Auditor General and the Accounts Commission may issue Directions for the purpose of or in connection with the exercise of Audit Scotland's functions in relation to either or both of them.

## Constitution

2. Audit Scotland is a body corporate established under section 10 of the Public Finance and Accountability (Scotland) Act 2000 ("the Act").
3. The function of Audit Scotland is to provide such assistance and support as the Auditor General and the Accounts Commission require in the exercise of their respective functions and, in particular, to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions. The Auditor General and the Accounts Commission may give directions to Audit Scotland in connection with the exercise of their functions. Detailed provisions about the operation of Audit Scotland are contained in Schedule 2 to the Act as amended by the Public Services Reform (Scotland) Act 2010.
4. The Board remains responsible for the exercise of all functions of Audit Scotland. It exercises its powers and authorities through the Scheme of Delegation, which it determines and approves.
5. The members of Audit Scotland are the Auditor General, the Chair of the Accounts Commission and three other members appointed by the Scottish Commission for Public Audit.
6. The three other members will be appointed under terms and conditions, including remuneration, as determined by the Scottish Commission for Public Audit. The Auditor General and the Chair of the Accounts Commission may not receive any remuneration as members of Audit Scotland.
7. Members of Audit Scotland may terminate their appointments at any time by notifying, in writing, the appropriate appointing body, and following the prescribed period in the letter of engagement.
8. In these Standing Orders the members of Audit Scotland meeting together to discharge their functions are referred to as the Board.

## Chair

9. The Scottish Commission for Public Audit will appoint one of the members of Audit Scotland which it has appointed to preside at the meetings of the Board ("the Chair").

## Meetings

10. Meetings will be held in public at times, dates and places agreed by the members. In addition, a meeting may be called at any time by the Chair or by not less than three members giving the Chief Operating Officer a written request for such a meeting stating the business to be transacted. The use of video or telephone conferencing by members will be deemed as attendance at the meeting.
11. In exceptional circumstances, for example, where office locations are closed and all employees are required to work from home, meetings will take place by video conferencing. To ensure digital security during this time, these meetings may not be open to the public. Meetings will be recorded and shared online alongside the agenda and reports from the meetings.

## Agenda and Papers

12. The Chair will approve the Board agenda, including the consideration of items to be taken in private, 10 working days prior to the scheduled meeting, following discussion with the Chief Operating Officer.
13. At least five clear working days before a meeting of the Board the Chief Operating Officer will send written notice of the approved time and place of the meeting and of the business to be transacted to each member. So far as possible, reports and other papers relating to agenda items will be circulated with the agenda.
14. At least two clear working days before a meeting of the Board the Chief Operating Officer will publish the meeting agenda and reports and papers to be taken in public on the Audit Scotland website.

## Conduct of Business

15. The Chair, if present, will preside. If the Chair cannot be present the Board must appoint one of the other members appointed by the Scottish Commission for Public Audit to preside at the meeting.
16. No business other than that stated in the notice of the meeting will be transacted at that meeting other than with the consent of the Chair and a minuted explanation of why the matter had to be conducted without the standard notice.
17. The Chair of the meeting will decide all questions of order, relevancy and conduct of business during the meeting.

18. A quorum for a meeting of the Board is three members including those present by telephone or video conference call. The Auditor General and the Chair of the Accounts Commission must be present for a quorum to be constituted, save that in the event that the Auditor General and/or the Chair of the Accounts Commission are unable to attend a meeting of the Board, either may confirm, by giving notice in writing, by email or where circumstances require verbally by telephone prior to the commencement of the meeting, that (i) they consent to the meeting proceeding in their absence; (ii) that the meeting may be deemed to be quorate notwithstanding their absence provided the other requirements for a quorum to be constituted as set out in paragraphs 18, 19 and 20 are met; and (iii) that any business detailed on the agenda circulated pursuant to paragraph 13 and transacted at the meeting shall be deemed to be transacted validly provided that all other requirements of these Standing Orders are complied with.
19. Where the Auditor General and/or the Chair of the Accounts Commission consents to a meeting proceeding in their absence, they shall, within five working days of the date of the meeting, be provided with a copy of the draft minutes of the meeting produced pursuant to paragraph 22.
20. No business which is not detailed on the agenda circulated pursuant to paragraph 12, and which the Board deems to be material to the operation of Audit Scotland, shall be transacted at a meeting at which either the Auditor General and/or the Chair of the Accounts Commission is not present.
21. At any meeting the Board may suspend Standing Orders for the duration of the meeting or of any item of business provided a majority of the members present so agree.

## Minutes

22. Minutes of every meeting of the Board will be drawn up and will be approved at the following meeting.

## Directions

23. Section 10(4) of The Public Finance and Accountability (Scotland) Act 2000 (“the Act”) provides that:-
24. 'Directions may be given to Audit Scotland—
25. (a) by the Auditor General, for the purpose of or in connection with the exercise of Audit Scotland’s functions in relation to the Auditor General,
26. (b) by the Accounts Commission, for the purpose of or in connection with the exercise of Audit Scotland’s functions in relation to the Commission.'
27. Section 27(4) of the Act provides that:
28. 'Directions under sections 10(4) and 19(4) and paragraph 6 of schedule 3 are to be given in writing and may be varied or revoked by subsequent directions under the same provision.'

29. In accordance with the provisions of sections 10(4) and 27(4) of the Act any directions given by the Auditor General or the Accounts Commission to Audit Scotland must be given in writing.
30. Following receipt of any direction given by the Auditor General or the Accounts Commission, Audit Scotland will hold a board meeting to consider the direction with regard to its own direction.

## Vacancy

31. The proceedings of the Board will not be invalidated by any vacancy in membership or by any defect in the appointment of any person.

## Code of Conduct

32. Each member will abide by the Code of Conduct for Members of the Audit Scotland Board current at any time.

## Committees

33. The Board may appoint standing or ad hoc committees consisting of such numbers as the Board may determine. Committees may consist of members and other suitable persons chosen by the Board.
34. The Board will establish an Audit Committee with the terms of reference contained in Appendix 1.
35. The Board will establish a Remuneration & Human Resources Committee with the terms of reference contained in Appendix 2.
36. The Board will establish an Appeals Committee with the terms of reference contained in Appendix 3.
37. Any committee will operate within the terms of remit and any delegation made to it by the Board.

## Deeds and Documents

38. Any deed or document requiring formal execution by Audit Scotland will be signed for and on behalf of Audit Scotland by the Chair of the Accounts Commission or the Auditor General for Scotland and the Chief Operating Officer.

## Advisers and Committee Co-optees

39. The Board may appoint advisers and/or co-optees to Committees and pay them such remuneration and expenses as the Board decide. The co-option appointment procedure is contained in Appendix 4.



40. Employees of Audit Scotland, advisers and others may be present at items taken in private at meetings of the Board at the invitation of the members.

## Openness and Transparency

41. The Board meet in public where possible. Agendae, minutes and papers to be considered will be published on the Audit Scotland website. Meetings may be conducted by video conference. In these instances, meetings may not be held publicly, though in the interests of inclusivity and upholding our commitment to transparency agendas, minutes, reports and recordings of meetings will be published online

## Board Effectiveness

42. The Board will conduct a self-evaluation of its effectiveness on an annual basis.

## Application of Standing Orders

43. These Standing Orders will apply to meetings of committees of the Board subject to any due modification of details.

## Alteration

44. These Standing Orders may be altered by the Board provided that the alteration is approved by a majority of the members of the Board.

# Appendix 1: Audit Committee remit

45. The Audit Committee will consist of members of the Board. The Board may appoint persons who are not members of the Board to be members of or advisers to the Audit Committee and may pay them such remuneration and expenses as the Board decides. The Chair of the Board and the Accountable Officer may not be members of the Audit Committee but may attend meetings.
46. The purposes of the Audit Committee are detailed in the Audit Committee terms of reference. The key points are:

## Internal Control and Corporate Governance

47. To evaluate the framework of internal control, strategic processes for risk and corporate governance comprising the following components:
  - Control Environment.
  - Risk Management.
  - Information and Communication.
  - Control Procedures.
  - Monitoring and Corrective Action.
  - Audit quality monitoring and arrangements.
48. To review the system of internal financial control, which includes:
  - The safeguarding of assets against unauthorised use and disposal.
  - The maintenance of proper accounting policies and records and the reliability of financial information used within the organisation or for publication.
  - To ensure that Audit Scotland's activities are within the law and regulations governing them.
  - To monitor performance and best value by reviewing the economy, efficiency and effectiveness of operations.
  - To present an annual statement of assurance to the Board to support the Accountable Officer's governance statement.

## Internal Audit

- To review the Terms of Reference and appointment of the internal auditors.
- To review and approve the internal audit strategic and annual plans.
- To monitor audit progress and review audit reports.

- To monitor the management action taken in response to the audit recommendations through an appropriate follow up mechanism.
- To consider internal audit's annual report and assurance statement.
- To review the operational effectiveness of internal audit by considering the audit standards, resources, staffing, technical competency and performance measures.
- To ensure that there is direct contact between the Audit Committee and internal audit and that the opportunity is given for discussions with internal audit who should attend every meeting of the Committee.

## External Audit

49. To consider all audit material, in particular:
  - Audit Reports.
  - Annual Reports.
  - Management Letters.
  - Management Reports.
50. To monitor management action taken in response to all external audit recommendations.
51. To hold meetings with the external auditors at least once per year and, as required, without the presence of senior management.
52. To review the extent of co-operation between external and internal audit.
53. The external auditor will be appointed by the Scottish Commission for Public Audit under Section 25 of the 2000 Act. The external auditor will examine and certify the account and report on the account to the Commission. The Commission must lay before the Parliament a copy of the account and the auditor's report and publish the account and that report.

## Annual Accounts

54. To review and recommend approval of the Annual Accounts.

## Standing Orders, Financial Regulations and Scheme of Delegation

55. To keep under review the Standing Orders, Financial Regulations and Scheme of Delegation and recommend to the Board any amendments.

## Other duties

56. The Audit Committee may take on other duties as determined by the Audit Scotland Board.

# Appendix 2: Remuneration & Human Resources Committee remit

57. The Remuneration & Human Resources Committee will consist of members of the Board. The Board may appoint persons who are not members of the Board to be members of or advisers to the Remuneration & Human Resources Committee and may pay them such remuneration and expenses as the Board decided.
58. The purposes are detailed in the Remuneration & Human Resources Committee terms of reference.

## Remuneration & Human Resources Committee responsibilities

59. In relation to members of Audit Scotland's Management Team, are to:
  - Review and approve all terms & conditions of employment, including job descriptions, all pay and benefit reward elements associated with each post.
  - Ensure remuneration policy and strategy is aligned to the relevant public sector policies being implemented by the UK and Scottish Governments.
  - Set and review the overall reward structure, including the value of pay ranges and general annual pay award strategy.
  - Assure itself that effective arrangements are followed for performance assessments in respect of Audit Scotland's Management Team, including any changes to pay and benefits arising from the assessment of performance during the review period.
  - Review talent management and succession planning arrangements.
  - Approve remuneration packages for newly appointed members of the Management Team.
  - Recommend appointments and changes affecting Management Team to the Board.
  - Decide on applications for early retirement.
  - Determine compensation payments for loss of office.
  - Agree, oversee and review the operation of expenses policy.
  - Review the expense claims of the Accountable Officer on an annual basis.
60. In relation to other staff employed by Audit Scotland, are to:
  - Determine the remuneration policy governing all terms and conditions of employment, including pay, benefits, retirement policy and other policies relating to compensation for loss of office.

- Ensure remuneration policy and strategy is aligned to the relevant public sector policies being implemented by the UK and Scottish Governments.
- Approve the parameters for the annual pay award cycle.
- Review, not less than annually, the application of remuneration policy.
- Assure itself about any issues relating to the overall performance of employees.

## Other duties

61. The Remuneration & Human Resources Committee may take on other duties as determined by the Audit Scotland Board.

# Appendix 3: Appeals Committee remit

62. The Appeals Committee will consist of at least two members of the Board.
63. The purpose of the Appeals Committee is:
- To consider and dispose of any matters requiring independent deliberation which may be referred to it by the Board.
  - To hear and dispose of appeals by members of the Management Team under the Audit Scotland disciplinary and grievance procedures.

# Appendix 4: Co-option procedure

## Introduction

64. Audit Scotland's standing orders state that:

- The Board may appoint standing or ad hoc committees consisting of such numbers as the Board may determine. Committees may consist of members and other suitable persons chosen by the Board.
- The Board may appoint advisers and/or co-optees to Committees and pay them such remuneration and expenses as the Board decide. Employees of Audit Scotland, advisers and others may be present at items taken in private at meetings of the Board at the invitation of the members.

## Reasons for co-option

65. There may be times when specialist expertise is required which the Board may be unable to fulfil, or when the current or future balance of skills available to the Board's committees may need strengthened.
66. The Board should discuss and agree the specification of skills and experience being sought through co-option.

## Nominations process

67. If the Board agrees to co-opt to its committees to fulfil requirements identified under 60 above, an advertisement seeking expressions of interest will be placed on Audit Scotland's website.

## Application process

68. Applicants for co-option should provide a written statement of their relevant skills and a CV.
69. Following a shortlisting process, applicants will be interviewed by the Chair of the Board and the Chair of the relevant committee, plus one other member of the Board.
70. Candidates and interviewers must declare any relationships or potential conflicts of interest to the Chair.
71. The Board should approve the final recommendation from the Chair.

## Term of Office

72. Co-option is intended to provide specific skills for a fixed term as determined by the Board.
73. There is potential for renewal, subject to the approval of the Board.

## Remuneration

74. Remuneration, where applicable, will be determined by the Board and will be no greater than the rate set by the SCPA for Board members.

## Conduct of co-opted members

75. Co-opted members will be required to follow the Audit Scotland Code of Conduct for Board members, and the associated disclosure requirements, and their appointment may be terminated by the Chair, subject to the approval of the Board.

## Engagement with Scottish Commission for Public Audit

76. The Board will write to the Scottish Commission for Public Audit in advance of the co-option of members to a Committee, setting out:
- 76.1. the reason for co-opting
  - 76.2. the process by which any appointments will be made.