

Minutes of Meeting of Audit  
Scotland held in the offices of  
Audit Scotland, 110 George  
Street, Edinburgh on Thursday,  
11 February 2010 at the  
conclusion of the Audit  
Committee

PRESENT: J Baillie (Chair)  
R Cleland  
J Maclean  
R W Black  
C Gardner

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Director of Corporate Services  
R Frith, Director of Audit Strategy  
D Hanlon, Finance Manager

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Minutes dated 3 December 2009
4.	Medium Term Financial Planning
5.	Audit Procurement Strategy – Initial Considerations
6.	Audit Scotland Corporate Quality Framework
7.	Board Members' Code of Conduct
8.	Performance and Financial Report – Quarter 3
9.	Swine Flu Update
10.	Any other business
11.	Date of Next Meeting

1. Apologies

There were no apologies given.

2. Declarations of Interest

It was noted that there were no declarations of interest.

3. Minutes

**Audit Scotland Board**

The minutes of the meeting of the Audit Scotland Board on 3 December 2009 were submitted and approved.

**Remuneration Committee**

The minutes of the meeting of the Remuneration Committee of the Audit Scotland Board on 8 October 2009 were submitted and approved.

4. Medium Term Financial Planning and Funding

There was submitted a report by the Director of Audit Strategy outlining the medium-term financial planning and funding issues facing Audit Scotland. The Board was invited to consider the implications of the pressures on public spending, audit fees and on staff costs on Audit Scotland and its clients and stakeholders. Following detailed discussion of different financial scenarios, the Board agreed that the Management Team should prepare an outline budget for 2011-12 incorporating proposals for fee reductions, and should present a more detailed report to the Board at its next meeting on the actions that could be taken to achieve fee reductions and the containment or reduction of funding required from the SCPA, minimise the cost of IFRS in local government while preserving the delivery of an effective audit across the public sector.

5. Audit Procurement Strategy – Initial Considerations

There was submitted a report by the Director of Audit Strategy setting out initial considerations for the audit procurement strategy. Following detailed discussion by the Board of the various factors influencing the audit procurement strategy, the Board agreed that:

The board's role in the procurement of audit would be further discussed at its next meeting, with a series of options presented by the Director of Audit Strategy

A common approach to the procurement of audits for the Auditor General and the Accounts Commission with a single and coterminous appointment of auditors would be the most effective approach to securing coherent audit arrangements across the public sector.

A mixed market continues to offer the most effective approach to delivering local audit work, but that more consideration will be undertaken of the amount of work to be undertaken in house, the number of firms to be appointed in each sector and the volumes of work to be awarded to each.

The Code of Audit Practice should be revised during 2010 so that the revised version helps secure an efficient and effective audit and is available with the tender documents. The revision of the Code should be used as an opportunity to engage with partners of audit firms and clients and stakeholders on the shape of the audit.

The appointment of auditors is likely to be the most effective approach for the audit of financial statements, but that more consideration will be given to the approach for other work undertaken by local auditors.

The current arrangements should not be extended, and that this view should be included in a paper by the Director of Audit Strategy to the Accounts Commission/Auditor General, who have the ultimate decision.

The Board noted the draft procurement timetable which had been circulated.

6. Audit Scotland Corporate Quality Framework

There was submitted a paper by the Director of Audit Strategy inviting the Board to approve a revised corporate policy for quality for Audit Scotland in the form of a Quality Framework document.

Following discussion, the Board approved the Corporate Quality Framework. It was agreed that there would be further consideration at a later date of the role of external reviews in the quality assurance of financial audit.

7. Board Members' Code of Conduct

There was submitted a report by the Director of Audit Strategy inviting the Board to approve a revision to the Code of Conduct for members of the Audit Scotland Board. The revision incorporates guidance on the registration of interests in relation to contracts in line with the model code for members of public bodies.

The Board approved the revision to the Code of Conduct.

8. Accountable Officer's report

There was submitted a report by the Accountable Officer highlighting items of interest to the Board that had occurred since the previous meeting, including the publication of various national and statutory reports and progress on delivery of the audits.

9. Performance and Financial Update

The Finance Manager, David Hanlon joined the meeting for this item.

There was submitted a report by the Director of Corporate Services detailing the quarter three business performance and financial results. Following discussion, the Board noted the position at quarter three.

It was agreed that David Hanlon would provide further information to the Board on accounting for pension costs.

13. Swine Flu Update

The Director of Corporate Services provided an update on the impact of swine flu on Audit Scotland's business and recommended that given the limited impact of the pandemic on the business, this item be removed as a standing item from Board agendas. The Board agreed.

14. Any other business

There were no other items of business

15. Date of the next meeting

The date of the next Audit Scotland Board and Audit Committee will be:

- **Friday, 26 March 2010** at 10.00am and will be held in the **Boardroom** at the offices of Audit Scotland, 110 George Street, Edinburgh.