



**MINUTES OF MANAGEMENT GROUP
MEETINGS 2010**

AUDIT SCOTLAND MANAGEMENT GROUP

MINUTE OF MEETING HELD ON 12 JANUARY 2010

Present: Bob Black
Caroline Gardner (Chair)
Diane McGiffen
Russell Frith

Fiona Kordiak
David Pia
Barbara Hurst

Apologies: Lynn Bradley

| 1. | Note of previous meeting | LEAD | DEADLINE |
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| | <p>The minutes of the previous meeting of 8 December 2009, which had been circulated, were agreed as an accurate record.</p> <p>The decision taken by Management Team by correspondence on 16 December 2009 to make a small adjustment to the terms and conditions of trainee contracts was noted.</p> | | |
| 2. | Communications Digest – January Preview | | |
| | <p>Diane introduced the Communications Digest report for January, which had been previously circulated.</p> <p>Management Group discussed the contents of the report and it was:</p> <ul style="list-style-type: none">• Agreed that Barbara would contact the Clerk to the Parliament's Equal Opportunities Committee• Noted that Caroline was meeting with the Comptroller and Auditor General, Amyos Morse and Diane with Michael Whitehouse, Chief Operating Officer of the NAO. | BH | Jan 2010 |
| 3. | Audit Scotland's Print Contract Update | | |
| | <p>Management team noted the update on the print contract arrangements.</p> | | |
| 4. | Audit Procurement Strategy – Initial considerations | | |
| | <p>Russell Frith introduced his paper outlining initial considerations on the Audit Procurement Strategy, which had been previously circulated.</p> | RF | Jan 2010 |

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| | <p>Following detailed discussion, it was agreed that Russell would prepare a paper to the Board, which would be circulated in advance to MT, recommending that:</p> <ul style="list-style-type: none"> • The option to extend contracts, as in the current appointment letters, be included in the next appointment round, but that the option should not be exercised • The AGS and the Accounts Commission continue with a common procurement strategy and single procurement exercise • No significant changes should be made to the current volume of appointments made to private firms and Audit Scotland appointments to maintain a healthy mixed market for public audit in Scotland. <p>It was also agreed that the report should include a timeline of the key decisions that the Board, the AGS and the Accounts Commission would need to take.</p> <p>It was further agreed that the work to revise the code of audit practice needed to progress quickly and to ensure engagement with key stakeholders. The scope of the discussions around the code should be enlarged to include questions about what audit will look like, what it needs to deliver, what can be delivered in a climate of reducing resources.</p> <p>It was agreed that Russell's paper should also describe the Board's role in procurement in detail and in relation to the recently agreed Partnership Agreement between Audit Scotland, the Accounts Commission and the Auditor General.</p> | | |
| 5. | Audit Scotland & Audit Strategy Quality Framework | | |
| | <p>Russell introduced the Audit Scotland and Audit Strategy Quality Framework reports, which had been previously circulated.</p> <p>It was agreed that Russell would revise the Audit Scotland Quality Framework to take into account:</p> <ul style="list-style-type: none"> • More detailed descriptions of the quality processes in place in each business group • A more direct link to the objective in the Corporate plan of becoming a centre of excellence for public Audit Scotland • A clearer description of the leadership of quality and link to the new competency framework for the leadership group. • An updated description of the links between the annual report on quality, the Accountable Officer's role and the statement on internal controls. | RF | Jan 2010 |

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| | <p>It was agreed that Russell would consult on and revise the Audit Strategy Quality Appraisal Framework in line with the consultation on the code of audit practice, and taking into account the links with the corporate plan objectives, and more clearly defining the assurance and challenge roles of the quality appraisal.</p> <p>It was agreed that Russell should present a project plan with detailed timeline to MT bringing together the actions required to progress items 4 and 5.</p> | | |
| 6. | Product Reading of 2007/08 Annual Audits | | |
| | <p>Russell introduced the Product Reading of 2007/2008 Annual Audit Reports, which had been previously circulated.</p> <p>Following discussion, it was agreed that, alongside the work on the Code of Audit Practice and the procurement preparations, a small, short-life working group should review what the purpose of the annual audit report should be, to help auditors improve the consistency of approach, and also to help reconcile the sometimes conflicting demands of various codes and templates.</p> <p>The arrangements for the working group would be discussed at a future meeting.</p> | All | Feb meeting |
| 7. | Risk Management | | |
| | <p>Russell introduced the Risk Management report, which had been previously circulated.</p> <p>The Group reviewed the risk register, risk ratings and mitigating actions and agreed several changes which Russell with implement before presenting the report to the next Audit Committee meeting.</p> | RF | Jan2010 |
| 9. | AOB | | |
| 9.1 | Letter to Audit Scotland from SCPA | | |
| | <p>Diane tabled a letter from the Convener of the SCPA's letter which is seeking Audit Scotland's views on the order-marking powers and the role of OCPAS in the appointment of Audit Scotland Board Members, in the Public Services Reform (Scotland) Bill.</p> <p>It was agreed that Russell would co-ordinate the response.</p> | RF | Jan 2010 |
| 9.2 | Climate Change (Scotland) Act – Public Bodies Duty | | |
| | Mr Black tabled a letter which he received from Mr John Ewing, Director of Public Service Reform which explains | | |

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| | <p>how the Scottish Government is taking forward work in relation to the public bodies climate change duty introduced by the Climate Change (Scotland) Act 2009.</p> <p>It was agreed that Barbara should represent Audit Scotland on the working group.</p> | | |
| 10. | Date of the Next Meeting | | |
| | <p>The next Management Group meeting will be held on:</p> <ul style="list-style-type: none"> • Tuesday, 23 February at 09.30hrs and will be held in the Conference Room at 18GS. <p><i>Please give your apologies to Caroline x1606</i></p> | | |

AUDIT SCOTLAND MANAGEMENT GROUP

MINUTE OF MEETING HELD ON 23 FEBRUARY 2010

Present: Bob Black
 Caroline Gardner (Chair)
 Diane McGiffen
 Russell Frith

Fiona Kordiak
 David Pia
 Barbara Hurst
 Lynn Bradley

Attendance: Tricia Meldrum and Mark Taylor and Dave Beveridge joined the meeting for **Item 2**
 Dave Beveridge, David Blattman and David Hanlon joined the meeting for **Item 4**
 David Hanlon joined the meeting for **Item 5**
 Dave Beveridge joined the meeting for **Item 6**

| 1. | Note of previous meeting | LEAD | DEADLINE |
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| | <p>The minutes of the previous meeting of 12 January 2010, which had been circulated, were agreed as an accurate record.</p> <p>It was noted that nominations were still being sought for the group to review the requirements of annual audit reports, and it was agreed that Russell Frith would lead this group.</p> | | |
| 2. | Impact Group Annual Report | | |
| | <p>Tricia Meldrum and Mark Taylor introduced the Impact Group Annual Report, which had been previously circulated.</p> <p>Following discussion on the progress made in demonstrating and assessing the impact of Audit Scotland's work in 2009/10, it was agreed that:</p> <ul style="list-style-type: none"> • Audit Services Group would further develop their plans for assessing and reporting more fully on the impact of their work using the impact framework and report back to the management group • Greater focus would be given on our website to sharing and supporting good practice and this would be further discussed within the Public Audit Group and Best Value and Scrutiny Improvement • The impact group should be congratulated on the progress made to date. <p><i>Tricia Meldrum and Mark Taylor left the meeting</i></p> | | |
| 3. | Study on "The Impact of the Race Equality Duty on Council Services | | |
| | <p>This item was deferred to a future meeting.</p> | | |

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| 4. | Q3 Performance Reports | | |
| | <p>Dave Beveridge, David Blattman and David Hanlon joined the meeting to discuss the Quarter 3 Performance Reports, which had been previously circulated.</p> <p>Diane set out the objectives of this quarters performance reports, which were intended to build on the suggestions and comments from the previous quarter.</p> <p>Following discussion of both the content and the style of the reports, it was agreed that the initiative was still progressing well and should continue, and that the quarter 4 reports should be adapted to reflect the comments made.</p> <p style="text-align: center;"><i>Dave Beveridge and David Blattman left the meeting</i></p> | | |
| 5. | Medium Term Financial Planning | | |
| | <p>Russell Frith and David Hanlon introduced the Medium Term Financial Planning report, which had been previously circulated.</p> <p>Russell provided an update on the discussion at the Board, and it was agreed that each business group would prepare a briefing paper for the next meeting on the key actions and issues from its workforce planning and response to the medium-term financial planning paper which would start the more detailed discussion of the actions necessary to achieve the range of options set out in the paper on reducing the cost of audit.</p> <p style="text-align: center;"><i>David Hanlon left the meeting</i></p> | | |
| 6. | Audit Procurement Strategy | | |
| | <p>Russell Frith and Dave Beveridge introduced the Audit Procurement Strategy report, which had been previously circulated. Russell reported on the discussion at the Board at which the Board had agreed to continue with the procurement exercise as planned. The next stage is to engage with the Accounts Commission on this issue and then produce a more detailed project plan for approval at Management Team.</p> <p style="text-align: center;"><i>Dave Beveridge left the meeting</i></p> | | |
| 7. | Corporate Management Forum Agenda | | |
| | <p>It was agreed that the Medium Term Financial Planning issues would be the main item for discussion at the meeting,</p> | | |

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| | followed by an update on the restructuring of the public reporting group. | | |
| 8. | AOB | | |
| | There was no other business. | | |
| 9. | Date of the Next Meeting | | |
| | <p>The next Management Group meeting will be held on:</p> <ul style="list-style-type: none"> • Tuesday, 30 March at 09.30hrs and will be held in the Boardroom at Osborne House. <p><i>Please give your apologies to Caroline x1606</i></p> | | |

AUDIT SCOTLAND MANAGEMENT GROUP

MINUTE OF MEETING HELD ON 30 MARCH 2010

Present: Bob Black
 Diane McGiffen
 Russell Frith
 Barbara Hurst
 David Pia
 Fiona Kordiak
 Lynn Bradley
 Fraser McKinlay

Apologies: Caroline Gardner

In Attendance: *Dave Beveridge joined the meeting for item 3*

| 1. | Note of previous meeting | LEAD | DEADLINE |
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| | The minutes of the previous meeting of 23 February 2010, which had been circulated, were agreed as an accurate record. | | |
| 2. | Medium Term Financial Planning – Business Group Efficiency and Workforce Planning Report | | |
| | <p>Bob introduced a discussion on Audit Scotland’s medium-term financial planning, to set the context for discussion of each business group’s scope for further efficiencies and workforce planning. Bob set the context of the urgent need to review and reduce the cost of audit and the need to prepare effectively for the tough times ahead. The strong message from the Audit Scotland Board was that audit has a vital role to play in supporting the public sector and that we must ensure that Audit Scotland is resourced to fulfil its function effectively, but that we also must respond to the pressures on clients and stakeholders and the pressure on public spending by reviewing and reducing the cost of audit.</p> <p>Lynn and Fiona introduced their papers from the Audit Services Group which documented the progress to date on achieving efficiencies in the delivery of audit, and the benefits that had been achieved from changing the skill and grade mix on audits. Fiona discussed the Audit Services Workforce plan and the assumptions that were being made within it. The impact of the electronic working papers package was also discussed.</p> <p>Lynn and Fiona highlighted the ratio of chargeable to non-chargeable work, and the need to review the resourcing of various corporate projects. This was agreed, and in particular, the resources devoted to the next stage of the Performance Development and Improvement Group were identified as potentially being able to reduce because of the excellent progress that had been made.</p> <p>Fraser McKinlay and David Pia introduced their paper on the scope for efficiencies and workforce planning issues for the</p> | ALL | TBC |

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| | <p>new Best Value and Scrutiny Improvement (BVS) Group. Fraser highlighted some of the areas for potentially better use of resources across grades within the new team. It was acknowledged that for both the Public Reporting Group and the BVS group, further initial work on the new budgets and allocation of resources was underway and would provide a better platform from which to assess the scope for efficiencies.</p> <p>Barbara introduced her papers on the Public Reporting Group, which had been circulated. Barbara highlighted the work that was going on to establish the split of resources across the two new business groups, Public Reporting Group and Best Value and Scrutiny Improvement. Barbara reported that the aggregated resources in the new Public Reporting Group were significant, but that the resourcing and grading model was not necessarily the most effective and that this would be a key focus of the review she was undertaking.</p> <p>There was general agreement that the current grading structure appeared to have some inflexibilities in different places across the business groups and that a corporate review of the potential to streamline and simplify grading with a view to creating more flexible use of resources across the business should be conducted.</p> <p>Diane introduced her papers on the Corporate Services Business Group, its delivery of efficiencies to date and the results of benchmarking exercises undertaken with other public sector bodies. Diane reported that across the measures of percentage of operating costs spent on HR, IT, Finance and Facilities Management, Audit Scotland's spend was consistently lower than the average benchmarks, and she highlighted some areas where quality of service was both better and worse than the averages, and the actions that were being taken to address poorer performing areas. Diane highlighted the reviews that had been undertaken with Corporate Services business groups on staffing, and the recent reduction in posts in ISG. She conveyed the views of the corporate services managers that any further significant efficiencies from the corporate services teams would have to come from more fundamental changes in the levels of service.</p> <p>It was noted that Russell had yet to prepare papers on efficiencies and workforce planning for the Audit Strategy group and it was agreed that he would prepare comparable papers as soon as possible.</p> <p>Following a wide-ranging discussion, it was agreed that this first discussion had provided a good baseline from which to continue identifying the scope for further efficiencies and cost reductions and that, recognising the impending holiday period, the next stages in taking this work forward would be discussed at the next meeting of the group.</p> | <p>DMcG</p> <p>RF</p> <p>ALL</p> | <p>TBC</p> <p>ASAP</p> <p>APRIL 2010</p> |
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| 3. | Audit Procurement Strategy – Issues for Consideration | | |
| | <p>Russell Frith introduced the Audit Procurement Strategy report, which had been previously circulated.</p> <p>There was clarification that the discussion was an information gathering rather than a decision taking one, and Russell set out the proposed procurement strategy.</p> <p>It was agreed that the Accounts Commission, the Auditor General and the Board would need more detailed information on the impact and consequences of changing the current split of work between Audit Scotland and the firms.</p> <p>Management Group discussed the purpose of panel presentations with firms in previous procurement rounds and the potential for using them in the forthcoming procurement exercise.</p> <p>Russell highlighted the number of providers across each sector and the potential for change, including in the Further Education Sector.</p> <p>It was agreed that Russell should provide further papers highlighting how price could be included as a feature of the tendering process.</p> <p>Management Group noted the issues involved in appointing auditors to clusters of public bodies and to planning partners.</p> | RF | TBC |
| 4. | Risk Management Arrangements | | |
| | <p>Russell Frith introduced the Risk Management Arrangements report, which had been previously circulated.</p> <p>Management Group discussed the report and approved the revised register for discussion at the next meeting of Audit Scotland’s Audit Committee.</p> | RF | 29.04.10 |
| 5. | Public Spending Round Table | | |
| | <p>Bob Black introduced the paper he had circulated on the recent public spending roundtable meeting of the Scottish Policy innovation Forum and David Hume institute Public Spending Round Table which took place on the 12 March 2010. Management Group noted the terms of the discussion.</p> | | |
| 6. | International Liaison Manager | | |
| | <p>Fiona Kordiak introduced the International Liaison Manager report, which had been previously circulated. It was agreed that Management Team would approve a transfer of £22,400 from the central contingency budget to provide for the replacement costs of the International Liaison Manager.</p> | | |

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| 7. | Knowledge & information Management Strategy (for information) | | |
| | <p>Diane McGiffen introduced the Knowledge & Information Management Strategy revised report, which had been previously circulated. The draft had been circulated for information only at this stage in the context of the medium-term financial planning papers.</p> <p>Management Group noted the report and agreed it should be put on the next available agenda for discussion.</p> | Diane | April 2010 |
| 8. | AOB | | |
| 8.1 | <p><u>David Pia's Retirement</u></p> <p>Bob expressed his appreciation on behalf of Audit Scotland for David Pia's contribution to the organisation and wished him well in his retirement. Management Group joined in thanking David and giving him their best wishes for the next stage of his career.</p> | | |
| 9. | Date of the Next Meeting | | |
| | <p>The next Management Group meeting will be held on:</p> <ul style="list-style-type: none"> • Tuesday, 27 April at 09.30 hrs and will be held in the Boardroom at 110GS <p>Apologies</p> <p>30.03.10 CG</p> <p>Please send apologies to Caroline Cockburn x1606</p> | | |

AUDIT SCOTLAND MANAGEMENT GROUP

MINUTE OF MEETING HELD ON 27 APRIL 2010

Present: Bob Black
 Caroline Gardner
 Diane McGiffen
 Russell Frith
 Barbara Hurst
 Fiona Kordiak
 Fraser McKinlay
 Lynn Bradley

Apologies: None

In Attendance: Lorna Meahan, Bill Convery, Angela Cullen,
 Allistair Perston joined the meeting for **Item 2**
 Alastair Swarbrick joined the meeting for **Item 3**
 David Hanlon joined the meeting for **Item 6**

| 1. | Note of previous meeting | LEAD | DEADLINE |
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| | The minutes of the previous meeting of 30 March 2010, which had been circulated, were agreed as an accurate record. | | |
| 2. | Best Companies | | |
| | <p>Caroline welcomed Lorna, Angela, Allistair and Bill to the meeting for discussion of the Best Companies' survey results, which had been feed back, in detail, to the Corporate Management Form on Friday, 23 April 2010.</p> <p>Following a wide ranging discussion about the survey results it was agreed that:</p> <ul style="list-style-type: none"> • A special edition of Abacus detailing the Audit Scotland results would be circulated in the next two weeks. • Building on the messages about consistency and listening reflected in the survey feedback to business groups, this would be conducted on a consistent basis across the business. • Business groups would receive a breakdown of their survey results against the Audit Scotland average and the benchmark results over the next few days. • Directors should come back to Caroline and Diane with dates when those results can be discussed prior to team meetings. Those discussions would involve David Blattman. • Diane would circulate the proposed format for the feedback and workshop session for colleagues. It was agreed that this process should be completed by the end of June. | <p>DMcG</p> <p>DMcG</p> <p>DMcG</p> | <p>11 May</p> <p>3 May</p> <p>Immediate</p> |

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| 3. | Carbon Management Plan | | |
| | <p>Lynn Bradley introduced the Carbon Management Plan, which had been previously circulated.</p> <p>Following detailed discussion of the plan, it was approved subject to revising the lead people in the planning document.</p> <p>Caroline thanked Lynn and the team for their work on this and welcomed the progress which was being made.</p> | | |
| 4. | Knowledge Management Strategy | | |
| | <p>Alastair Swarbrick joined the meeting and introduced the Knowledge Management Strategy, which had been previously circulated.</p> <p>There was a wide ranging discussion on this and a request that Directors consider the possibilities for providing a project management resource from within their teams to help take this work forward.</p> <p>Management Team approved the strategy. It was agreed that a further detailed paper on resourcing should come back to the group.</p> <p>Caroline thanked Alastair for his work on this project and congratulated him on his appointment as Auditor General to the Cayman Islands.</p> <p style="text-align: center;"><i>Alastair Swarbrick left the meeting</i></p> | AS | Immediate |
| 5. | Business Continuity Plan | | |
| | <p>Diane introduced the Business Continuity Plan update, which had been previously circulated.</p> <p>There was discussions about the disruptions to the network supplies and it was agreed that Allan Davie would provide more feedback to the Audit Services Directors on recent performance issues.</p> <p>It was also agreed that the framework of business continuity planning communication when things go wrong should be deployed more frequently to communicate about service disruptions.</p> | <p>Allan Davie</p> <p>DMcG</p> | <p>Immediate</p> <p>Immediate</p> |
| 6. | Internal Audit Reports | | |
| | <p>Diane introduced the Internal Audit Reports, which had been previously circulated.</p> <ul style="list-style-type: none"> • Key Financial Systems • Follow-up Review | | |

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| | The group noted the substantial assurance provided by the reports and that they would be considered at the Audit Committee on the 29 April 2010. | | |
| 7. | Property Dilapidation Provisions | | |
| | <p>David Hanlon joined the meeting and introduced the Property Dilapidation Provisions report, which had been previously circulated.</p> <p>There was a detailed discussion of the options available and it was agreed that Options 2 or 3 were preferred and David would prepare year end reports on both of these.</p> <p>It was noted that there would be further discussion of this at the Audit Committee meeting on the 29 April 2010.</p> <p style="text-align: center;"><i>David Hanlon left the meeting</i></p> | | |
| 8. | Revised Code of Audit Practice | | |
| | <p>Russell Frith introduced the Revised Code of Audit Practice report, which had been previously circulated.</p> <p>It was agreed that there should be further reflection on the audience for the Code of Audit Practice and the opportunity it provides in giving a clear message about the purpose and benefits of public audit.</p> <p>There was detailed discussion about the scope of the Code, in particular, to best value and performance audit work.</p> <p>It was agreed that Russell would reflect on the discussion and provide further drafts from approval in May.</p> | RF | May 2010 |
| 9. | Performance Audit Programme | | |
| | <p>Barbara Hurst provided an up date the consultation on the Performance Audit Programme, including the opening up of the consultation to the public through the web.</p> <p style="text-align: center;"><i>Barbara Hurst left the meeting</i></p> | | |
| 10. | AOB | | |
| 10.1 | <u>Travel – Volcanic Ash</u> | | |
| | <p>Discussion on the disruption to travel because of volcanic ash. The Directors confirmed that it had been possible to resolve individual problems with staff members.</p> | | |

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| 11. | Date of the Next Meeting | | |
| | <p>The next Management Team meeting will be held on:</p> <ul style="list-style-type: none"> • Tuesday, 4 May at 09.30hrs and will be held in the Auditor General's Office <p>The next Management Group meeting will be held on:</p> <ul style="list-style-type: none"> • Tuesday, 25 May at 09.30hrs and will be held in the Conference Room at 18GS <p><u>Apologies</u></p> <p>25.05.10 CG & DMcG</p> <p><i>Please give your apologies to Caroline x1606</i></p> | | |