



The Scottish Parliament
Pàrlamaid na h-Alba

Advisory Audit Board Report 2020/21

23 September 2021

Reference: SPCB (2021) Paper 53

Executive summary

1. This paper summarises the work of the Advisory Audit Board (AAB) in 2020/21, the sources of assurance received by the AAB to fulfil its role and the AAB's overall conclusion based on its work.

Issues and options

2. The AAB met four times remotely in 2020/21. As required by its terms of reference, the overall objective of the AAB is to provide advice to the SPCB and its Accountable Officer (Clerk/Chief Executive) on the standard of governance, finance, audit and risk established for the organisation. This is principally achieved by:
 - reviewing, in detail, the SPCB's Annual Report and Accounts and recommending these for signing;
 - considering reports by the external auditors (Audit Scotland) on the accounts;
 - reviewing the SPCB's arrangements for managing risk;
 - commenting on and, where necessary, informing the internal audit approach; and
 - making recommendations, where appropriate, on the quality of internal controls.
3. At 31 March 2021, the AAB comprised of two SPCB Members, Andy Wightman MSP and Jackson Carlaw MSP, and four independent members: Jean Couper CBE (Chair); Andy Shaw; Claire Robertson; and David Watt. Following the May 2021 Scottish Parliamentary election, Claire Baker MSP replaced Andy Wightman as an SPCB member of that AAB and Andy Shaw has been appointed as Chair, to replace Jean Couper CBE whose tenure came to an end in June 2021.

4. Independent members of the AAB are appointed by the Clerk/Chief Executive following open competition based on their expertise and experience in matters of governance, audit, finance and risk. In June 2019 the AAB self-assessed its overall effectiveness using toolkits prepared by The Scottish Government and HM Treasury and concluded that its working arrangements conform to the standards recommended for audit committees in the public sector. No significant changes to the AAB's working arrangements, or the requirements of audit committees more generally, have arisen in the period since.
5. The AAB's work is based on its established terms of reference (see attached) and it further offers advice to the Clerk/Chief Executive and Leadership Group on any other matters which may arise, outwith the course of its regular meetings and business. In 2020/21, as with previous years, the AAB also provided independent advisory audit board services to five officeholders directly funded by the SPCB.
6. The AAB's Terms of Reference are consistent with recommended best practice and require that the AAB provide an Annual Report to the SPCB as part of its annual assurance arrangements which includes the preparation and audit the annual report accounts and an assessment of the wider governance framework. The AAB's findings and conclusions based on its work in 2020/21 are set out below.

SPCB Annual Report and Accounts and External Audit 2020/21

7. The AAB formally considered the SPCB's 2020/21 Annual Report and Accounts and Audit Scotland's Annual Audit Report on 22 September 2021. Given the timing of the AAB and SPCB meetings, AAB Members were also provided with an initial draft of the SPCB 2020/21 Annual Report and Accounts in June 2021 for early comment with a final draft being available in August 2021.
8. Audit Scotland presented its annual report on the 2020/21 audit to the AAB on 22 September 2021 and confirmed that: The Auditor General for Scotland proposes to issue unmodified audit opinions on the SPCB's annual report and accounts; the financial statements give a true and fair view of the financial position as at 31 March 2021 and of its net operating expenditure; expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and guidance; and the annual report and accounts were properly prepared in accordance with the financial reporting framework.
9. In respect of Financial management and sustainability, Audit Scotland concluded that the SPCB had appropriate financial management arrangements in place; operated within its revised budgetary limits in 2020/21; and has appropriately designed its systems of internal control

and has maintained standards for the prevention and detection of fraud and error.

10. Audit Scotland also reported, based on its work on governance and transparency, that appropriate governance arrangements were in place during 2020/21 and continue to develop and the governance arrangements and controls operating throughout the Covid-19 pandemic were appropriate. Furthermore, the SPCB has appropriate arrangements in place to demonstrate compliance with the Equality Act 2010 in line with applicable regulations.
11. In view of Audit Scotland's detailed work on the 2020/21 Annual Report and Accounts, the unqualified audit report and the further assurances received, the AAB approved the 2020/21 Annual Report and Accounts recommending that these be presented to the SPCB on 23 September 2021 for formal consideration and approval. Subject to the SPCB's approval, the AAB further recommends that the Accountable Office sign the 2020/21 Annual Report and Accounts, and the governance statement therein.

Internal Audit 2020/21

12. The overall objective of internal audit for the SPCB is to offer independent assurance on the adequacy and effectiveness of the systems, processes and internal controls established by Leadership Group. This is achieved through internal audit reviews carried out and reported in accordance with an internal audit plan discussed with Leadership Group and approved by the AAB.
13. The AAB approved the 2020/21 Internal Audit Plan on 18 June 2020 which provided for approximately 250 days of internal audit activity. The SPCB's Head of Internal Audit is supported by approximately 40-50 days of input by an external provider of internal audit services, currently Grant Thornton UK LLP, appointed following an open competitive procurement project.
14. During the year internal audit reports were received in the following areas:
 - Reimbursement of Members Expenses
 - Scottish Parliament Corporate Cards
 - Low Value Payments
 - Purchases and Payments
 - Payroll Key Controls
 - Procurement Extensions
 - Contractor Compliance - Use of Sub-contractors
 - Covid-19 Response

15. The SPCB's Head of Internal Audit reported findings, conclusions and recommendations from each area and the AAB scrutinised and approved each internal audit report, endorsing the audit recommendations agreed with management.
16. The coronavirus pandemic has significantly impacted on the 2020/21 Internal Audit Plan and resources originally set aside for certain reviews were redirected to: key control testing during the extended period of remote working, consistent with Audit Scotland's Guidance on 'Emerging Fraud in the Public Sector in Scotland (considered by the AAB in December 2020); advise the Covid-19 Working Group and the wider Leadership Group on risks, controls and actions associated with the Parliament's response to the global health emergency. The internal audit reviews originally planned for 2020/21 have been carried forward to 2021/22 with Accountable Officer and Leadership Group approval. Despite these revisions, there has been sufficient coverage of internal audit activity work during 2020/21 to allow the Head of Internal Audit to provide an Internal Audit Assurance Statement. The 2020/21 Annual Internal Audit Report to the Accountable Officer concluded that, based on the internal audit work performed overall, satisfactory assurance can be offered across the SPCB's systems, processes and management arrangements, subject to the implementation of agreed recommendations.
17. Following the approval of internal audit reports, the AAB continues to seek evidence that agreed audit recommendations have been implemented appropriately by way of follow up reports. These were presented and considered in June 2020 and December 2020.

Risk Management

18. The AAB reviewed the work of Leadership Group in 2020/21 as it continues to develop and embed strategic risk management arrangements for the Scottish Parliament. The approach records strategic risks, measures the impact and likelihood of each, the controls and actions designed to mitigate each risk, taking account of Leadership Group's risk tolerance.
19. The AAB considered strategic risk quarterly during 2020/21 and continues to monitor and challenge risk management arrangements generally as well as any significant risks to seek evidence that appropriate controls and actions are in place.
20. As part of its overall approach to internal control and risk management, the AAB regularly invites senior staff to report directly on key areas of strategic, operational and developmental activity within the Scottish Parliamentary Service. During 2020/21, the AAB sought and received regular presentations on the Parliament's ongoing response to the COVID global health emergency and independent AAB members contributed to a

'lessons learned' workshop held in December 2020 when a further update on Brexit planning was provided to the AAB by the Clerk Chief Executive.

21. This work has enabled the AAB to offer pro-active and constructive challenge and recommendations. The AAB will continue to engage with the Deputy Chief Executive and Group Heads in 2021/22 on a range of organisational priorities and initiatives.

Audit Advice to Officeholders

22. Throughout 2020/21 independent AAB members provided advisory audit board services for The Scottish Information Commissioner, The Scottish Human Rights Commission, The Children and Young People's Commissioner Scotland, the Commissioner for Ethical Standards in Public Life in Scotland and the Scottish Public Services Ombudsman. At least one, but usually two independent AAB members met with each officeholder and their external auditors to provide advice on audit plans, annual reports, annual accounts and the audit process.

Overall Assurance Statement

23. The SPCB is invited to note the work of the AAB in 2020/21, its detailed work on the Annual Report and Accounts, the positive conclusion received from the work of Audit Scotland and the satisfactory assurance received from the Head of Internal Audit.
24. Based on the above, **the AAB concludes that effective governance, risk management and control arrangements were in place for 2020/21 and these meet the needs of the SPCB and the Clerk/Chief Executive as its Accountable Officer. The AAB further recommends that the 2020/21 Annual Report and Accounts be approved by the SPCB and signed by the Accountable Officer thereafter.**

Governance

25. All governance issues in respect of strategic and delivery planning, equalities, health and safety, environmental and legal have been considered for this paper. The work of the AAB forms a key part of the overall governance arrangements for the SPCB and this paper reports how it has carried out that duty.

Resource implications

26. There are no resource implications connected to this paper.

Publication Scheme

27. This paper may be published in line with the SPCB's Publication Scheme.

Next steps

28. The SPCB is invited to note the work of the AAB in 2020/21.

Decision

29. The SPCB is invited to note the work of the AAB and the range of assurances it has received and considered in 2020/21.

Andy Shaw
Chair - Advisory Audit Board
September 2021