



The Scottish Parliament
Pàrlamaid na h-Alba

Advisory Audit Board Report to the Scottish Parliamentary Corporate Body 2021/22

29 September 2022

Reference: SPCB (2022) Paper 60

Executive summary

1. This paper summarises the work of the Advisory Audit Board (AAB) in 2021/22, 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 three times in the year ended 31 March 2022. A further meeting was planned for June 2021 however agenda items for that meeting were covered by circulation. 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 2022, the AAB comprised of two SPCB Members, Claire Baker MSP and Jackson Carlaw MSP, and three independent members: Andy Shaw (Chair); Claire Robertson; and David Watt.

4. The 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. The AAB last self-assessed its overall effectiveness in 2019 using toolkits prepared by The Scottish Government and HM Treasury. The exercise concluded that the AAB's 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 and a further self-assessment is scheduled for 2022/23
5. The AAB's work is based on its established terms of reference (see attached) and includes the scope for the AAB to offer advice to the Clerk/Chief Executive and Leadership Group on any other matters which may arise out with the course of its regular meetings and business. In 2021/22, as with previous years, the AAB also provided independent advisory audit board services to six officeholders directly funded by the SPCB.
6. The AAB's Terms of Reference were reviewed in September 2021 and were found to be consistent with recommended best practice which require the AAB to provide an Annual Report to the SPCB to form part of its annual assurance arrangements. The AAB's findings and conclusions based on its work in 2021/22 are set out below.

Annual Report and Accounts and External Audit 2021/22

7. The AAB formally considered the SPCB's 2021/22 Annual Report and Accounts and Audit Scotland's Annual Audit Report on 27 September 2022. Given the timing of the AAB and SPCB meetings, AAB Members were provided with an initial draft of the 2021/22 Annual Report and Accounts in June 2022 for early comment with a final draft being available in September 2022.
8. Audit Scotland presented its annual report on the 2021/22 audit to the AAB on 27 September 2022 and confirmed that: the audit opinions on the annual report and accounts are unmodified; financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework; expenditure and income were regular and in accordance with applicable enactments and guidance; and the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.
9. In respect of financial management and sustainability, Audit Scotland concluded that the SPCB had appropriate and effective financial management in place and operated within its revised budget, reporting an underspend of £3.8 million. Furthermore, controls within the main financial systems were designed

and implemented effectively while arrangements for the prevention and detection of fraud remain appropriate.

10. Based on its work on governance and transparency, Audit Scotland also reported, that appropriate governance arrangements were in place during 2021/22 and the arrangements introduced in response to the pandemic are appropriate and operated effectively. There is effective scrutiny, challenge and informed decision making.
11. In view of Audit Scotland's detailed work on the 2021/22 Annual Report and Accounts, the unqualified audit report and the further assurances received, the AAB endorsed the 2021/22 Annual Report and Accounts recommending that these be presented to the SPCB on 29 September 2022 for formal consideration and approval. Subject to the SPCB's approval, the AAB further recommends that the Accountable Office sign the 2021/22 Annual Report and Accounts, and the governance statement therein, thereafter.

Internal Audit 2021/22

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 2021/22 Internal Audit Plan on 15 June 2021 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, who were reappointed in August 2021 following an open competitive procurement project.
14. During the year internal audit reports were received in the following areas:
 - Reimbursement of Members Expenses: Claims for Reimbursement in 2021/22
 - Reimbursement of Members Expenses: Review of Replacement System Processes and Controls
 - Scottish Parliament Corporate Cards
 - Procurement Project Reviews: New Expenses System
 - COVID-19: Risk and Assurance
 - Financial Reporting System (Hubble)
 - Health and Safety Management
 - Scotland's Futures Forum

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 impact of Government regulations and guidance continued to have an impact on internal audit activity during 2021/22. The Internal Audit approach during the period of remote working was self-assessed against UK Public Sector Internal Audit Standards Advisory Board (IASAB)'s guidance to ensure compliance. Whenever the Head of Internal Audit has contributed to other work across the Scottish Parliamentary Service (SPS) this has been in advisory capacity only to ensure no threat to independence, perceived or otherwise.
17. In March 2022 the Head of Internal Audit was appointed by the SPCB as Interim Chief Operating Officer and statutory Accountable Officer at the Scottish Human Rights Commission (SHRC). The secondment was initially for three days per week to cover part of the responsibilities of the former Chair of SHRC. In April 2022 the Commission paused recruitment pending the new Commission Chair taking up post and in the period since, the SPCB's Head of Internal Audit has also performed the roles of the SHRC's former Head of Corporate Services and Budget Officer. To backfill the Head of Internal Audit's work programme to September 2022, the Clerk/Chief Executive and the Deputy Chief Executive agreed that the SPCB's Internal Audit partner firm Grant Thornton UK LLP (GT) provide additional resource funded by staff budget transfers arising from the secondment.
18. Taking account of immediate business priorities, resource availability and wider risks, certain reviews originally scheduled for 2021/22 were carried forward to the 2022/23 Internal Audit Plan with the agreement of the Clerk/Chief Executive. Despite these revisions, there has been sufficient coverage of internal audit work during 2021/22 to allow the Head of Internal Audit to provide a full Internal Audit Assurance Statement
19. 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 September 2021 and December 2022.

Risk Management

20. The AAB reviewed the work of Leadership Group in 2021/22 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. The AAB considered strategic in September 2021 and March 2022 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.

21. 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 2021/22, the AAB sought and received: regular presentations on the Parliament's ongoing response to the COVID global health emergency; a presentation on The Strategic Plan for the Scottish Parliament; a workshop on assurance mapping for the Scottish Parliamentary Service and an update on Session 6 work planning by the Clerk Chief Executive.
22. 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

23. Throughout 2021/22 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, The Scottish Biometrics Commissioner 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

24. The SPCB is invited to note the work of the AAB in 2021/22, 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.
25. Based on the above, **the AAB concludes that effective governance, risk management and control arrangements were in place for 2021/22 and these meet the needs of the SPCB and the Clerk/Chief Executive as its Accountable Officer. The AAB further recommends that the 2021/22 Annual Report and Accounts be approved by the SPCB and signed by the Accountable Officer thereafter.**

Governance

26. All governance issues 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.

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 2021/22.

Decision

29. The SPCB is invited to note the work of the AAB and the range of assurances it has received and considered in 2021/22.

Andy Shaw

Chair - Advisory Audit Board

22 September 2022

Scottish Parliamentary Corporate Body

Advisory Audit Board: Terms of reference

Function

1. The SCPB has established the Advisory Audit Board to support it in its responsibilities for issues of risk, control and governance by considering the comprehensiveness of assurances in meeting the SCPB and Principal Accountable Officer's assurance needs and reviewing the reliability and integrity of these assurances.

Membership

2. The Advisory Audit Board shall consist of two members of the SPCB plus four independent members. The meetings will be chaired by one of the independent members. The composition of the Board will be reviewed as required.

Meetings

3. The Advisory Audit Board will typically meet four times per annum. The Chair of the Advisory Audit Board may convene additional meetings as they deem necessary.
4. A minimum of two members, one of whom must be an independent member, will be present for a meeting to be deemed quorate. All meetings will be chaired by an independent member.
5. Advisory Audit Board meetings will normally be attended by the Principal Accountable Officer, the Head of Financial Resources, the Financial Controller and the Head of Internal Audit.
6. The Advisory Audit Board is authorised to seek any information it requires from other officials of the Parliamentary Service either in writing or by giving evidence before it.
7. Audit Scotland and the Head of Internal Audit should have access to the Advisory Audit Board and audit organisations should attend meetings when required. Internal Audit and Audit Scotland should also have access to the Advisory Audit Board without the presence of the SPCB executive.

Responsibilities

8. The Advisory Audit Board will review and advise the Principal Accountable Officer and, where appropriate, the SPCB on:
 - i. the adequacy of the arrangements for ensuring robust governance and internal control, including those for the assessment and management of risk;
 - ii. the planned activity of Internal Audit and the results of its work;
 - iii. the planned activity of Audit Scotland and the results of its work;
 - iv. the major findings of audit reports, insofar as they affect the overall performance of the Parliament;
 - v. the adequacy of management responses to issues identified by audit activity and the arrangements for monitoring the implementation of agreed recommendations;
 - vi. the performance of internal and external auditors;
 - vii. proposals for tendering for audit services or for purchase of non-audit services from contractors who provide audit services; and
 - viii. other sources of assurance relating to the overall governance requirements of the Parliament, including reports on financial management and related issues.
9. In particular, the Board shall review the system of internal control and provide the Principal Accountable Officer with advice on whether the necessary assurances required for the signing of the Governance Statement contained within the annual accounts have been provided.
10. Consistent with the SPCB's policies in respect of fraud prevention and whistleblowing, the Chair of the AAB has been appointed as 'Investigating Officer'. With the support of the AAB, the Chair will oversee the response to each suspected fraud or whistleblowing report in line with policy, ensuring that a prompt and robust investigation is undertaken that identified appropriate actions and lessons learned.
11. The Board will report to the SPCB annually for the purposes of the Annual Report and Accounts, summarising the work it has done, and conclusions drawn from that work, particularly with regard to the effectiveness of governance and risk management, scope and levels of assurance and any issues to be considered by the SCPB.
12. The Board will report to the SCPB at such other times as the Board considers necessary.
13. As well as financial and value for money audits, the Board may consider other related topics as appropriate.
14. The Board will periodically review its own effectiveness and report the results of that review to the SPCB.