Agenda

10.15 Tuesday 4 April 2023
Audit Scotland, 102 West Port and
Microsoft TEAMS

AUDIT SCOTLAND

1. **Private meeting of members**

2. **Welcome and apologies**

3. **Declarations of interest**

4. **Items to be taken in private**

Standing items

5. **Chair's report - verbal update** — For information

6. **Accountable Officer's report - verbal update** — For information

7. **Accounts Commission Chair's report - verbal update** — For information

8. **Review of draft minutes:**
   - Board meeting: 24 January 2023 — For approval
   - Audit Committee meeting: 9 November 2022 — For information
   - Remuneration and Human Resources Committee meeting: 9 November 2022 — For information

9. **Review of action tracker** — For assurance

10. **Health, Safety and Wellbeing – verbal update** — For information

Strategic Priorities

11. **Strategic Improvement Programme Review** — For assurance

Business planning, performance and governance

12. **Q3 Corporate performance report** — For assurance

13. **Q3 Financial performance report** — For assurance

14. **Annual policy review of Freedom of Information, Data Protection and Environmental Information requests** — For approval

15. Mainstreaming equality and equality outcomes: progress report

For approval

Conclusion

16. Any other business

For discussion

17. Review of meeting

For discussion

18. Date of next meeting: 23 May2023

For information

Items to be taken in private

19. Our purpose workstream: Draft Public Audit in Scotland and the Audit Scotland corporate plan

For discussion

[Item to be taken in private to support the effective conduct of business and commercial sensitivity]

20. External engagement

For assurance

[Item to be taken in private to support the effective conduct of business and commercial sensitivity]

21. Estate strategy proposals

For approval

[Item to be taken in private to support the effective conduct of business and commercial sensitivity]

22. Timeline & Themes: Audit Scotland Annual Report and Accounts 2022/23

For approval

[Item to be taken in private to support the effective conduct of business, intended for future publication]

23. Ethical Standards Policy

For Approval

[Item to be taken in private to support the effective conduct of business and commercial sensitivity]

Minutes
Board

Wednesday 24 January 2023, 10.00am
Audit Scotland, 102 West Port and Microsoft Teams

AUDIT SCOTLAND

Present:

Alan Alexander (Chair)
Stephen Boyle
Colin Crosby
Jackie Mann
William Moyes

Apologies:

There were no apologies.

In attendance:

Vicki Bibby, Chief Operating Officer
Martin Walker, Director of Corporate Support
John Cornett, Executive Director of Audit Services
Kenny Oliver, Executive Director of Innovation and Quality
Gemma Diamond, Audit Director, Innovation and Transformation (item 11)
Pauline Gillen, Senior Audit Manager, Audit Services (Observing item 13)
Stuart Dennis, Corporate Finance Manager (item 19)
Michelle Borland, Business Manager, Performance Audit and Best Value (item 20)
Simon Ebbett, Communications Manager (item 20)
Kathrine Sibbald, Senior Manager, Performance Audit and Best Value (item 20)
Clare Morris, Business Jigsaw Team (item 20)

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

Vicki Bibby, Chief Operating Officer, and Martin Walker, Director of Corporate Support, John Cornett, Executive Director of Audit Services and Kenny Oliver, Executive Director of Innovation and Quality joined the meeting.

The Chair welcomed attendees to the meeting, particularly Kenny Oliver and John Cornett to their first full Board meeting.

3. Declarations of interest

There were no declarations of interest noted.

4. Items to be taken in private

The Chair invited members to agree that items 17, 18, 19 and 20 of the agenda be considered in private for the reasons stated on the agenda. The members agreed.

5. Chair's report – verbal update

The Chair advised of regular meetings with Stephen Boyle, Auditor General for Scotland and Accountable Officer and Vicki Bibby, Chief Operating Officer.

The Chair highlighted his involvement in the Scottish Commission for Public Audit (SCPA) process: preparation, appearance and follow up.

The Chair advised of the very useful joint session with Stephen Boyle and William Moyes on Public Audit in Scotland with the consultants (online) – noting this item is on today's agenda and members will receive feedback from the external consultation.

The Chair advised of the successful Board Development session held yesterday, having been postponed from October 2022. Thereafter the non-Executive Directors met for a regular discussion over dinner.

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle invited the Board to note some of his external engagements with the Chief Executive/Clerk to the Scottish Parliament and the Director General for the Office for Statistics Regulation.

Stephen invited members to note that Audit Scotland hosted the meeting of the UK & Ireland Auditors General and Chief Operating Officers on 2 December 2022. The event involved discussions around digital, quality, public finances and respective interests.

Stephen advised members that Audit Scotland welcomed the Public Audit Committee (PAC) to our Edinburgh offices on 5 December 2022. This was an opportunity to for PAC members to learn more about the public audit process and allow staff to engage with PAC members outwith the committee setting.

Stephen invited members to note further external engagement with: Chief Executive at ICAS, Chief Inspector of Fire Service in Scotland, Chair & Chief Officer of Scottish Fire and Rescue Service, Chief Executive at Scottish Funding Council and attended a Scottish Parliament event on Wednesday hosted by the University of Glasgow to commemorate the tercentenary celebrations of Adam Smith.

Stephen highlighted his internal engagements with Alan Alexander, Chair of the Board, and William Moyes, Chair of the Accounts Commission. Last week, Stephen and Vicki met 50 Audit Scotland trainees in Glasgow for an engaging and vibrant event to hear from trainees. Vicki noted some actions have been taken and she will follow up with the staff involved in coordinating the trainee programme.

Stephen highlighted Elaine Boyd was awarded an OBE in the New Year Honours list – the Board recorded their congratulations to Elaine.

In relation to parliamentary engagement and publications: Stephen noted attendance at SCPA on the Audit Scotland budget proposal, a paper was published on Scotland's Public Finances, an annual s22 report was published on the Scottish Government, a s22 report was published on the Crofting Commission and a s22 report was published on the National Records of Scotland and an additional assurance report on the National Audit Office's audit work on Scottish income tax was published.

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report – verbal update

William Moyes invited the Board to note that Helena Gray has taken up post as Controller of Audit and is settling in well.

William noted the Partnership Working Framework is making good progress with more work to be done.

William advised members that most other elements of the Accounts Commission Change Programme have been put on hold until the Controller of Audit has settled in.

William advised members that the next recruitment round in 2023 would be for three Commission members and a Deputy Chair.

William highlighted the Local Government Financial Bulletin recently published with good media coverage over a sustained period.

Following discussion, the Board welcomed the update.

8. Review of minutes

Board meeting: 23 November 2022

The Board noted the minutes of the Board meeting of 23 November 2022, copies of which had been previously circulated.

The Board noted the minutes were an accurate record of the meeting subject to a minor correction.

9. Review of action tracker

Martin Walker advised that an earlier version of the action tracker was mistakenly included in the Board papers which doesn't include actions from the November 2022 meeting. An updated version of the tracker will be recirculated shortly.

The Board noted the action tracker and an updated version will be recirculated shortly.

Action 192:   The updated action tracker to be recirculated to Board members (January 2023).

10.   Health, Safety and Wellbeing – verbal update

The Chair highlighted to members that this item replaces the Covid-19 item as a standing item on the Board agenda.

Martin Walker provided a verbal update on matters related to Health, Safety and Wellbeing, highlighting that the item has been refocussed to report on broader health, safety and wellbeing issues, drawing on the Public Health Scotland and Office of National Statistics as sources of information around health.

In relation to the external operating environment, the last couple of weeks has seen a decrease in the number of calls to NHS24, the incidence rate of flu has decreased to moderate, and hospitalisations for influenza are declining. Incidences of Covid-19 are decreasing (now 1 in 30), with 17 more deaths recorded.

Internally the impact of the external environment to Audit Scotland to 20 January 2023 was that no colleagues reported absences to Covid-19 and two colleagues were absent due to minor illnesses.

Following discussion, the Board noted the update.

11.   Strategic Improvement Programme Update

Gemma Diamond, Audit Director, Innovation and Transformation joined the meeting.

Martin Walker introduced the Strategic Improvement Programme (SIP) Update, copies of which had been previously circulated.

Martin invited the Board to note that the first half of the report (paragraphs 6-31) focussed on the review of activity during the course of 2022 with the second part focussed on future activity. The review of 2022 highlighted significant progress on an extensive improvement programme: audit appointments, dynamic work programme, completion of the Best Value audit cycle, work on developing our approach to climate change, and work on audit quality.

In relation to the objective of being a world class organisation, Martin highlighted progress on the building capacity project which is almost complete.

The Board noted the second section of the report focusses on looking forward: the creation of Innovation and Quality (I&Q) business group, noting a future review and focus of the SIP will align with the work on Public Audit in Scotland and the new Corporate Plan with an update report on progress being submitted to the April 2023 Board meeting.

In relation to the Impact and Insights project, Gemma advised the Board of the three strands: horizon scanning, stakeholder engagement and impact monitoring. Impact monitoring is the first phase: looking at how Audit Scotland monitors the impact of the work produced. Stakeholder engagement and horizon scanning will be taken in tandem as the next phase due to the connectedness between the two strands.

Gemma Diamond left the meeting.

Kenny Oliver provided members with an overview of the forward looking part of the report (paragraph 32 onwards), providing an update on the current status of the I&Q team:

Gemma appointed as Innovation and Transformation Audit Director, Quality and Support Audit Director will be announced this week, and interviews for 'Heads of' positions being held next week to allow the team to move quickly on setting and delivering priorities for 2023.

The Board noted the significant progress delivered to date: International Standard on Quality Management (ISQM1) has been implemented with work underway to fulfil the requirements and using this to deliver and promote new quality activities. A quality review programme for financial statements audits has begun and the PABV team are looking at frameworks for different outputs and conducting internal cold & hot reviews. Work to develop electronic working papers will progress quickly when all I&Q posts are in place.

Following a request from the Board, Kenny agreed to circulate a note of the key roles and responsibilities of the Innovation and Quality team, once finalised.

In relation to Learning and Development (L&D) moving across to I&Q, the Board noted this will focus not only on technical training for auditors but also people and personal development across the organisation, including the Accounts Commission and Board members.

During discussion, the Board noted the progress update on the Strategic Improvement Programme over the course of 2022 and the planned review and refocussing of the SIP in the context of the development of the new Corporate Plan over the period January to March, with update reports being submitted to the Executive Team and Board in March and April 2023 respectively.

Action ASB193:   Kenny to circulate I&Q team roles and responsibilities to the Board once all posts appointed to (February 2023).

12.   Audit Quality Arrangements

Kenny Oliver introduced the Audit Quality arrangements, copies of which had been previously circulated.

Kenny highlighted the two reasons for presenting this report to the Board: to provide an update on the proposed and active quality activities and to provide clarity over the quality arrangements for the organisation.

In relation to paragraph 7, Kenny advised the Board of his preference to include a brief summary in the annual Transparency report; make the full document available internally; and consider whether the full document should be available externally, or whether a condensed version would be more appropriate.

In relation to Kenny's update to the Board around Public Interest Entity (PIE), the Board noted the Financial Reporting Council (FRC) are proposing a radical change to the definition of PIE which the I&Q team are currently monitoring.

During discussion, the Board agreed an executive summary separate to the Transparency report would be welcome.

During discussion, William Moyes confirmed the Accounts Commission would like Kenny to present the quality arrangements at their meeting before publication.

Following discussions, the Board noted the general update on I&Q and proposed quality-related activities.

Following discussion, the Board approved the substance of the quality arrangements document and agreed the document will be and provided to the Scottish Commission for Public Audit (SCPA)

Following discussion, the Board agreed the document will be made public on the Audit Scotland website after it has been presented to the Accounts Commission February meeting.

Action ASB194:   Audit quality arrangements document to be submitted to SPCA for reference (January 2023).

Action ASB195:   Kenny to attend February Accounts Commission meeting to present Audit Quality Arrangements (February 2023).

Action ASB196:   Audit quality arrangements document to be published on Audit Scotland's website after the February Accounts Commission meeting. (February 2023).

13.   Audit Delivery - update

Pauline Gillen, Senior Audit Manager, joined the meeting as an observer for this item.

John Cornett introduced Audit Delivery - update, copies of which had been previously circulated.

The Board was invited to note the work being undertaken in partnership between Audit Services and other business groups in Audit Scotland to transition back towards pre-Covid timetables.

The Board noted that paragraph 7 shows the latest position on the delivery of 2021/22 audits within Audit Services and received a verbal update on the current position on delivery of audits by the firms.

During discussion, the Board noted work ongoing relating to the asset valuation issue: a Round Table event is planned on 7 February 2023 to include Local Government Directors of Finance and Professional Support colleagues to ensure a mutual understanding of the issue and agree a consistent approach to deal with the matter.

During discussion, the Board noted that the reporting date refers to either the Audit Scotland target date or the statutory date and this ambiguity will be clarified in future reports.

During discussion, the Board noted that several late central government audits will be subject to a statutory report from the Auditor General. The Audit General wrote to PAC setting this out ahead of the laying deadline at the end of 2022.

During discussions, the Board noted the expectations around hybrid working for Audit Services. It is more efficient for auditors to be on site, noting some challenges from audit bodies not prepared to work on site and the cost implications for this.

Following discussion, the Board took assurance:

- from the updated position of 2021/22 audit delivery (para 7);

- that the immediate actions by Audit Services for 2022/23 will improve the pace of delivery towards pre-covid timetables (paras 10 to 13); and

- that the range of actions delivering benefits in the medium term and taken in partnership by Audit Services and other business groups within Audit Scotland are expected to secure the delivery of audits in line with pre-covid timetables (paras 14 to 18).

Following discussion, the Board agreed the timescales for achieving improvements in audit delivery (para 9).

Pauline Gillen left the meeting.

14. Any other business

There was no other business for discussion.

15. Review of meeting

The Chair highlighted the meeting was particularly engaging with papers from Kenny and John providing a real insight into the core of what Audit Scotland is doing and helpful in understanding what the Board are taking responsibility for in terms of governance.

The members welcomed the quality, content and comprehensive nature of the reports in supporting helpful and detailed discussion.

The Chair thanked everyone for their contributions.

16. Date of next meeting: 4 April 2023

The members noted the next meeting of the Audit Scotland Board is scheduled for 4 April 2023.

Items taken in private

17. 2022/23 Spring Budget Revision and 2023/24 Budget proposal – SCPA Report – Verbal Update

Vicki Bibby introduced 2022/23 Spring Budget Revision and 2023/24 Budget proposal – SCPA Report.

Following discussion, the Board noted the next steps involved for the 2023/24 Budget proposal – SCPA Report.

Following discussion, the Board agreed to scenario planning with the Communications Team.

Action ASB197: ***Executive Team to liaise with Communications Team. (January 2023).***

18. Ethical Standards Policy

Kenny Oliver introduced Ethical Standards Policy, copies of which had been previously circulated.

The Board was invited to note the changes proposed to the policy focus on how audit organisations are addressing the FRC Ethical Standard 2019 since the policy was last reviewed: the ethics function, the 'Third Party Test', and record keeping to support considerations and conclusions.

During discussion, the Board noted the one substantive change around notifying the Ethics Partner when applying to join an audited body. This was previously limited to senior staff and is proposed to change to all staff, having sought legal advice on this matter.

Following discussion, the Board approved the proposed changes to the Audit Scotland Ethical Standard Policy. The Policy will be published in due course.

19. Estates Strategy Update

Stuart Dennis, Corporate Finance Manager joined the meeting.

Stuart Dennis introduced the Estates Strategy Update, copies of which had been previously circulated.

During discussion, the Board was invited to note the current position in respect of the Estate Strategy and agree the planned activity between now and the April Board meeting as set out in the paper and advise if there is any additional information the Board requires.

During discussion, the Board noted the differing staff numbers, capacity and cost for each location and that the business rates and service charges are starting to increase.

During discussion, Stuart highlighted the annual rental costs do not include rent free periods for each site.

Following discussion, the Board noted the current position in respect of the Estate Strategy and agreed the planned activity between now and the April Board meeting as set out in the paper.

Action ASB198: ***Updated Estate Strategy update to April Board meeting (April 2023).***

Stuart Dennis left the meeting.

20.   Our purpose workstream: Update on Public Audit in Scotland and the new Audit Scotland corporate plan

Michelle Borland, Business Manager, Performance Audit and Best Value, Simon Ebbett, Communications Manager, Kathrine Sibbald, Senior Manager, Performance Audit and Best Value and Clare Morris, Business Jigsaw Team, joined the meeting.

Michelle introduced the Our purpose workstream: Update on Public Audit in Scotland and the new Audit Scotland corporate plan, copies of which had been previously circulated.

During discussion, Michelle highlighted the main purpose of the session today was to seek Board feedback on the draft vision and mission.

Clare Morris introduced the high level findings from the consultation and gave an update on progress on the internal and external consultations.

Clare Morris, Business Jigsaw Team left the meeting.

During discussion, the Board noted a draft report will be circulated for comment via correspondence in early March to feed into the April Board final report.

Following discussion, the Board noted the progress made on developing draft vision and mission statements, areas for which outcomes need to be defined, and the consultation phase of the project.

Following discussion, the Board approved this as an interim state of where we are. Final consultation report via correspondence for comment in early March to feed into April Board reports.

Action ASB198:   Final Public Audit in Scotland consultation report to be circulated to the Board via correspondence for comment (March 2023).

Action ASB199:   Final Public Audit in Scotland and new Corporate Plan to the April Board meeting (April).

Michelle Borland, Simon Ebbett and Kathrine Sibbald left the meeting.

Minutes
Audit Committee

Wednesday 9 November 2022, 10.00am
Microsoft Teams

AUDIT SCOTLAND

Present:

C Crosby (Chair)
J Mann
W Moyes, Chair of the Accounts Commission

Apologies:

None

In attendance:

A Alexander, Chair, Audit Scotland Board
S Boyle, Accountable Officer and Auditor General for Scotland
V Bibby, Chief Operating Officer
M Walker, Director of Corporate Support
D Jeffcoat, Alexander Sloan
J So, Alexander Sloan
G Gillespie, Wylie & Bisset LLP
G Fitzpatrick, Corporate Governance Manager
S Dennis, Corporate Finance Manager
J Cornett, Director of Audit Services
E Boyd, Director, Audit Quality & Appointments
O Smith, Senior Manager, Audit Quality & Appointments
J Gilchrist, Manager, Audit Quality & Appointments

1. Private meeting with Wylie & Bisset LLP

A private meeting was held with Audit Committee members, internal auditors, Wylie & Bisset LLP and external auditors, Alexander Sloan.

2. Welcome and apologies

The Chair opened the meeting, welcomed everyone, and noted no issues arising from the private meeting.

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 7 September 2022

The Audit Committee members reviewed and agreed the minutes of the 7 September 2022 meeting, copies of which had previously been circulated.

The members noted the lessons learned session (133AC) remains open. Martin Walker, Director of Corporate Support explained this was due to other priorities and is now likely to take place in the new calendar year. The members discussed preparing a draft remit for the session and Martin agreed to progress this.

Audit Committee members welcomed the update on Digital Services recruitment. It was noted that a Digital Security Specialist will be joining the Digital team imminently and the recruitment campaign for the Data Development Manager is underway.

The Audit Committee approved the minutes of the previous meeting.

Action 151AC: **Martin Walker to draft remit for Covid 19 Lessons Learned session (January 2023)**

5.   Review of action tracker

The Audit Committee members reviewed the action tracker, copies of which had previously been circulated.

Gayle Fitzpatrick, Corporate Governance Manager, advised that the tracker had been updated and was for noting.

The Audit Committee members noted the progress on the actions in the tracker.

6.   Audit Committee Terms of reference – Annual review

Gayle Fitzpatrick, Corporate Governance Manager introduced the Audit Committee Terms of Reference – Annual review report, copies of which had been previously circulated.

Gayle advised that the Audit Committee Terms of Reference (TOR) were previously reviewed at all meetings up until November 2020 when the committee agreed that they would be reviewed on an annual basis. Gayle invited the members to advise of any revisions required.

The members noted that further discussion on how audit quality and reporting is shared with the Committee would be beneficial and agreed this would be covered at agenda items 9 and 10.

The members discussed elements of the TOR noting the reference to risk interrogations. Gayle advised that prior to the pandemic, a Risk Interrogation Plan was presented in the September or November meeting each year for the year ahead. The members discussed the approaches to interrogating risks and the need for flexibility, to consider risks as and when required in addition to a schedule. It was noted that Internal Audit provides assurance to members on areas of risk, and that the scheduling of future risk interrogations be agreed at Audit Committee as required.

The Audit Committee approved the Terms of Reference.

7.   Q2 Financial performance report

Stuart Dennis, Corporate Finance Manager, introduced the Q2 financial performance report, copies of which had been previously circulated.

Stuart provided details of variances to budget and highlighted the risks. The members discussed the variances within the budget, noting that the position is improving. Audit delivery was discussed, and assurance was provided that auditors are managing the risks around not any meeting deadlines.

The members recognised the pay award for 2022/23 will have an impact on the budget for 2023/24.

Stuart advised that the volatile financial environment would impact the budget proposal that will be shared with the Board on 23 November and to the Scottish Commission for Public Audit (SCPA) on 14 December. The members agreed that provision could be made for holding a special Board meeting to consider the budget bid prior to submission to the SCPA if required.

The Audit Committee noted the Q2 Financial report.

ACTION 152AC: **Martin Walker to arrange a special Board meeting, if required, to review the budget bid prior to submission to the SCPA. (November/December 2022)**

8. Review of risk register

Martin Walker, Director of Corporate Support, and Gayle Fitzpatrick, Corporate Governance Manager introduced the Review of Risk Register report, copies of which had been previously circulated.

Martin advised that risks had been the subject of considerable discussion at a number of forums over recent weeks including the Audit Committee risk workshop and Board strategic session on 18 August, the Audit Committee meeting on 7 September and at the Executive Team strategic planning day on 11 October. Martin advised that intelligence and feedback gathered at these sessions have informed the updated version of the risk register.

Martin advised of new, reframed and consolidated risks. The Audit Committee broadly welcomed the updated version of the risk register noting that it better reflects the risk profile. It was also noted that given the dynamic nature of the current operational context, that the risk profile would require to be kept under close scrutiny.

Bill Moyes, Chair of the Accounts Commission proposed there be a risk around the failure of Audit Scotland to meet the needs of its clients. Discussion considered whether this matter was already referenced within risk A10 – 'Failure to maximise the value, impact and influence of public audit and meet stakeholder expectations' Audit Committee agreed that the scope of this risk could be rearticulated more explicitly to reflect Bill's point.

The members considered the subject of public interest audits and agreed that a meeting be held between the Accounts Commission and the Auditor General for Scotland (AGS) in light of the Accounts Commission Change Programme.

The Chair agreed that it would be valuable to have a further discussion around our risk register given the ongoing work on the refresh of the model of Public Audit in Scotland, Partnership Working Framework and the development of Audit Scotland's new Corporate

Plan. The Chair noted that works on these areas are currently live, and a session in the new year would be welcome to revisit the risk environment.

The Audit Committee noted the review of the risk register.

ACTION 153AC:	The Accounts Commission Chair and the AGS to arrange to meet to discuss public interest audits in light of the Accounts Commission Change Programme (December 2022)
ACTION 154AC:	Martin to review the description of risk A10 to ensure they are explicit. (December 2022)
ACTION 155AC:	Martin and Gayle to arrange a Risk Management session for Audit Committee and Board Members in the new year to revisit the operational context (March 2023)

9. Interim report on Audit quality

Elaine Boyd, Director, Owen Smith, Senior Manager, John Gilchrist, Manager, Audit Quality & Appointments and John Cornett, Executive Director of Audit Services Group joined the meeting.

Elaine Boyd advised that Audit Quality & Appointments (AQA) report on audit quality twice a year, with the interim report being for internal purposes. Elaine advised that the interim report focuses on annual audit plans, the Audit Scotland improvement plan and on audit delivery.

Elaine advised that findings provided reasonable assurance overall, with the recommendation that a further update be provided to Board in January 2023. This was due to the continuing challenge of meeting financial audit statutory deadlines.

The Audit Committee noted that audit delivery issues are partly due to moving back to previous pre pandemic timescales, while contending with later start dates due to the earlier impact of the pandemic. The committee also noted that the delays were a combination of delays, capacity challenges and the quality of documentation from audited bodies and capacity challenges in audit teams.

John Cornett, Executive Director of Audit Services group provided assurance that issues impacting on audit delivery were being addressed by the organisational Strategic Improvement Programme and an active operational plan to closely monitor and address audit delivery issues. It is anticipated that there will be evidence of improvement in the January 2023 update.

The members discussed the pace and impact of change as well as capacity to deliver audit. It was noted that the structure for Innovation & Quality (I&Q) is now agreed and recruitment is underway. It was also noted that this additional capacity will assist with the delivery of International Standard for Quality Management (ISQM) within audit work.

The members were assured from the report and the update that issues around audit quality were being progressed and they welcomed a further report in the new year.

The Audit Committee noted the interim report on audit quality.

ACTION 156AC: John Cornett to provide an update on Audit Delivery to Board in January 2023.

10. Audit Quality framework refresh

Owen Smith advised that the current Audit Quality Framework (AQF) has been in place since 2017. During that time 12 quality reports have been prepared to provide assurance to the commissioners of audit.

Members noted that an international comparison against peer public audit agencies had been carried out. The analysis indicates that the AQF is comprehensive and more advanced in terms of evidence gathered and is ahead of our peers. A UK wide audit quality group has confirmed this view.

The members discussed the balance of reporting best value and financial reporting and the importance of both being covered by the quality framework. Impact, reputation, and outcome measures need to be distinct and fully understood.

The members recognised the benefit of benchmarking more generally, also noting the value of international benchmarking. They discussed the possibility of bringing forward the results from June to Spring 2023 to allow quality recommendations to be captured before the next audit cycle. Elaine advised this could be explored for the following audit year.

The Audit Committee members noted the useful and comprehensive discussion paper.

Elaine Boyd, Director, Owen Smith, Senior Manager and John Gilchrist, Manager, Audit Quality & Appointments left the meeting.

11. Internal audit plan 2022/23 verbal update

Graham Gillespie, Wylie & Bissett LLP provided an update on the Internal Audit Plan 2022/23.

Graham advised that the plan is on track with the first visit completed and a second visit planned to focus on Digital at the end of this month.

The Chair noted that a good and effective relationship is developing between Audit Scotland and Wylie & Bissett.

The Audit Committee welcomed the update.

12. IAR: Risk Management

Graham Gillespie, Wylie & Bissett LLP provided an update on the Internal Audit Review: Risk Management.

Graham advised that the purpose of this first assignment was to review the risk management arrangements in place to ensure they are embedded throughout Audit Scotland. Graham advised the review considered the risk management strategy, the risk register, risk management training and the reporting and management of risks.

Graham advised that strong assurance was provided for the risk management visit and that this is the highest level of assurance. Graham assured Audit Committee there were no concerns arising from the survey with two low level recommendations made. Graham advised that there were 17 areas of good practice identified. Benchmarking with other similar bodies would suggest that Audit Scotland performed at a good level.

The members welcomed the report, and its readability.

The Audit Committee noted the IAR report on risk management.

13. Q2 Data Incidents / Loss report

Gayle Fitzpatrick, Corporate Governance Manager, introduced the Q2 data incidents/loss report, copies of which had been previously circulated.

Gayle advised that there were three data incidents recorded during quarter two. The three incidents involved human error and did not require to be reported to the Information Commissioners Office. Gayle provided assurance to the members that proactive work is underway in the form guidance to staff and planned data protection sessions to help mitigate any future incidents.

The Audit Committee noted the data incidents/loss report.

14. External Auditor's independence, objectivity, effectiveness and value for money

Gayle Fitzpatrick, Corporate Governance Manager, introduced the External Auditor's independence, objectivity, effectiveness and value for money report, copies of which had been previously circulated.

Gayle advised that this review takes place annually and is shared with the Audit Committee to provide assurance.

There were no queries on the report.

The Audit Committee noted the External Auditor's independence, objectivity, effectiveness and value for money

15. Review of Audit Committee effectiveness

Gayle Fitzpatrick, Corporate Governance Manager, introduced the proposed 2023 dates for review of Audit Committee effectiveness report, copies of which had been previously circulated.

Gayle advised the review of Audit Committee effectiveness takes place annually and sought approval for the timeline proposed.

The Audit Committee members approved the timeline.

16. Any other business

There were no items of other business

17. Review of meeting

The Chair invited those present to comment on the standard of the papers submitted and on the meeting itself.

The Audit Committee members expressed satisfaction with the papers and the focus and pace of the meeting.

18. Date of next meeting

The next meeting of the Audit Committee is scheduled for 7 March 2023.

The Chair thanked everyone for attending the meeting and for their participation.

AUDIT SCOTLAND BOARD ACTION TRACKER 2023

ITEM 9

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB165	Board	11	Mainstreaming equality and equality outcomes: Interim progress report	Further Board session on HRBA to be arranged.	17/05/2022	May-23	Carolyn McLeod	Carolyn McLeod	Ongoing		Short life working group considering next steps for work on HRBA is meeting on 24 November. At that meeting, consideration will be given to the most appropriate timing for a further session with Board members. 6/2/23 - update paper to be issued to Board Members by correspondence in March. Further discussion at Board in 2023
ASB171	Board	9	Review of action tracker	Relating to action update against ASB167, agreed the International Manager examine any work undertaken on evaluation processes in relation to international work by other audit agencies.	28/09/2022	Nov-22	Mark MacPherson	Kenny Oliver	Ongoing		Feedback from other agencies indicates that they do not undertake any specific evaluation activity as international work, like in AS, is largely based on 121 engagement, conferences and sharing approaches. Historically, we have deployed a member of staff (part-time) to coordinate international activity. That post is currently vacant and the AD with oversight of International is currently considering how best we manage international activity going forward and will consider the scope for a proportionate approach to evaluation. **12 March 2023 - strategic oversight of International is/has transferred to I&Q, update due to Board later in 2023**
ASB182	Board	11	Q2 Performance Report	William Moyes, Vicki Bibby, Martin Walker and Gayle Fitzpatrick to meet and discuss presentation requirements for the Accounts Commission performance reporting.	23/11/2022	Jan-23	Vicki Bibby/ Martin Walker	Martin Walker	Ongoing		Accounts Commission Support Team included in working group to produce new performance reporting information/templates
ASB183	Board	11	Q2 Performance Report	Executive Team to explore options to extend the Board session on 23 January 2023 to discuss performance reporting further	23/11/2022	Dec-22	Executive Team	Martin Walker / Vicki Bibby	Complete		Board workshop on performance reporting on 24/01/23.
ASB184	Board	13	Corporate Governance Documents	The Standing Orders, Financial Regulations and Staff code of conduct were approved for the year.	23/11/2022	Nov-22	Gayle Fitzpatrick	Gayle Fitzpatrick	Complete		Documents uploaded 20 December 2022 with internal communications to advise staff.
ASB185	Board	14	Bullying and Harassment Policy	Susan Burgess will circulate wording for inclusion in the policy in relation to sexual harassment	23/11/2022	Dec-22	Susan Burgess	Susan Burgess	Complete		Board members approved additional wording for inclusion via correspondence December 2022.
ASB186	Board	14	Bullying and Harassment Policy	Susan Burgess will seek legal advice on identified wording and respond to the Board to seek final approval via correspondence or at the January Board meeting	23/11/2022	Jan-23	Susan Burgess	Susan Burgess	Complete		Ref ASB185 above. Board members noted legal advice received and approved the Bullying and Harassment Policy via correspondence December 2022. Policy uploaded to Sharepoint with internal comms to advise staff 08/12/22
ASB187	Board	19	SCPA budget proposal 2023/24 report	The 2023/24 Budget proposal to be submitted to the SCPA	23/11/2022	Dec-22	Martin Walker	Martin Walker / Stuart Dennis	Complete		Budget proposal & SBR submitted to SCPA on 02/12/22.
ASB188	Board	20	Spring Budget Revision 2022/23	The 2022/23 Spring Budget revision proposal to be submitted to the SCPA.	23/11/2022	Dec-22	Martin Walker	Martin Walker / Stuart Dennis	Complete		Budget proposal & SBR submitted to SCPA on 02/12/22.
ASB189	Board	21	Environment, Sustainability and Biodiversity Annual Report 2021/22	The Environment, Sustainability and Biodiversity Annual Report 2021/22 will be published on Audit Scotland's website.	23/11/2022	Nov-22	Ian Metcalfe	Ian Metcalfe	Complete		Environment, Sustainability and Biodiversity Annual Report 2021/22 published on Audit Scotland's website 25 November 2022
ASB190	Board	22	Procuring External Quality Assurance 2022-28 report	The Board approved awarding the contract for external quality assurance 2022-28 to ICAEW.	23/11/2022	Nov-22	Elaine Boyd	Elaine Boyd	Complete		Contract signed Jan 2023.

AUDIT SCOTLAND BOARD ACTION TRACKER 2023

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB191	Board	22	Procuring External Quality Assurance 2022-28 report	Audit Quality and Appointments to consider internal audit arrangements of ICAEW.	23/11/2022	Jan-23	Elaine Boyd	Elaine Boyd	Complete		ICEAW is a Recognised Supervisory Body (RSB) under statute and as such are monitored by the FRC. Having an RSB is an important control for assuring the quality of our independent cold review arrangement under the AQF. The collective view from AQA and Corporate Governance is that appropriate and sufficient controls are already in place to enable AQA to manage the ICEAW contract and monitor their performance. Given that our internal auditors are regulated by ICAEW in their external audit work, there is a risk that asking them to review ICAEW's work/approach would constitute a conflict of interest. Regular meetings are planned between AQA and ICAEW as part of the contract management arrangements to ensure that the contract specifications and timescale are delivered. Any significant issues arising from AQA monitoring of contract would be discussed with Scottish Government Procurement team and if necessary raised to the appropriate governance forums.
ASB193	Board	11	Strategic Improvement Programme Update	Kenny to circulate I&Q team roles and responsibilities to the Board once all posts appointed to	24/01/2023	Feb-23	Kenny Oliver	Kenny Oliver	Complete		Issued Feb 2023
ASB194	Board	12	Audit Quality Arrangements	Audit quality arrangements document to be submitted to SPCA for reference	24/01/2023	Jan-23	Vicki Bibby	Vicki Bibby	Complete		Submitted Feb 2023 and to Board 21/3/23
ASB195	Board	12	Audit Quality Arrangements	Attend February Accounts Commission meeting to present Audit Quality Arrangements	24/01/2023	Feb-23	Kenny Oliver	Kenny Oliver	Complete		
ASB196	Board	12	Audit Quality Arrangements	Audit quality arrangements document to be published on Audit Scotland's website after the February Accounts Commission meeting	24/01/2023	Feb-23	Kenny Oliver	Kenny Oliver	Complete		Updated March 2023
ASB197	Board	17	2022/23 Spring Budget Revision and 2023/24 Budget proposal – SCPA Report	Executive Team to liaise with Communications Team	24/01/2023	Jan-23	Vicki Bibby	Vicki Bibby	Complete		
ASB198	Board	19	Estates Strategy Update	Updated Estate Strategy update to April Board meeting	24/01/2023	Apr-23	Stuart Dennis	Stuart Dennis	Complete		Scheduled on planner April Board meeting
ASB198	Board	11	Our purpose workstream: Update on Public Audit in Scotland and the new Audit Scotland Corporate Plan	Final Public Audit in Scotland consultation report to be circulated to the Board via correspondence for comment	24/01/2023	Mar-23	Michelle Borland	Michelle Borland	Complete		Issued to Board March 8 March 2023
ASB199	Board	11	Our purpose workstream: Update on Public Audit in Scotland and the new Audit Scotland Corporate Plan	Final Public Audit in Scotland consultation report to be circulated to the Board via correspondence for comment	24/01/2023	Apr-23	Michelle Borland	Michelle Borland	Complete		Scheduled for meeting 4/4/23

Strategic Improvement Programme: review

Executive Director of Innovation and Quality

Purpose

1. This report sets out the results from an initial review of the Strategic Improvement Programme (SIP) and proposals for a refreshed programme.

Recommendations

2. The Board is invited to:

   - Approve the refreshed list of projects within the SIP programme and the proposed criteria

   - Note the next steps and link to the corporate plan

Background

3. Audit Scotland's Board approved the Strategic Improvement Programme (SIP) in November 2020. The SIP provides a framework for change projects to receive more capacity, scrutiny and direction to ensure that we deliver on our corporate plan aims. The programme, at that point, was combination of pre-existing projects and new ones. A SIP project was defined as:

   - a time limited piece of work focussed on delivering improvement

   - will have tangible deliverables and benefits

   - requires resources to implement

4. Some SIP projects involved the development work required to implement a new methodology, system or process which then becomes 'business as usual'.

5. Executive team and the Board agreed that two years later, and with the transition of the programme to Innovation and Quality, that there should be a review and refocussing of the SIP. It is now considered the appropriate time to conduct this review.

6. This paper sets out the outcome of the first phase of the review. We have reviewed and refreshed the current projects, set revised criteria for projects to be considered as a SIP project, and re-worked the membership and meeting schedule.

Review of current projects

7. We have reviewed the list of current projects in the SIP, and separated them into different categories:

- Those that involve ongoing development work, the majority of which will now be subject to strategic leadership from Innovation and Quality.

- Those where development will complete in April/May 2023, with some becoming 'business as usual'. These will continue to have leadership focus and will report to Executive Team or Leadership Group (para 8-9).

- Ongoing projects

I&Q leadership (unless otherwise stated)	Nearing completion	Ongoing
Digital audit	Public Audit in Scotland	Accounts Commission Change programme
Audit Climate Change	Corporate Plan	Partnership Working Framework
Financial audit approach	ISQM 1	Electronic Working Papers
Less complex bodies	Building capacity – phase 4	Impact and Insights
Equalities and Human Rights	Business management system (phases 1 & 2)	Longer-term estates strategy
Digital services strategy (corporate services responsibility)	Medium term financial strategy	One organisation working
Green Futures	People strategy	Developing hybrid working
ISQM 2		

8. There are a number of projects that are connected with Public Audit in Scotland and our business planning cycle. It is proposed that these projects are removed from the SIP as they will all be developed by April/May 2023 and will then be subject to review as part of our operational business planning.

9. We note that a number of these activities will recur each year, e.g. refreshing the corporate plan and financial planning. Sustainable annual planning arrangements are being developed to be in place once the corporate plan is finalised. As part of this work we will identify improvements that we want to make to processes and consider for future SIP projects or organisational improvement activity as appropriate.

10. Previously the SIP included a number of projects that had no 'natural home' in the organisation. The creation of Innovation and Quality as a business group gives many of these development areas a formal home within Audit Scotland, with I&Q taking a strategic lead role. It is proposed that these projects are removed from the SIP. There will be other mechanisms in place to inform Executive Team of progress, for example the I&Q business plan and ongoing corporate reporting. Any individual aspects of these workstreams that

meet the proposed criteria (see para 12) will be considered for inclusion within the SIP, for example the Electronic Working Papers project.

11. This leaves a list of six current projects to be considered for inclusion in the refreshed SIP.

Proposed criteria for potential SIP projects

12. To decide whether a project should be included on the SIP, we need to develop clear criteria. The following criteria are proposed:

- The actions and intended outcomes impact more than one business group

- The projects intend to deliver transformational change, not just business as usual

- Intended outcome will require a significant change in approach, skills, and resources

- Intended outcome is critical to the achievement of the corporate plan

- Activity can be framed as a project with appropriate measurement criteria

- Activity is an SIP board priority

13. These criteria should allow for the SIP to contain a more focussed number of truly transformational projects that the SIP programme board can focus attention on. It also will allow for differentiation between projects that we take forward as part of organisational improvement, and those that require a higher level of oversight. There is flexibility in the criteria to allow the SIP board to add a project to the programme if it is a clear transformation priority but doesn't fit in any of the criteria.

14. Applying these criteria to the list of ongoing current projects outlined at paragraph 7:

Accounts Commission Change programme	Propose that currently meets criteria and stays within SIP. Also propose to review current action plan to identify dependencies with other projects and overlap
Partnership Working Framework	Propose that project currently meets criteria and stays within SIP.
Electronic Working Papers	Propose that project currently meets criteria and stays within SIP.
Impact and Insights	Propose that project currently meets criteria and stays within SIP.
Longer-term estates strategy	Propose that project currently meets criteria and stays within SIP.
One organisation working	Action plan being reviewed. Propose to outline how each action is being taken forward to see if any gaps, and if the project

	as a whole should be on SIP, or if more appropriate to ensure this is embedded as a matter of course into all projects.
Developing hybrid working	Propose to review activity to determine best approach.

15. Future projects will be assessed against these criteria and if appropriate proposed for inclusion. These criteria will also be subject to periodic view to ensure that appropriate projects are being captured and included. We propose the first criteria review after six months.

SIP Programme Board meetings

16. We propose that we move to quarterly Programme Board meetings. With a smaller portfolio of projects, this update period should be timely to provide the Programme Board with progress updates and for any approvals required.

17. It is also proposed that as much as possible approvals related to these projects are given through Programme Board meetings and not Executive Team meetings. This should help the coherence of the SIP programme and for all interdependencies to be considered. Timings for the Programme Board will be reviewed if there are difficulties with this.

18. It is proposed that the meeting is chaired by the Director of Innovation and Transformation. Members would be Executive Team and the Head of Organisational Improvement. The first meeting under the new format would be 20 June 2023.

Project management for SIP projects

19. Once the refreshed list of SIP projects has been agreed we will introduce an appropriate project management framework for all the SIP projects. We will work with project owners to refresh project management documentation, including projected outcomes, metrics and timelines. This will allow us to provide a consistent overview of the whole SIP to future programme boards.

Next phase

20. It is recognised that the completion of the corporate plan will require us to review the SIP to ensure that the projects will help us meet our proposed outcomes and identify if there are any new projects that may need to be prioritised. This will ensure that the SIP programme has the right level of ambition to deliver the required change and transformation.

Conclusion

21. This paper sets out proposals for a refocussed SIP. This will ensure there are clear criteria to judge how a project is added to the programme and provides a core group of transformational projects. Following completion of the corporate plan we will review the projects to ensure they will deliver the transformation needed to deliver the outcomes.

Q3 corporate performance report

Corporate Governance Manager

Purpose

1. This report provides the Board with a review of organisational performance as at quarter three 2022/23.

2. The report is in a new format, reflecting discussions at Executive Team, the Board and the Board's workshop on performance reporting which took place on 24 January 2023.

Recommendations

3. The Board is invited to:

    -   review the performance in Q3/ year to date set out below and in appendix 1

    -   consider the issues affecting performance, the actions identified and whether any additional management action is required

    -   review and provide feedback on the content and format of the new performance report.

Background

4. The Board requested that the focus, format and content of the quarterly performance reports be reviewed and updated. This forms part of the broader ongoing development work on performance management, measurement and reporting.

5. At a performance management workshop on 24 January we presented a range of options to the Board for consideration. The Board agreed that hybrid of two of the options would be used for the Q3 performance report.

6. The new performance report, attached as appendix 1, is structured as follows:

    -   Performance summary/ highlights and challenges (pages 2 to 3)

    -   Delivering world class audit – delivery to time and budget, audit focussed time, audit messages and impact and audit quality (pages 4 -16)

    -   Being a world class audit organisation – people, finance and services (pages 17 – 31)

    -   Impact and innovation – this section is under development (pages 32 – 34)

7. It was agreed at the workshop that the reports would be developed on an iterative basis, based on feedback and as areas of the report are further refined. There are a number of areas of ongoing development, these include:

    -   Benchmarks (in the form of targets, time series data and external comparators where appropriate)

- Presenting the data with a focus on customer (AGS and the Accounts Commission) and sector where appropriate

- Aligning key performance questions (KPQs), indicators (KPIs) and data to the emerging Public Audit in Scotland outcomes and corporate plan objectives and developing new KPQs and KPIs where required.

Performance overview Q3

8. The graphic below provides a summary of performance.

AUDIT

Objective	Status	
Audit delivery	RED	⬇
Audit cost	GREEN	→
Audit Quality	GREEN	⬆
Audit communication	GREEN	→

FINANCE

Objective	Status	
Resource	AMBER	→
Capital	GREEN	→

Delivering world class audit

Being a world class organisation

Our Impact

PEOPLE

Objective	Status	
Establishment	AMBER	→
Cost	GREEN	⬆
Wellbeing	GREEN	→
Learning & Development	GREEN	→

IMPACT & INNOVATION

Objective	Status
Under development	tbc
Under development	tbc
Under development	tbc

Audit delivery

9. In Q3 the RAG status for 'delivery of audit on time' has changed from amber to red.

10. Despite delivering 95% of the audit products/ reports scheduled for 2022/23 by the end of Q3 there are still challenges in returning to the pre pandemic delivery dates for the financial audits. The issues affecting the delivery of financial audits were reported to the Board at its meeting on the 24 January 2023.

11. The majority of 2021/22 audits have been delivered within the statutory deadlines with all NHS audits delivered earlier than tin he prior year, reflecting pre-Covid timetables. However, a number of audits in other sectors have been delivered later than planned, this is due to a number of factors:

- delays in starting 2021/22 audit work due to the impact of COVID-19

- significant technical issues in the accounts under audit, for example, accounting for non-current assets not valued in year

- actions taken to safeguard the quality of the audit work and integrity of the Independent Auditors' Report

- the impact of resourcing and capacity issues at clients; and

- audited body governance timetables

- The first year of an audit engagement brings additional challenges. It should be expected that while there will be improvements in the timeliness of 2022/23 audits, some will overrun the target sign-off dates.

12. The report also set out the actions being taken to improve the timeliness of delivery of audits from 2022/23 onwards. This is a multi-year response, and the actions fall into two broad categories:

- Actions already implemented for 2022/23 audits

- Actions that deliver benefits in the medium term. These are actions that have a longer lead-in time and therefore will not realise benefits until the delivery of 2023/24 audits at the earliest, and potentially, by exception, beyond that. Actions under this heading include activities to be delivered in partnership between Audit Services, other Business Groups within Audit Scotland, and external partners.

13. The Board will receive a further update on the impact of these improvement actions in August 2023.

14. Performance on the financial audits on time shows the delivery of Auditor General for Scotland audits at 59% and Accounts Commission audits at 43%. The difference in performance is in part due to how the Audit Services Group prioritised the 2021/22 audits. This followed the sequence of audit deadlines as; NHS Bodies, Local Government (i.e. Councils and Pension Funds), Central Government and Agencies and other bodies.

15. Approximately 62% of the AGS portfolio fell within the top three priorities compared to approximately 50% of the Accounts Commission portfolio. As a result a greater proportion of AGS audits were delivered on time.

16. At the time of writing there are 7 financial audits outstanding (three central government, two LG bodies and two further education colleges). A verbal update on the most up to date position will be provided at the meeting.

Resourcing the audit work

17. ASG has now returned to a business-as-usual approach in the sequencing of audit delivery and moved away from the prioritisation framework that was applied in 2021/22. This is contingent on addressing a resourcing shortfall of approximately 2000 days (after the delivery of planned efficiency improvements) which is consistent with the ASG shortfall of staff in post against establishment. We plan to address this shortfall through a number of mechanisms:

- We are about to embark on a Senior Auditor recruitment campaign

- We have delivered a trainee recruitment campaign (however trainees won't start to take up post until late spring/early summer)

- The use of some temporary staff (though options are limited in this respect)

- Identifying and enacting short-term resource transfers from PABV into ASG

18. Actions are also under way to bring PABV up to full establishment.

Other key points

19. Other key points to note in Q3 are:

- We have delivered 95 per cent of all expected outputs year to date

- 93% of performance audits have been delivered on time

- In Q3 audits/reports were delivered 16% under budget

- People costs are below budget

- Absence levels remain low

- The exam pass rate (year to date) is 86%.

Q3 Corporate Performance Report

Appendix 1

AUDIT SCOTLAND

Summary | Key Measures

AUDIT

Objective	Status	
Audit delivery	RED	↓
Audit cost	GREEN	→
Audit Quality	GREEN	↑
Audit communication	GREEN	→

PEOPLE

Objective	Status	
Establishment	AMBER	→
Cost	GREEN	↑
Wellbeing	GREEN	→
Learning & Development	GREEN	→

FINANCE

Objective	Status	
Resource	AMBER	→
Capital	GREEN	→

Delivering world class audit

Being a world class organisation

Our Impact

IMPACT & INNOVATION

Objective	Status
Under development	tbc
Under development	tbc
Under development	tbc

Summary | Highlights, challenges and actions

Highlights

Audit

- We have delivered 95 per cent of all expected outputs year to date.
- 93% of performance audits have been delivered on time.
- In Q3 Audits/reports were delivered 16% under budget.

People

- People costs below budget.
- Absence levels remain low.
- Exam pass rate year to date 86%.

Finance

The following were below budget:

- Legal, Professional and consultancy budget
- Travel and subsistence.

Challenges

Delivery YTD for Financial Audits:

- 51% on time against planning guidance.
- 43 % AC reports delivered on time
- 59 % AGS reports delivered on time
- 'Resourcing the benefit service's – Due to a high number of anomalies in collected data this report is delayed to Q4.

People

- The average number of staff in Q3 was 322, this equates to 93.9% of establishment.

Finance

- Audit Scotland's Net Operating Expenditure was 1.5% above budget.

Actions

- Actions taken in relation to 2022/23 financial audits and medium term actions for future audit years
- Recruitment to bring ASG and PABV to full establishment

Delivering world class public audit

Objective
We deliver our products on time

KPQ1
Are audits delivered on **time**?

Target
95% of audits delivered on time

AUDIT SCOTLAND

OVERVIEW RED

- We have delivered 94.8% of expected outputs (year to date), however

- Delivery on time is significantly below target of 95%.

Delivery year to date for **Financial Audits**:

- 51% on time

- 59 % Auditor General for Scotland reports are on time

- 43 % Accounts Commission reports are on time

Delivery year to date for **Performance Audits**:

- 93 % Performance audit reports on time

- 100% Accounts Commission performance reports on time report

- 100% Auditor General for Scotland performance reports on time report

- 50% Joint performance reports on time report

- 88% Audit Scotland performance reports on time report

- For 2022/23 there are a number of outstanding audits to be delivered in Q4. Financial audits are measured as on time against the Planning guidance deadlines:
- 10 Financial audit to be delivered in Q4 (1 expected on time, nine expected late) and 14 Performance audit (13 expected on time).

Accounts received on time by %
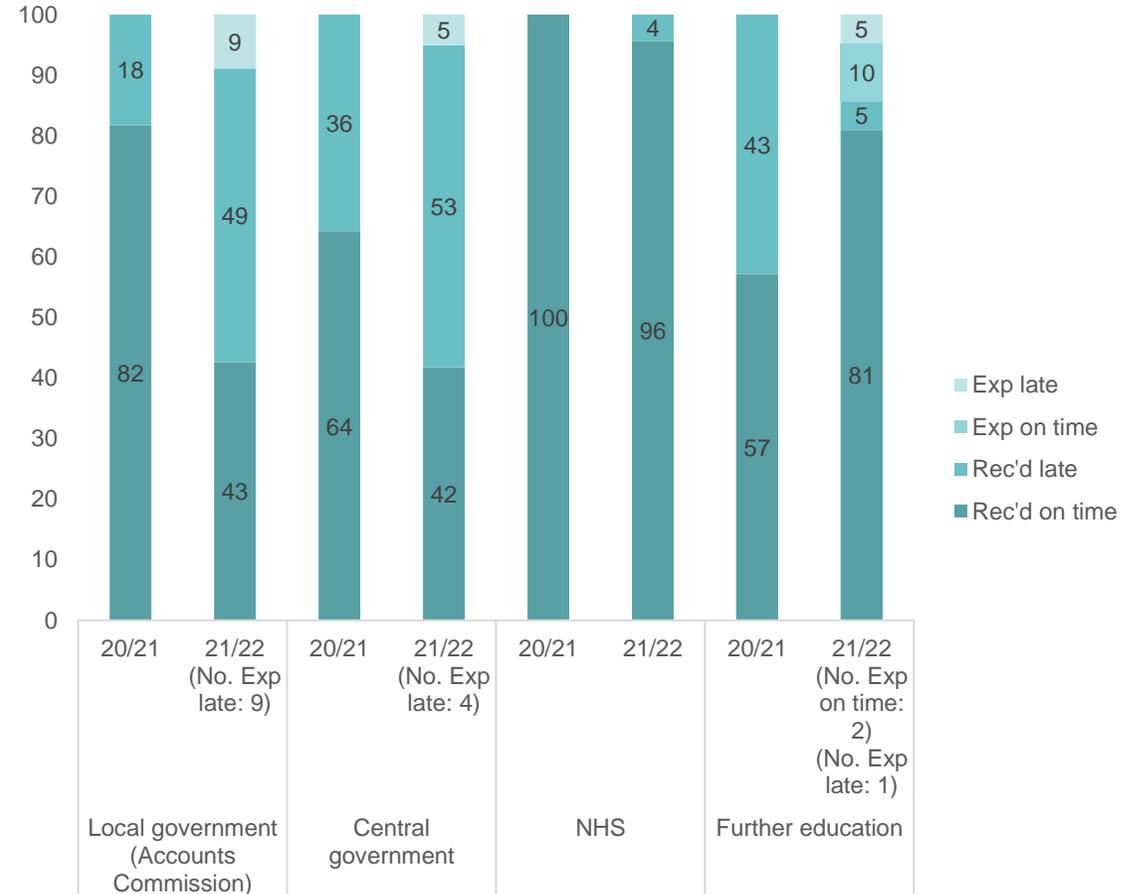
Objective

We deliver our products **on time**

KPQ1

Are audits delivered on **time**?

Target

95% of audits delivered on time

AUDIT SCOTLAND

Performance, trend and RAG

Audit delivery is rated as RED. Annual audit delivery sectors (excluding Further Education) have not performed as well as last year.

At the board meeting 24 January 2023 The Executive Director of Audit Services provided an audit delivery update. The report outlined:
- the updated position of 2021/22 audit delivery
- the immediate actions taken by Audit Services for 2022/23 which will improve the pace of delivery towards pre-covid timetables
- the range of actions delivering benefits in the medium term and taken in partnership by Audit Services and other business groups within Audit Scotland will secure the delivery of audits in line with pre-covid timetables

The Board noted the timescales set out in the report in relation to:
- achieving improvements in audit delivery in the 2022/23 Audits
- the actions identified for the 2023/24 audits.

An update on the impact of changes and actions will be provided to the Board in August 2023.

Performance of delivering financial audits on time shows the delivery of Auditor General for Scotland at 59 and Accounts Commission at 43%. The difference in performance is due the prioritisation of audits based on the sequencing of audit deadlines (NHS Bodies, Local Government (i.e. Councils and Pension Funds), Central Government and Agencies and all other bodies).

Approximately 62% of the AGS portfolio fell within the top three priorities compared to approximately 50% of the Accounts Commission portfolio. Consequently, a greater proportion of AGS audits were delivered on time.

ASG has returned to a business as usual approach in the sequencing of audit delivery and moved away from the prioritisation framework that was applied in 2021/22.

Issues impacting on delivery on time for financial audits include:
- Auditor General for Scotland audits - staffing pressures, technical difficulties affecting three audits and poor documentation from audit bodies.
- Accounts Commission audits - Infrastructure asset valuations following in year revised guidance and Staffing pressures.

Risk
Audit delivery misses statutory deadline
Delay in delivery this year's audit impacts on the ability to deliver next years audit on time

Risk register
The performance affects the following risk in the corporate risk register.
A4 - Failure to deliver audit to deadlines
M2 - Failure of independence, reputation, focus and relevance

Objective
We deliver our products **on time**

KPQ1
Are audits delivered on **time**?

Target
95% of audits delivered on time

AUDIT SCOTLAND

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Late delivery of Audit	Report to Board 24/01/23 summarising issues and actions	EDASG	Jan 2023	Paper delivered to Board 24 January 2023 including an action plan for improving delivery. An update on the impact of changes planned will be provided to the Board in August 2023. ASG has returned to a business as usual approach in the sequencing of audit delivery and moved away from the prioritisation framework that was applied in 2021/22.
	Audit Services Group have set a target for 2022/23 audits of 76% of all audits within the target sign-off dates (compared to 59% in 2021/22).			This target is contingent of Audit Services Group addressing shortfall of colleagues in post against establishment
Audit Time V Non Audit time	Review of KPI to ensure accuracy of information being reported	Chair of PRMG	April 2023	The PRMG will review how we record Audit time and non audit time to ensure we have the most accurate picture.
	Review of utilisation rates to industry standards	Tbc	Tbc	

Objective	KPQ2	Target
We deliver our products within **budget**	Are audits delivered on **budget**?	+/-5% of budget

AUDIT SCOTLAND

OVERVIEW GREEN

- Audits/reports are being delivered on average 16% under budget

- The Annual Audit variance of 28% is due to phasing of the audit and is forecast to even out going forward. The festive break during this period also had a significant impact.

- In-house income was in total £458k (7.2%) worse than budget.

- Fee income for 2021/22 audits has a negative volume variance of £276k and a positive price variance of £64k.

- Audit work for 2022/23 has commenced and is currently £288k behind plan.

- The prior year income of £42k is the balance due on the completion of the 2021 EAFA audit.

Budget

Product	Total budget £	AC Budget £	AGS Budget £	Total costs £	Variance £	% Variance
Annual audits	3,197,105	1,597,383	2,295,313	2,295,313	-901,792	**-28%**
Performance audits	2,443,326	1,103,481	1,313,932	2,416,001	-27,325	**-1%**
Total	**5,640,431**	**2,700,864**	**3,609,245**	**4,711,314**	**-929,117**	**-16%**

Income

Sector	2021/22 Audit Year			2022/23 Audit Year			Prior Years	Total
	Volume		Price	Volume		Price		
	WIP %	£	£	WIP %	£	£	£	£
Local Government	-5.08	-239	+54	-2.94	-196	-	+1	-380
Health	-	-	-	-5.30	-99	-	-	-99
FE	-	-	-	-	-	-	-	-
Central Government	+0.14	+1	+3	+0.15	+3	-	-	+7
Non-statutory	-6.45	-31	-	+0.71	+4	-	+41	+14
Total – Dec 22	**-2.78**	**-269**	**+57**	**-2.52**	**-288**	**-**	**+42**	**-458**

Objective

We deliver our products within **budget**

KPQ2

Are audits delivered on **budget**?

Target

+/-5% of budget

AUDIT SCOTLAND

Performance, trend and RAG

In Q3 Audits/reports are being delivered 16% under budget compared to 2% above budget in Q2

ASG - 28% under budget

PABV - 1% under budget

Trend is variable.

Risk

In Q3 Audits were 16% under budget. This is expected to vary during the year and does not present a significant risk at this time.

Risk register

The performance affects the following risk in the corporate risk register.
A8 – Financial position 2022-23 🟠 ⬆️

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
PRMG has reviewed the cost break down for individual audits and there are no issues to report in this quarter.	N/A			

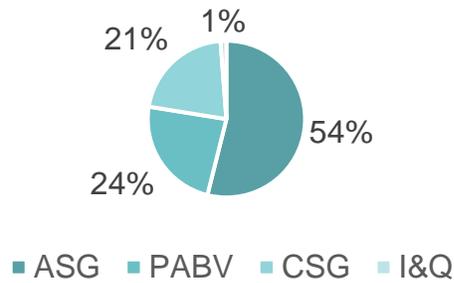| Objective	KPQ3	Target	
Colleagues focus is on **delivering** our products	Are colleagues **audit focused**?	TBC	AUDIT SCOTLAND

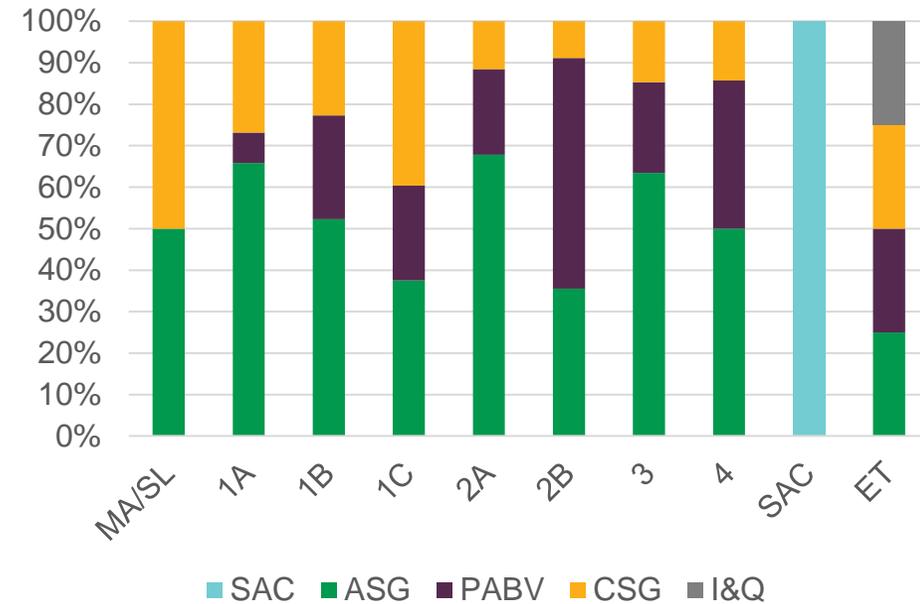- Audit Time V Non-Audit time 44% time spent on Audit.

These KPIs and the graphs are under development and are illustrative. It is planned to develop these further for Q4.

- 78% of colleagues are in Audit delivery business groups. Although not all directly involved in audit delivery. We will look to break this down further in the quarter 4 report to show then per centage of colleagues delivering audit..

- Breakdown of staff by grade is shown in graph. We will look to break this down further in the quarter 4 report to show the percentage of colleagues delivering audit.

Breakdown of colleagues by grade

Legend: SAC, ASG, PABV, CSG, I&Q

% colleagues by business group delivery

1%, 21%, 54%, 24%

Legend: ASG, PABV, CSG, I&Q

Objective	**KPQ3**	**Target**
Colleagues focus is on delivering our products	Are colleagues **audit focused**?	TBC

AUDIT SCOTLAND

Performance, trend and RAG

In Q3 time spent on audit was 44%.

We are further developing KPIs to record the amount of colleague time spent on audit delivery

Risk

Not enough resource is available to deliver Audits on time or to sufficient quality.

Risk register

The performance affects the following risk in the corporate risk register.

A3 – Failure of audit quality 🟠 ➡️

A4 – Failure to deliver audits to deadlines 🟠 ➡️

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Current utilisation rate metrics are not sufficient.	Review and implement new KPIs to provide further insight to the amount of time colleagues are spending on delivering audit.	PRMG	By Q4 report	PRMG will review data available to provide a more detailed picture of performance in this area.

Objective	KPQ4	Target	
We deliver high **quality** work	Are we assured about the **quality** of our work?	80% of reviews achieve level 1 or 2 (over a three year period)	AUDIT SCOTLAND

OVERVIEW **GREEN**

- There has been considerable improvement in the quality of **Annual Audit Plans** (AAPs) prepared under the 2016 Code of Audit Practice since the start of this appointment round. All Health and Social Care Integration Joint Board AAPs, with the exception of one, now include a reference to the planned audit work to support the conclusion on Best Value. However, there are still some auditors of non-council local government bodies who failed to explain the work planned to support the conclusion on whether the body has made proper arrangements for securing Best Value in their AAPs (ASG, Deloitte and Grant Thornton).

- The **Risks of Material Misstatement** identified by ICAS on two 2019/20 audits have been resolved and improvements to audit guidance and procedures have been made for 2020/21 audits.

- ASG has made progress in delivering its **improvement plan** with 11 out of the 15 improvement actions completed and the remaining four on track for completion by their target date. It is still too early to provide overall assurance that all the issues identified have been fully resolved.

- The **Professional Support 'help-desk'** responded to 140 technical enquiries from audit providers in quarter 3. All were responded to within target response times

Objective	KPQ4	Target	
We deliver high **quality** work	Are we assured about the **quality** of our work?	80% of reviews achieve level 1 or 2 (over a three year period)	AUDIT SCOTLAND

Performance, trend and RAG

Performance in this area is **improving**.

There has been considerable improvement in the quality of Annual Audit Plans (AAPs) prepared under the 2016 Code of Audit Practice since the start of this appointment round. The reports now better comply with the ISA reporting requirements.

Risk

Not enough resource is available to deliver Audits on time or to sufficient quality.

Risk register

The performance affects the following risk in the corporate risk register.

A3 – Failure of audit quality 🟠 ➡️

A6 - Failure of efficiency and ability to demonstrate value for money 🟠⬆️

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
All auditors included in the quality reviews have been informed of findings	The improvement actions will be reviewed in Q1/Q2 and reported in Q3 2023/24 In Q4 the Annual Quality review will be published and where possible there will be a split by sector.	AQA	Q3 2023/23	

Objective	KPQ5	Target
Audit impact: we deliver **impact** through our work	Are we assured about the impact of our work?	None

AUDIT SCOTLAND

Performance, trend and RAG

Examples of impact recorded in quarter three are available on SharePoint

These include many audit adjustments and improvements to draft financial statements, particularly in local government.

Risk

Our work is not delivering impact

Risk register

The performance affects the following risk in the corporate risk register.

A6 – Failure of efficiency and ability to demonstrate value for money

A9 – Failure to maximise the value, impact and influence of public audit

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
We are reviewing the measures used as part of the ongoing work to develop outcomes and impact measures	PRMG will incorporate new measures in line with the new Corporate plan and new outcomes once agreed.	PRMG /Impact and Outcome Group/I&Q	TBC	

Objective

We **communicate** with external stakeholders

KPQ6

Are we open and transparent by **reporting** in public?

Target

Comparison with previous years performance.

AUDIT SCOTLAND

OVERVIEW GREEN

- Stakeholder engagement is rated green.

- We continue to get our messages out through a variety of means. We attended 7 Parliament committees and attended 12 working groups.

- The Auditor General for Scotland the top three reports covered by the media included:
  - Scotland's Public Finances (33 items);
  - s22: SG Consolidated Accounts (17 items);
  - s22 National Records of Scotland (11 items).

In quarter three there was one Accounts Commission report published which was the blog on 'Why Best Value matters, now more than ever', There was no media coverage of this publication.

The top three Accounts Commission report downloaded, in quarter three included:
- Local Government Overview 2022 (464)
- Best Value report on Comhairle nan Eilean Siar (455)
- The blog on 'Why Best Value matters, now more than ever' (463)

Transparent reporting in public - Web stats
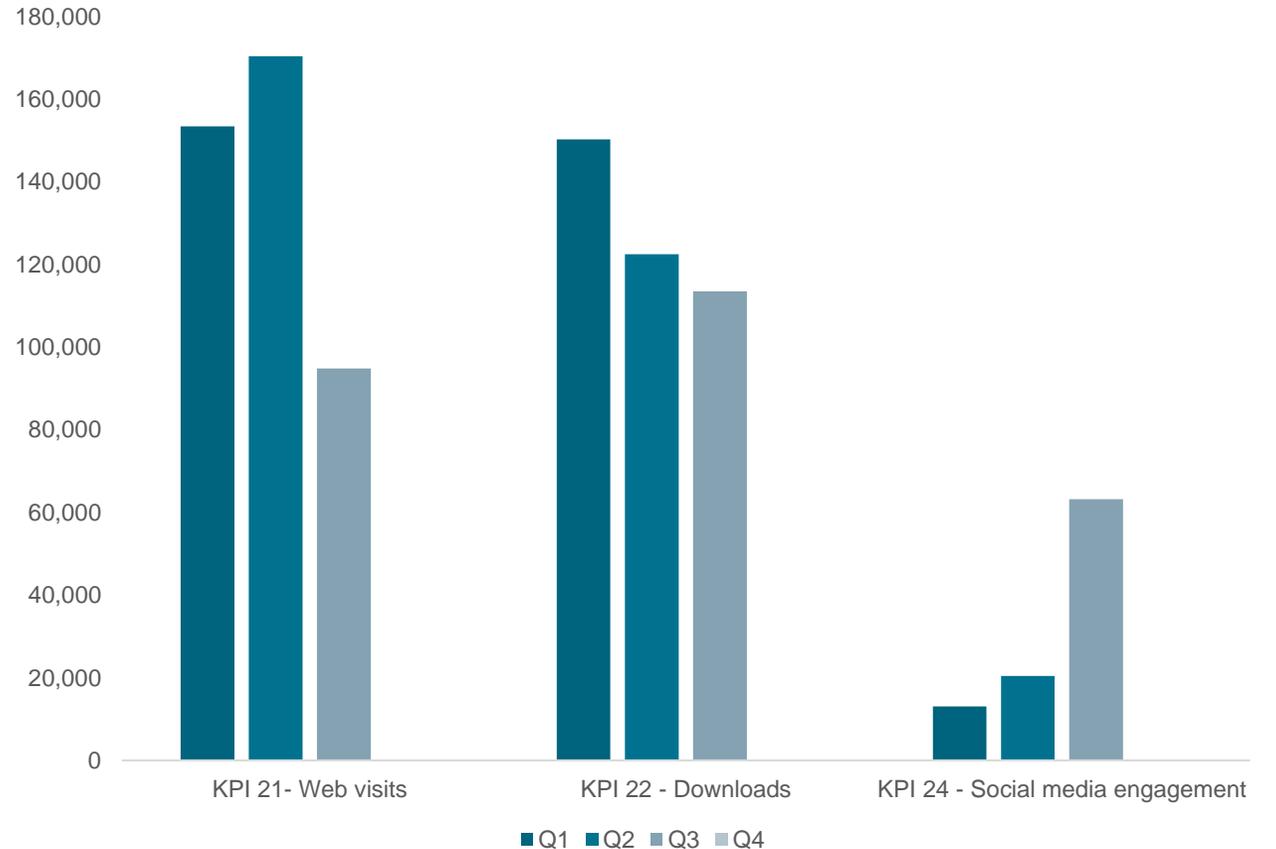
■ Q1 ■ Q2 ■ Q3 ■ Q4

Objective

We **communicate** with external stakeholders

KPQ6

Are we open and transparent by **reporting** in public?

Target

Comparison with previous years performance.

Performance, trend and RAG

During this quarter, coverage included:

- The report on the delays to two ferries for the Clyde and Hebrides.
- Audit Scotland's reservations about costs relating to the proposed National Care Service.
- Financial issues at Comhairle nan Eilean Siar.

Risk

The work we carry out is not communicated to key stakeholders.

Risk register

The performance affects the following risk in the corporate risk register.

A9 – Failure to maximise the value, impact and influence of public audit 🟠 ➡️

M2 – Failure of independence, reputation, focus and relevance 🟢 ➡️

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
None	n/a	n/a	n/a	n/a

Being a world class organisation
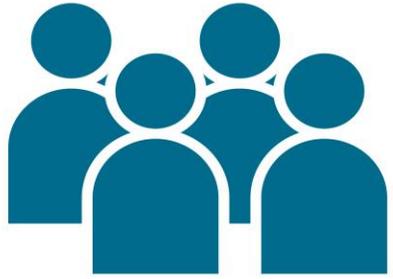
Our people

AUDIT SCOTLAND

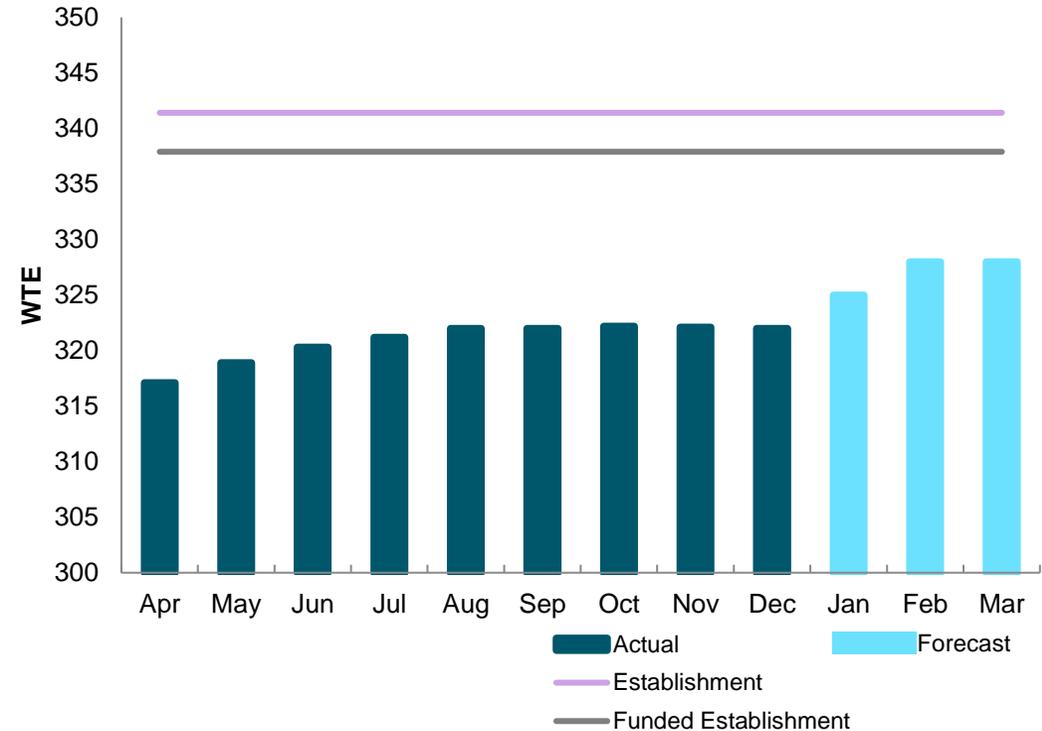| Objective	KPQ7a	Target
We manage our **resources** effectively	**People establishment**	tbc

AUDITSCOTLAND

Average WTE Staff in post 2022/23

OVERVIEW <mark>AMBER</mark>

- Current staffing level versus establishment.

- The average number of staff in Q3 was 322, equating to 93.9% of establishment.

- We are currently under establishment and the forecast shows a small increase in capacity.

Objective	KPQ7a	Target	
We manage our resources effectively (**People**)	**People establishment**	tbc	AUDIT SCOTLAND

Performance, trend and RAG

- Overall performance is rated amber due to the proportion of staff in Q3 is 93.9% of establishment (341.4).

- Colleague establishment levels are under review and PABV are currently increasing the senior auditor and audit manager establishment to meet specified needs.

- Audit Services Group are currently under establishment and the establishment has been further revised in the 2023-24 Workforce Plan to reflect the increased number of audits

Risk

If Audit delivery business groups are under establishment this increases the risk of failure to deliver audits/meet deadlines.

Risk register

The performance affects the following risk in the corporate risk register.
A5 - Failure of capacity –establishment, deployment, skills.

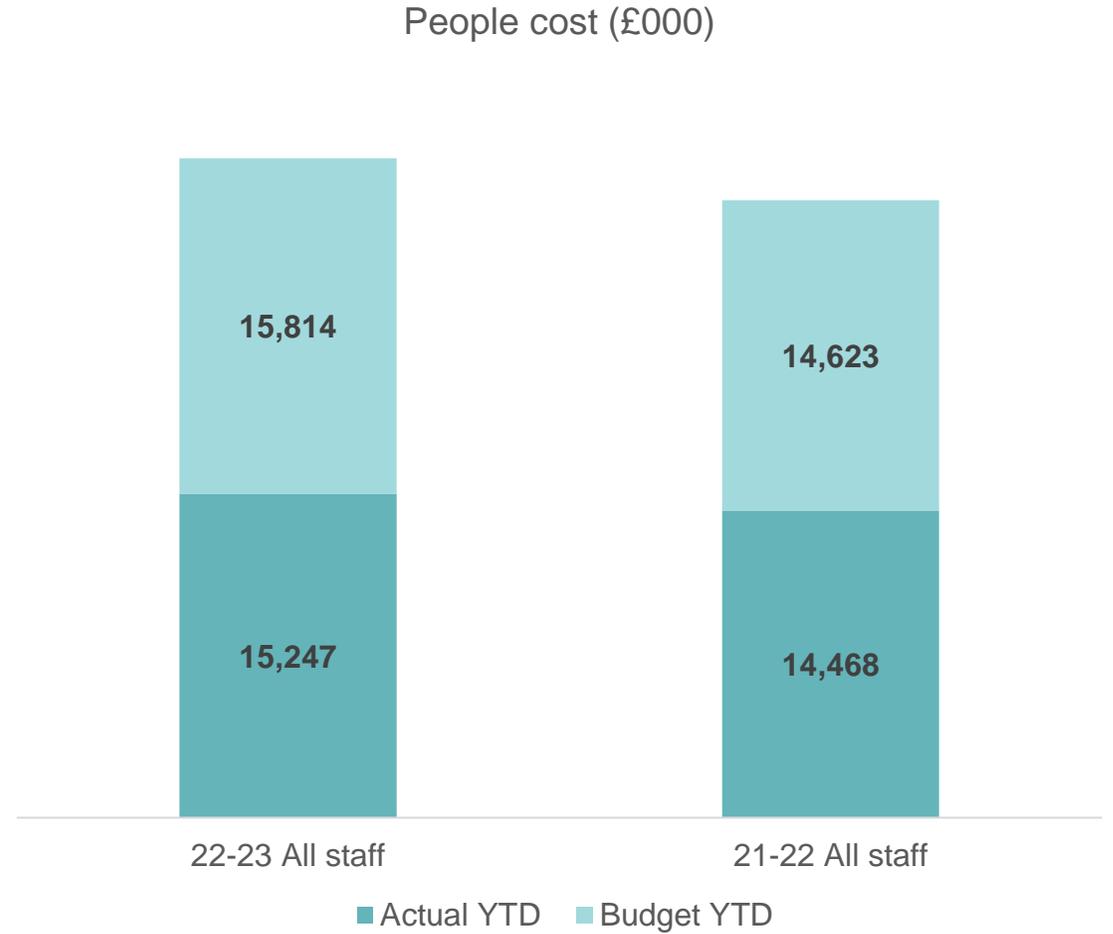| Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
We are developing additional KPIs to support the reporting of this KPQ				Additional data to include breakdown by business group.
ASG and PABV staffing against establishment	Both Business groups will recruit to increase number of Colleagues in post to agreed establishment levels	ASG/PABV	2023/24	

Objective

We manage our **resources** effectively

KPQ7b

Are we managing our people resources effectively

Target

tbc

AUDIT SCOTLAND

OVERVIEW **GREEN**

- The cost of Audit Scotland staff in nine months to 31 December 2022 was better than budget YTD.

People cost (£000)

	22-23 All staff	21-22 All staff
Budget YTD	15,814	14,623
Actual YTD	15,247	14,468

■ Actual YTD ■ Budget YTD

Objective	KPQ7b	Target
We manage our resources effectively	Are we managing our people resources effectively	n/a

AUDIT SCOTLAND

Performance, trend and RAG

- Pay - underspend due to average whole time equivalents (w.t.e.) position being 15.9 below funded establishment.

Risk

None

Risk register

The performance affects the following risk in the corporate risk register.

A5 - Failure of capacity –establishment, deployment, skills.

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Workforce planning	Workforce planning internal audit report underway	Internal Audit	May 2023	Will update once report has been approved by Audit Committee in May 2023.
	Workforce planning under way	Head of HR	April 2023	WFP to Exec Team 21/03/23

Objective

We manage our resources effectively

KPQ7c

Wellbeing

Target

TBC

AUDIT SCOTLAND

OVERVIEW **GREEN**

- Colleague turnover

- 412 days Sickness absence equates to 2% of available days

- Average of 1.3 Days lost to illness

Areas under development

- Annual leave taken/planned

- Time sheet completion

- Flexitime

Staff turnover

Average of 1.3 days of sickness per employee during Q3

411.66 days lost to sickness during Q3

Percentage of colleagues who have had a sickness absence over the last 12 months.

* Reflects individuals with at least one period of recorded

Objective	KPQ7c	Target	
We manage our resources effectively	Wellbeing	TBC	AUDIT SCOTLAND

Performance, trend and RAG

- Overall wellbeing is rated as green with low levels of turnover and absence

Risk

Risk register

The performance affects the following risk in the corporate risk register.

A5 - Failure of capacity –establishment, deployment, skills

M1 - Failure of health, safety and wellbeing

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
We are developing additional KPIs to support the reporting of this KPQ.	N/A	PRMG/HR	TBC	TBC

Objective	KPQ7d	Target	
Objective	**KPQ7d**	**Target**	AUDIT SCOTLAND
We manage our **resources** effectively	Learning and development	Prior year performance	

OVERVIEW **GREEN**

L&D Year to date

- 152 Exams sat, 130 passed (rate 86%)
- 194 Training events with Training attendees 1,498

The number of completed 3Ds will be reported in Q1 2023/24

KPIs under development:
- Average L&D days per colleague
- % Mandatory training completed

Objective	KPQ7d	Target	
We manage our resources effectively	Learning and development	Prior year performance	AUDIT SCOTLAND

Performance, trend and RAG

- Learning and development KPIs are rated green.

- Exam pass rates year to date are 86%.

- One KPI is reported annually and will be reported in Q1 2023-24.

- Two new KPIs have been identified to improve reporting on the Learning and Development KPQ.

  - Total L&D days.

  - % of mandatory training completed.

Risk register

The performance affects the following risk in the corporate risk register.

A5 – Failure of capacity – establishment, deployment, skills

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
KPI development	Two new KPIs have been developed and data to be collected.	Corporate Performance Officer and HR	For Q4 report	

Our finances and services

AUDIT SCOTLAND

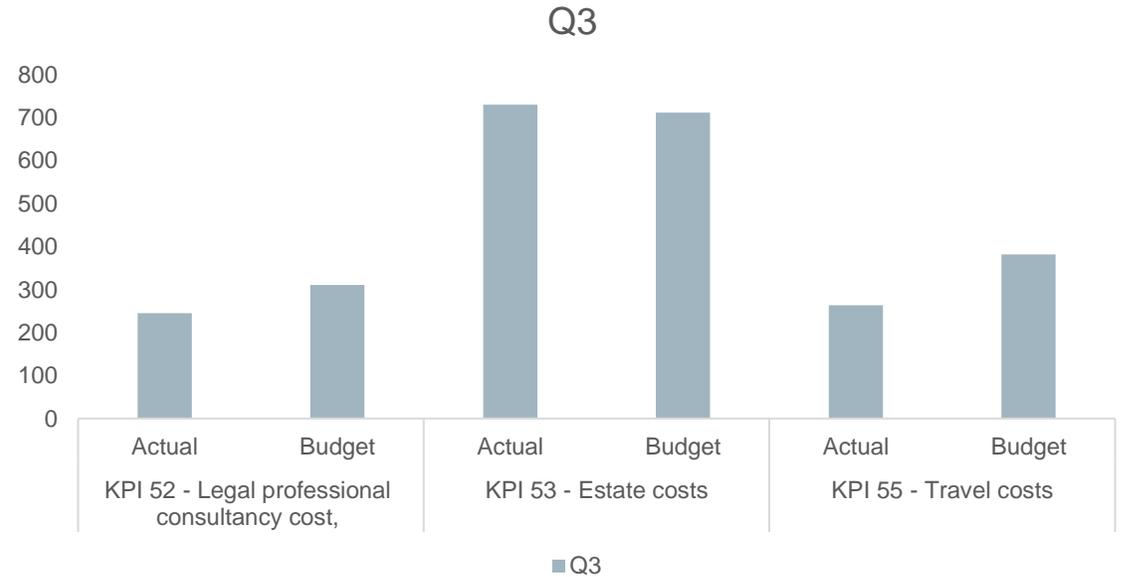| Objective	KPQ8	Target	
We manage our **financial resources** effectively	Are we managing our financial resources effectively	TBC	AUDIT SCOTLAND

OVERVIEW AMBER

- At the end of December 2022 Audit Scotland's Net Operating Expenditure was £7,709k which was £112k (1.5%) worse than budget.
- Year to date total Capital expenditure of £25k. The balance of capital funding will be used to deliver the laptop replacement programme.

Q3

Net Expenditure position by month 22-23

Objective	KPQ8	Target	AUDIT SCOTLAND
We manage **our financial resources** effectively	Are we managing our financial resources effectively	TBC	

Performance, trend and RAG

Finance is rated as amber. At the end of the December 2022 Audit Scotland's Net Operating Expenditure was £7,709k which was £112k (1.5%) worse than budget.

- Income - behind plan on completion of 21/22 audits and commencement of 22/23 audits. Impact of change in central charges approach under new best value regime.
- Pay - underspend due to average whole time equivalents (w.t.e.) position being 15.9 below funded establishment.
- Non-pay - underspend in firms expenses, travel & subsistence and training reduced by overspends in IT, recruitment and property.
- Capital – expenditure on mobiles, office enhancements and business management system.
- Management contingency - £100k allocated to meet increase in Edinburgh office rent and recruitment costs.

Risk

The financial risks that could impact on our ability to deliver within the 2022/23 budget allocation include:

- Work in progress position for 2022/23 audit work as at 31 March 2023
- Resourcing pressures and additional cost of audit
- Pension fund pressures
- Inflationary pressures

Risk register

The performance affects the following risk in the corporate risk register.

A6 - Failure of efficiency and ability to demonstrate value for money

A8 - Financial position 2022/23

Objective

We respond to **enquiries** from the public

KPQ10

Are we being efficient in responding to enquiries from the public?

Target

95% of enquiries responded to on time
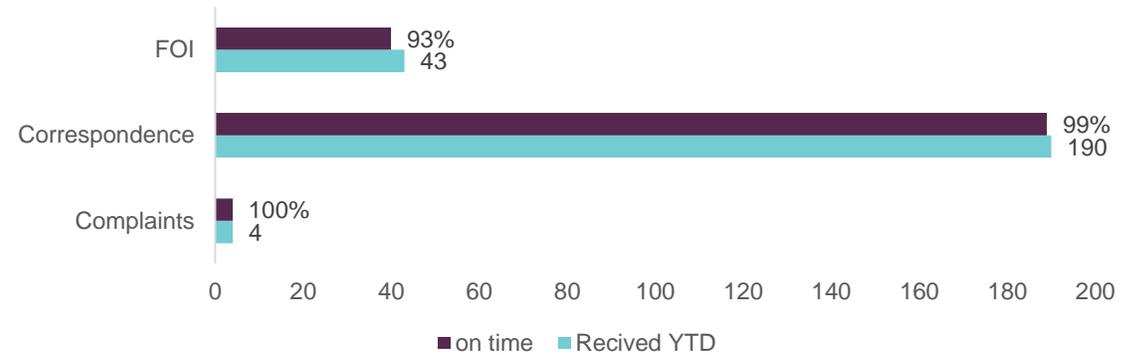
AUDIT SCOTLAND

OVERVIEW **GREEN**

Two of the KPIs are exceeding the target response time and the RAG is rated green.

One (FOI) is rated amber as this is achieving 93% on time against a target of (95%).

Year to date compared to 2021/22:

- Correspondence has increased by 62 per cent.

- FOI increased 87 per cent.

- There have been no Data Subject Access requests (YTD) compared to three last year.

Public enquires answered on time

Category	on time	Received YTD
FOI	93%	43
Correspondence	99%	190
Complaints	100%	4

Legend: ■ on time ■ Recived YTD

Objective

We respond to **enquiries** from the public

KPQ10

Are we being efficient in responding to enquiries from the public?

Target

95% of enquiries responded to on time

AUDIT SCOTLAND

Performance, trend and RAG

- Complaints: There is a slight increase in numbers received and response times are above target.

- Correspondence: There is an increase in numbers received and response times are above target.

- FOI: There is an increase in numbers received and response times are slightly below target due to the increasing complexity of requests received.

- DSARS: No DSAR received year to date compared to three last year.

Risk

The risk is to Audit Scotland's reputation if we do not meet statutory targets in responding to stakeholders

Risk register

Performance is part of the Monitoring controls for the following risk in the corporate risk register.

A9 – Failure to maximise the value of public audit

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
The increase in communication from members of the public is being managed and there are no issues affecting performance.	N/A	N/A	N/A	We will continue to monitor the increase and its impact on resources available.

Impact and innovation

Objective	KPQX	Target
Impact and innovation	TBC	TBC

AUDIT SCOTLAND

OVERVIEW

- Impact KPIs are under development
- Outcome measures are being developed as part of the development of Public Audit in Scotland and the Corporate Plan
- Improvement work is currently reported through the Strategic Improvement Programme update and further KPIS are being developed

Objective	KPQX	Target
Impact and innovation	TBC	TBC

AUDIT SCOTLAND

Performance, trend and RAG

- Impact KPIs are under development
- Outcome measures are being developed as part of the development of Public Audit in Scotland and the Corporate Plan
- Improvement work is currently reported through the Strategic Improvement Programme update and further KPIS are being developed

Risk

The risks are that public audit fails to deliver its intended impact and that we fail to innovate and improve how we deliver the audit work.

Risk register

The performance affects the following risk in the corporate risk register.

A6 - Failure of efficiency and ability to demonstrate value for money

A7 - Failure of innovation/ development (of methodology and technology)

A9 - Failure to maximise the value, impact and influence of public audit and meet stakeholder expectations as an independent, trusted and authoritative voice with oversight of the public sector in Scotland and as an agent for change and improvement

Issues / Actions	Actions to improve performance	Who	Timescales	Comment / update
Assessment of impact	Development work on impact measures	I&Q	Tbc	
	Development work on outcome measures	I&Q	Tbc	

Q3 Financial performance report

Corporate Finance Manager

AUDIT SCOTLAND

Item 13
Meeting date: 4 April 2023

Purpose

1. This report presents the financial results for the nine months to 31 December 2022.

Recommendation

2. The Board is invited to note the financial results for the nine months to 31 December 2022.

Background

3. Appendix 1 provides a Financial Performance Executive Summary and is being developed to improve corporate performance reporting.

4. The detailed finance performance report is provided in Appendix 2 to this paper.

5. This report was discussed by Audit Scotland's Executive Team on 21 February and the Audit Committee at its meeting on 7 March 2023.

Discussion

6. At the end of the December 2022 Audit Scotland's Net Operating Expenditure was £7,709k which was £112k (1.5%) worse than budget.

7. In-house income was in total £458k (7.2%) worse than budget. Fee income for 2021/22 audits has a negative volume variance of £276k and a positive price variance of £64k. Audit work for 2022/23 has commenced and is currently £288k behind plan. The prior year income of £42k is the balance due on the completion of the 2021 EAFA audit.

8. Fee income earned for audits carried out by external firms net of fees and expenses paid to the firms was £116k better than budget. Income recognition was £30k (0.7%) better than budget with fees and expenses payable to the external firms being £86k (2.4%) better than budget.

9. Staff costs including agency expenditure was £567k (3.6%) better than budget.

10. Other expenditure £16k (0.5%) better than budget. The main positive variances were recorded in travel & subsistence (£118k), legal, professional & consultancy (£66k) and training (£43k). The main adverse variances appear in information technology (£101k), recruitment (£38k) and property (£18k).

11. A new Financial Performance Executive Summary has been prepared and is in Appendix 1 attached to this report. This is subject to further development to support improved scrutiny of the strategic management of Audit Scotland's financial position.

12. The detailed variance analysis and explanation is provided in Appendix 2 attached to this report. Appendix 2 also includes a section on the allocation of management contingency and the key financial risks.

Virement

13. There were no instances of budget virement in excess of £20k in the six months to 30 December 2022.

Q3 Financial Performance Executive Summary

Appendix 1

Financial Position

- **Income** - behind plan on completion of 21/22 audits and commencement of 22/23 audits. Impact of change in central charges approach under new best value regime.

- **Pay** - underspend due to average whole time equivalents (w.t.e.) position being 15.9 below funded establishment.

- **Non-pay** - underspend in firms expenses, travel & subsistence and training reduced by overspends in IT, recruitment and property.

- **Capital** – expenditure on mobiles, office enhancements and business management system.

- **Management contingency** - £100k allocated to meet increase in Edinburgh office rent and recruitment costs. Unallocated balance currently £400k though requirement to meet Accounts Commission change programme costs and senior management posts.

Financial Risks

- Work in progress position for 2022/23 audit work as at 31 March 2023 (1% movement equates to £114k).

- Resourcing pressures and additional cost of audit.

- Pension fund pressures (e.g. IAS 19 implications).

- Inflationary pressures (e.g. utility and service charges).

Financial Position as at end of December 2022

	FY budget £'000s	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s
Income	-19,178.2	-14,001.6	-14,782.8	-781.2
Pay	21,204.4	15,246.9	15,814.0	567.1
Non-pay	9,360.5	6,464.2	6,565.9	101.7
Capital Expenditure	250.0	25.0	50.0	25.0
Funded by Scottish Consolidated Fund	11,636.7	7,734.5	7,647.2	-87.3

Net Expenditure position by month 2022-23
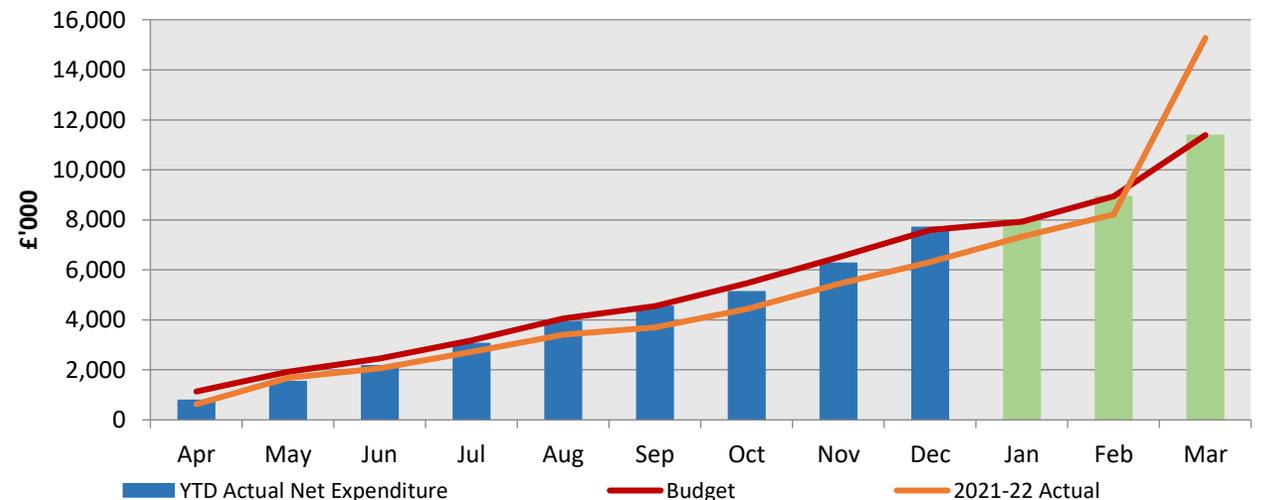
Q3 Financial Performance Report by Business Group

The YTD financial position as at December for each business group is detailed here.

- **Overall** - at the end of quarter 3 the revenue financial position was £112k (1.5%) worse than budget.

- **Audit Services Group** - 21/22 and 22/23 audit work behind plan leading to reduced fee income recognition. Pay underspend due to lower than planned average w.t.e and savings generated in travel and lease car expenditure.

- **Performance Audit and Best Value** - pay costs underspend with average w.t.e. 8.0 below funded establishment. Vacant posts in the process of being filled. Non-pay costs reflect reduced expenditure on subscriptions and professional fees/consultancy.

- **Corporate Services Group and Corporate Costs -** income variance relates to corporate central charges and impact of new best value regime. Underspend in pay with average w.t.e. below plan which is reduced by overspends in non-pay items (e.g. IT and depreciation).

- **Approved Auditors** - fee income better than plan and savings generated in firms expenses.

- **Accounts Commission and Secretary -** pay underspend due to vacant Commission posts for half the financial year and overspend in non-pay due to recruitment and livestream costs.

- **Board, AGS and Exec Team -** pay costs now starting to reflect full Exec Team costs with everyone in post. Non-pay is final balance for senior recruitment higher than planned.

Business Group	Cost type	FY budget £'000s	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s
Audit Services Group	Income	-8,207.1	-5,895.1	-6,352.6	-457.5
	Pay	10,966.6	8,054.8	8,206.9	152.2
	Non-pay	577.1	280.8	426.3	145.5
	Total	**3,336.6**	**2,440.5**	**2,280.7**	**-159.8**
Performance Audit and Best Value	Income	0.0	0.0	0.0	0.0
	Pay	5,430.7	3,815.9	4,073.1	257.2
	Non-pay	554.9	144.2	203.1	58.8
	Total	**5,985.6**	**3,960.2**	**4,276.1**	**316.0**
Corporate Services Group and Corporate costs	Income	-5,769.4	-3,952.9	-4,306.2	-353.4
	Pay	3,796.3	2,625.5	2,764.7	139.3
	Non-pay	3,622.4	2,362.9	2,265.7	-97.2
	Total	**1,649.3**	**1,035.5**	**724.2**	**-311.3**
Approved Auditors	Income	-5,201.7	-4,153.6	-4,123.9	29.7
	Pay	0.0	0.0	0.0	0.0
	Non-pay	4,519.9	3,536.2	3,621.7	85.5
	Total	**-681.8**	**-617.4**	**-502.2**	**115.2**
Accounts Commission and Secretary	Income	0.0	0.0	0.0	0.0
	Pay	277.6	198.5	208.1	9.6
	Non-pay	22.4	82.6	7.2	-75.4
	Total	**300.0**	**281.1**	**215.3**	**-65.8**
Board, AGS and Exec Team	Income	0.0	0.0	0.0	0.0
	Pay	733.3	552.3	550.0	-2.4
	Non-pay	63.7	57.5	53.1	-4.3
	Total	**796.9**	**609.8**	**603.1**	**-6.7**
Funded by Scottish Consolidated Fund		**11,386.7**	**7,709.5**	**7,597.2**	**-112.3**

Headline Results

The summary financial position to 31 December 2022:

£000	Annual Budget	Actual	Budget	Var.	% Var.	Prior Year	Note
Fee Income - In House	8,207	5,895	6,353	(458)	-7.2%	5,914	1
Fee Income - Audit Firms	5,202	4,154	4,124	30	0.7%	4,072	2
Central Charges	5,769	3,952	4,306	(354)	8.2%	4,233	3
Rebate	0	0	0	0	-	0	
Interest	0	3	0	3	-	0	
Other Income	0	(2)	0	(2)	-	11	
IAS 19 Income	0	0	0	0	-	0	
TOTAL INCOME	**19,178**	**14,002**	**14,783**	**(781)**	**-5.3%**	**14,230**	
Approved auditors	4,520	3,536	3,622	86	2.4%	3,475	2
Staff salaries and oncosts	21,080	15,177	15,803	626	4.0%	14,351	4
Payroll provisions incl. severance	9	0	0	0	-	0	
Agency and secondment costs	15	70	11	(59)	-536.4%	117	4
IAS 19 Pension costs	100	0	0	0	-	0	
Property costs	1,046	730	712	(18)	-2.5%	612	
Travel and subsistence	525	264	382	118	30.9%	235	5
Legal, professional and consultancy	841	245	311	66	21.2%	346	6
Training	523	352	395	43	10.9%	339	7
Recruitment	180	195	157	(38)	-24.2%	101	7
Printing and office costs	235	180	163	(17)	-10.4%	164	8
Information technology	613	564	463	(101)	-21.8%	480	9
Audit	60	53	45	(8)	-17.8%	49	10
Depreciation	340	287	272	(15)	-5.5%	236	
Other costs	478	58	44	(14)	-31.8%	36	11
EXPENDITURE	**30,565**	**21,711**	**22,380**	**669**	**3.0%**	**20,541**	
NET OPERATING (EXPENDITURE)	**(11,387)**	**(7,709)**	**(7,597)**	**(112)**	**-1.5%**	**(6,311)**	

Funded by Scottish Consolidated Fund   **11,387**   **7,709**   **7,597**   **112**   **6,311**

Income and Expenditure Summary

1.   Fee Income – In House

Variances arise in fee income as a result of volume and price differences. Volume variances occur when audit work is carried out at different times and/or durations than planned. Price variances reflect the difference in actual fees to expected fees originally budgeted and is based on additional work undertaken and agreed with the audited body.

The table below shows the performance by sector as at 31 December 2022 for in-house audits:

Sector	2021/22 Audit Year		Price	2022/23 Audit Year		Price	Prior Years	Total
	Volume		Price	Volume		Price		
	WIP %	£	£	WIP %	£	£	£	£
Local Government	-5.08	-239	+54	-2.94	-196	-	+1	-380
Health	-	-	-	-5.30	-99	-	-	-99
FE	-	-	-	-	-	-	-	-
Central Government	-+0.14	+1	+3	+0.15	+3	-	-	-+7
Non-statutory	-6.45	-31	-	+0.71	+4	-	+41	+14
Total – Dec 22	**-2.78**	**-269**	**+57**	**-2.52**	**-288**	**-**	**+42**	**-458**

Local Government

Local Government audits for 2021/22 are 5.08% behind planned budget leading to a negative volume variance of £239k. There is a positive price variance of £54k with the most significant increases being applied to Aberdeenshire Council, Angus Council, Dundee City Council, Fife Council, Moray Council, Renfrewshire Council, Scottish Borders Council and South Lanarkshire Council. The main reason for the increase in fees is due to the additional audit work required on charitable trust accounts.

Audit year 2022/23 is year 1 of the new audit appointments and the work to date is currently behind plan, leading to an adverse volume variance of £196k.

Health

The 2021/22 health audits are complete.

Audit work for 2022/23 is 5.30% behind plan leading to a negative volume variance of £99k.

Further Education (FE)

ASG are responsible for the delivery of two 2021/22 audits, Dundee & Angus College and Edinburgh College. Both these audits are complete.

For the 2022/23 new audit appointments ASG have been allocated 8 FE audits and work has yet to commence.

Central Government

Central Government chargeable audits are 0.14% ahead of plan leading to a small volume variance of £1k. There is a minor positive price variance due to an increase in fee being identified for a new public body, Office of The Scottish Biometrics Commissioner. Annual audits in this sector will be complete by the end of the financial year.

Work on 2022/23 has commenced leading to a small positive volume variance of £3k.

Non-statutory

The European Agricultural Fund Account (EAFA) audit for 2020/21 is now complete and is recognised in the prior year adjustment of £41k. The fee level for 2021/22 remains at the prior audit year level of £550k. Currently we are 6.45% behind plan leading to a negative volume variance of £31k. It is projected that the audit will be complete by the target deadline of February 2023.

EAFA audit work will cease in October 2023 with financial year 2023/24 being the final year where we receive income for the delivery of this work.

2.   Fee income and expenditure – Audit Firms

There is a positive income variance of £30k and a positive expenditure variance of £86k for approved auditors. The overall £116k positive variance in expenditure is mainly due to the savings generated in auditor expenses of £104k.

Audit firms can negotiate fee increases within set parameters above expected fees with audited bodies. Primarily increases in fees will relate to increased complexity and additional work undertaken for which the audited body has agreed to pay an additional fee.

The table, below, shows the performance for approved auditors by sector to 31 December 2022:

Sector	2021/22 Audit Year		2022/23 Audit Year		Prior Years	Total
	Volume	Price	Volume	Price		
	WIP % £	£	WIP % £	£	£	£
Local Government	-4.45 -133	+152	-3.56 -150	-	-	-131
Health	-3.50 -38	+40	-3.38 -50	-	-	-48
Water	- -	-	- -	-	-	-
FE	+28.23 +130	+71	- -	-	-	+201
Central Government	-5.56 -32	+40	- -	-	-	+8
Total – Dec 22	**-1.39 -73**	**+303**	**-2.68 -200**	**-**	**-**	**+30**

Local Government

Audits in the local government sector for 2021/22 are 4.45% worse than budget leading to a negative volume variance of £133k. Currently the audit firms have agreed fees above expected fees leading to a positive price variance of £152k. The most significant increases in the sector have been applied to Aberdeen City Council, Falkirk Council, Highland Council, Midlothian Council, City of Edinburgh Council and West Lothian Council.

Audit work for 2022/23 is yet to commence leading to a negative volume variance of £150k.

Health

Health audits for 2021/22 are behind schedule leading to a negative volume variance of £38k. This has been offset by fee increases generating £40k additional income. The main increases have been applied to Public Health Scotland and NHS Lothian.

Audit work for 2022/23 is yet to commence leading to a negative volume variance of £50k.

Water

The 2021/22 audit is complete and the 2022/23 audit is yet to commence.

Further Education (FE)

2021/22 audits are 28.23% ahead of plan leading to a positive volume variance of £130k. There is also a positive price variance of £71k. This is mainly due to agreed fee increases being applied to Fife College, Lews Castle College, North Highland College, Perth College and South Lanarkshire College.

Central Government

Central government chargeable audits for 2021/22 are 5.56% behind plan. The positive price variance relates to agreed fee increases with the largest being applied to Crown Estate Scotland, Crofting Commission and SEPA.

3. Central charges

The reduction in central charges relates to the change in approach for best value audit work. For the new audit appointments commencing in 2022/23 best value is now included within the auditor remuneration fee and not recovered through central charges. At the end of the financial year the fee income recognition for local government audits will increase, which will be offset by a reduction in central charges.

4. Staff & Agency Costs

Business Group	Annual Budget £000	Actual £000	Budget £000	Variance £000	Actual Average w.t.e.	Average Budget w.t.e.	Note
ASG staff costs	10,952	8,055	8,207	152	178.9	182.8	a)
ASG agency & secondments	15	0	11	11			
PABV staff costs	5,431	3,816	4,073	257	77.5	85.5	b)
PABV agency & secondments	0	0	0	0			
CSG staff costs	2,629	1,820	1,972	152	38.0	41.2	c)
CSG agency & secondments	0	32	0	(32)			
Business Support staff costs	994	689	746	57	22.4	23.6	d)
Business Support agency & secondments	0	38	0	(38)			
Governance & Other staff costs	1,183	797	805	8	5.2	4.8	e)
Governance & Other agency & secondments	0	0	0	0			
Total staff costs	**21,189**	**15,177**	**15,803**	**626**	**322.0**	**337.9**	
Total agency & secondments	**15**	**70**	**11**	**(59)**			

   a) There is an underspend (£152k) year to date with the actual average whole time equivalent (w.t.e.) being 3.9 less than budget, which equates to £176k. The negative price variance of £24k is due to the April 2022 pay settlement being higher than budgeted, which has been reduced by the pay scale position

of staff compared to budget (e.g. more trainees funded by vacancies in auditor posts).

There has been no agency costs year to date.

b) PABV underspend of £257k is due to the level of vacant positions which we are in the process of filling. The w.t.e. saving of 8.0 equates to £394k. The adverse price variance of £137k is due to the April 2022 pay award being higher than plan.

c) The average staff resource in CSG has been 3.2 w.t.e. less than budget leading to a year to date underspend of £153k. The minor negative price variance of £1k relates to the impact of the 2022 pay award and the scale point movement in respect of staff turnover.

Agency costs have been required to provide for a temporary HR Advisor and a Comms position. These costs are being funded by the savings generated through vacant posts.

d) Business support underspend generated through vacant posts that we are in the process of recruiting to. There is a w.t.e. saving of £37k and a price variance of £20k.

Agency expenditure of £38k relates to temporary cover for a vacant Executive Assistant post.

e) The expenditure in Governance & Other is less than budget mainly due to savings generated by vacancies in Accounts Commission members and senior leadership positions at the start of the financial year. These posts have been filled and to date have been funded from savings generated in the first two quarters of the financial year. It is projected that for the final quarter management contingency will need to be allocated to meet the forecast small overspend.

5.   Travel and subsistence

We have incurred very little travel and subsistence expenditure as we continue to deliver the majority of our audit work remotely. The current position is an underspend of £68k.

Savings of £50k have also been generated in this expenditure heading due to reduced car lease expenditure. The underspend is attributable to mileage credits on return of vehicles to the lessor and members of the scheme leaving/retiring from Audit Scotland with there being no further obligation in respect of a lease car.

6.   Legal, professional and consultancy

The timing of expenditure within this heading is variable in nature and the year to date underspend reflects this position. Latest forecasts anticipate that expenditure will increase in the final quarter.

7.   Training and recruitment

The overspend in recruitment expenditure is due to the unbudgeted costs incurred for the recruitment of a Controller of Audit for the Accounts Commission (£57k).

The underspend in training is a timing issue with the budget being phased based on the prior year expenditure profile which has changed this financial year. Overall training expenditure is on course to be within budget for the full year.

8.   Printing and office costs

The Accounts Commission AV livestream contract to cover the broadcast of their monthly meetings is the reason for the overspend.

9.   Information technology

The budget overspend relates to increased software support costs and the requirement for additional licences. For this financial year savings in other budget headings within Corporate Services Group are being used to meet the increase in costs. For future budget years financial projections will be undertaken to identify savings opportunities in other budget headings with a view to allocating a sustainable information technology budget.

10.   Audit costs

The overspend in audit costs is a final BDO invoice being received for work undertaken in the previous year. This will be met from savings generated in other subjective headings.

11.   Other costs

The main reason for the overspend in other costs is due to occupational health expenditure, which includes annual wellness checks, and the increase in Disclosure Scotland checks.

Contingency and Financial risks

The 2022/23 budget includes a contingency allocation of £500k with the Executive Team (ET) responsible for its allocation.

As at the end of December budget transfers of £100k have been approved by ET to meet the additional costs of the Edinburgh office rent review and also the balance due in respect of senior management recruitment costs. It is expected that there will be a requirement for further contingency allocations to meet the additional costs of the new posts as part of the management restructuring programme, Accounts Commission change programme and a pay award settlement for 2022/23.

The financial risks that could impact on our ability to deliver within the 2022/23 budget allocation include:

- Work in progress position for 2022/23 audit work as at 31 March 2023
- Resourcing pressures and additional cost of audit
- Pension fund pressures
- Inflationary pressures

Longer-term financial planning and the 2023/24 budget proposal identified the implications of the following:

- Future pay award settlements
- SCF funding pressures
- SCPA continue to support funding increase
- Impact on fees and funding
- Accounts Commission change programme
- Auditing post Covid-19 (onsite, remote, hybrid)
- Digital and climate change audit

- Carbon emission targets
- EAFA audit
- Estate Strategy

Capital Expenditure and Funding

The capital budget for 2022/23 of £250k was planned to be spent on potential office re-configuration and new IT hardware and software.

Year to date the total expenditure of £25k has been used to purchase mobile phones (£16k), coffee machine replacements (£6k) and the final payment due for the business management system (£3k).

The balance of funding will be used to deliver the laptop replacement programme.

Stuart Dennis
Corporate Finance Manager
21 February 2023

Annual policy review of Freedom of Information and Environmental Information requests

Corporate Governance Manager

Purpose

1. This report invites the Board to note the review of Audit Scotland's Freedom of Information and Environmental Information Policy and approve the revised policy for a further year.

Recommendations

2. The Board is invited to:

    - Approve Audit Scotland's Freedom of Information and Environmental Information Policy for a further year

    - Note the update in relation to potential future changes to the Freedom of Information legislation.

Background

3. Audit Scotland has a policy and procedures in place to ensure compliance with the Freedom of Information (Scotland) Act 2002 (FOISA) and the Environmental Information (Scotland) Regulations 2004.

4. The policy is reviewed each year to ensure it is up to date and submitted to the Executive Team and the Board for approval. The review also forms part of the annual assurance process leading to the Accountable Officer's Governance Statement in June 2023.

Annual review of FOI and EIR policy

5. The Corporate Governance Team carried out a review of the Freedom of Information (FOI) and Environmental Information Regulations (EIR) in February 2023. The review found the policy was up to date with no amendments required.

6. A review of our FOI panel arrangements which form part of the Knowledge Information and Technology Governance Group (KITGG) terms of reference was also reviewed and it remains up to date with no changes required this year.

7. The Freedom of Information (Scotland) Act 2002 (the FOI Act) requires Scottish public authorities to produce and maintain a publication scheme. Authorities are under a legal obligation to:

    - publish the classes of information that they make routinely available

    - tell the public how to access the information and what it might cost.

8. The publication scheme for Audit Scotland is published on our website following internal review during August 2022. The scheme is also updated regularly throughout the year when our policies are reviewed/updated.

9. In November 2022, a Members Bill was proposed to reform the Freedom of Information legislation. One of the key changes would be to extend coverage to all bodies delivering public services, as well as services of a public nature and publicly funded services.

10. This has implications for public audit work. While there are no changes to the policy this year, the Corporate Governance team anticipate there may be substantial amendments to the Policy in 2024.

Conclusion

11. The review and approval process of the policy demonstrates our continued commitment to ensure our policies comply with standards.

12. The policy will next be subject to review in March 2024 to ensure it remains fit for purpose.

Freedom of Information and Environmental Information Policy

Owned and maintained by:	Corporate Governance Manager
Date checked/ created:	March 202~~2~~3
Next review date:	March 202~~3~~4

Introduction

The Freedom of Information (Scotland) Act 2002 (FOISA) and the Environmental Information (Scotland) Regulations 2004 (EIRs) places a duty on us to prepare and implement systems and processes to comply with the legislation. Under these Acts a person who requests information from a Scottish public authority which holds it is entitled to be given it by the authority.

Our approach

Reporting in public is a principle of the public audit model. It contributes to openness and transparency in the conduct of public bodies in Scotland. Our audit work is carried out in the public interest and we believe that it is enhanced by the principles of the Freedom of Information and Environmental Information legislation. We embrace the legislation and are committed to its continued successful implementation.

There are some special considerations which relate to the audit process and these are recognised in the legislation. We will make use of relevant exemptions and exceptions only where we consider that this is necessary in the public interest.

We have one Publication Scheme covering the Auditor General, the Accounts Commission and Audit Scotland and we will follow a consistent approach to information handling and requests.

A professional relationship with the bodies we audit and other stakeholders is very important.   If a request is made to us for disclosure of information obtained from a public body as part of our audit work we will, where reasonably practical, consult the body before complying with the request. We will also continue to liaise with other audit and scrutiny bodies in developing best practice in this area.

Scope

This policy applies to the Auditor General, the Accounts Commission and Audit Scotland.

Roles and responsibilities

Audit Scotland provides support to the Auditor General and the Accounts Commission and ~~therefore we~~ have established clear information management roles and responsibilities.

The Corporate Governance Manager and Corporate Performance Officer are responsible for the operational processing of requests. The Auditor General is Audit Scotland's Accountable Officer and to support his duties under this legislation we have established the Knowledge, Information & Technology Governance Group (KITGG).

It is the KITGG's remit to ensure that information risks are assessed and mitigated to an acceptable level by having in place robust policies, procedures and processes.

The KITGG ~~have~~ has established an Information Requests Panel to meet and decide on using exemptions in complex FOI requests and exceptions in EIR requests.

~~The~~ Panels are convened by Corporate Governance and are composed of ~~senior level~~ staff from across the main business groups. The membership of each panel varies ~~Panels are not always composed of the same representatives~~ to ensure independence and objectivity.

Information we hold

We are committed to openness and transparency in our work. We are committed to supplying information to a request unless there is a valid reason for withholding it under the legislation.

When a request is received for information you must not alter, deface, block, erase, destroy or conceal applicable information with intent to prevent disclosure. To do so is an offence under the Act and will result in action under Audit Scotland's disciplinary policy and could incur a risk of personal prosecution.

Training and awareness

We are committed to ensuring full staff awareness of our statutory obligations around Freedom of Information, Information Security and Environmental Information Regulations. All staff receive mandatory training on the pertinent legislation and its implications for our work.

The training of staff is regularly tracked and monitored to maintain organisational compliance. We are committed to maintaining effective systems for handling Freedom of Information and Environmental Information Regulations requests to meet our obligations under the pertinent legislation.

~~We are committed to full staff awareness and training in Freedom of Information, Environmental Information and Data Protection legislation and its implications for our work. We are committed to maintaining effective systems for information requests to meet our obligations under this legislation.~~

Guidance on the application of FOISA and the EIRs are available on SharePoint.

Annual newsletters are shared with colleagues across Audit Scotland outlining our performance on FOI and EIRs, which covers the types of requests that have been received and the timescales in which we responded.

Charges

Audit Scotland may invoke a charge for providing information, which is not contained in our publication scheme, in accordance with the costing threshold within FOISA and the EIRs.

When a request is estimated to exceed £600 to fulfil, we will, whenever possible, attempt to narrow its scope and provide what we can within the threshold rather than refusing it outright.

Supplementary documentation

The following documents should be used to support and supplement this policy:

- Freedom of Information (Scotland) Act 2002

- Freedom of Information (Scotland) Act 2002 section 60 and 61 codes of practice

- Environmental Information (Scotland) Regulations 2004

Change log

Date	Author	Description
19/09/2012	Corporate Governance Manager	Revised policy approved by Audit Scotland Board.
24/10/2013	Corporate Governance Manager	Revised policy approved by Audit Scotland Board
20/08/2014	Corporate Governance Manager	Revised policy approved by Audit Scotland Board
17/09/2015	Corporate Governance Manager	Revised policy approved by Audit Scotland Board
03/05/2016	Corporate Governance Manager	Revised policy approved by Audit Scotland Board
23/08/2017	Corporate Governance Manager	Revised policy approved by Audit Scotland Board
23/09/2018	Corporate Governance Manager	Revised policy approved by Audit Scotland Board
18/09/2019	Corporate Governance Manager	Revised policy approved by Audit Scotland Board
30/09/2020	Corporate Governance Manager	Revised policy approved by Audit Scotland Board
22/09/2021	Corporate Governance Manager	Revised policy approved by Audit Scotland Board
05/04/2022	Corporate Governance Manager	Revised policy approved by Audit Scotland Board
04/04/2023	Corporate Governance Manager	No changes to the policy. Update to Board on changes anticipated given Scottish Government consultation

Data Protection Policy

Corporate Governance Manager

Purpose

1. This report updates the Board on the annual review of our Data Protection Policy and information on the Data Protection and Digital Information Bill 2022.

Recommendations

2. The Board is invited to re-approve the current Data Protection Policy and note the update on the Data Protection and Digital Information Bill 2022 currently at stage one in Parliament.

Background

3. In April 2018, the Data Protection Policy was updated to reflect the introduction of the EU General Data Protection Regulations (GDPR). The Board agreed this would be reviewed on an annual basis.

4. Since the approval of the policy the Information Commissioner's Office (ICO) continues to issue regular guidance updates and clarifications in respect of the legislation. The Corporate Governance team monitors these and advises staff of any significant changes which would impact on operational practice.

5. The UK is no longer part of the European Union having formally left on 31 January 2020. From this period, until 31 December 2020, the UK was in a 'transition period' to allow for negotiations on additional arrangements on trade, travel and business between the UK and EU to be concluded. During this period the GDPR still applied and given the Data Protection Act (2018) enshrined the GDPR, the UK government began to refer to the UK GDPR.

6. In June 2021, the EU issued an adequacy decision in respect of the UK. This provides assurance about the continuing flow of data between the EU and the UK without needing additional safeguards or authorisation from a supervisory authority. The adequacy agreement is subject to review every four years, and sooner if any changes are made to the UK GDPR which significantly differ from the EU GDPR.

7. On 18 July 2022, the Data Protection and Digital Information Bill was laid before the UK Parliament. At the time of writing the Bill has received its first reading in the House of Commons. There are another four stages within the House of Commons to be concluded before it can proceed to the House of Lords. Subject to the bill advancing through these steps, there are then another five stages to go through before it can progress to the final two stages- consideration of amendments and Royal Assent.

8. The Bill, if introduced has wide ranging implications for the UK data protection regime. In addition, there are potential repercussions for data adequacy in the UK as regards the EU GDPR.

9. The proposed changes cover a multitude of areas including: a revision of personal data definition, purpose limitation, legitimate interests, consent, exemption to fair processing information requirement, data subject rights, adequacy decisions for data transfers, accountability and governance.

Considerations

10. In line with the standard review timescales, Audit Scotland's Data Protection Policy was reviewed during February 2023.

11. At this stage there are **no changes** to the current policy, however, the Corporate Governance team anticipate there may be substantial changes to the policy in the next year.

Conclusion

12. The review and approval process of the policy demonstrates our continued commitment to ensure our policies comply with standards.

13. The policy will next be subject to review in March 2024 to ensure it remains fit for purpose.

Data Protection Policy

Owned and maintained by:	Corporate Governance Manager
Date checked/ created:	April 2023~~2~~
Next review date:	April 2024~~3~~

Introduction

1. The Data Protection Act (DPA) 2018 sets out the framework for data protection law in the UK. It updates and replaces the Data Protection Act 1998 and came into effect on 25 May 2018.

2. It sits alongside the UK General Data Protection Regulations (UK GDPR), The regulations set out data protection rules for law enforcement authorities, extends data protection to some other areas such as national security and defence, and sets out the Information Commissioner's functions and powers.

3. The frameworks are comprehensive and apply tough punishments for non-compliance with rules around the storage and handling of personal data.

UK GDPR

4. The United Kingdom (UK) officially exited the EU on 31 January 2020, and thereafter entered a 'transition period' which ended on 31 December 2020. During this time, statutory obligations around Data Protection remained the same to ensure the continued smooth flow of data between the UK and the EU. Within the UK, the DPA (2018) became known as the UK GDPR.

5. As at June 2021, the UK and the EU reached an 'Adequacy' agreement which allows for the continues smooth flow of data between the UK and the EU. This agreement is subject to review every four years. Under the agreement, if any significant diversion from the EU GDPR occurred in the UK GDPR there would be an immediate review of transfer agreements.

6. This Data Protection Policy applies to the Auditor General, the Accounts Commission and Audit Scotland. Throughout this policy the terms 'we' and 'us' are used to refer to the Auditor General, the Accounts Commission and Audit Scotland collectively.

7. As Data Controllers, we are committed to processing personal data (information) lawfully, fairly and in a transparent manner.

8. To discharge our statutory functions we collect, process, store and delete personal information covered by data protection legislation. Examples include information on current, past, and prospective employees, Accounts Commission

members' and previous Auditors General, clients, suppliers, correspondents, complainants, people covered by the audit process and others with whom we communicate.

9. We recognise the benefits of protecting an individual's fundamental rights and freedoms and in particular their right to the protection of their personal information. We also recognise the seriousness of failing to comply with data protection legislation and the resulting risk to our reputation. Therefore, we are committed to:

9.1. . ensuring that all personal information is processed lawfully and in compliance with current data protection legislation;

9.2. ensuring that our digital systems are secure, and that personal information will be stored securely;

9.3. implementing effective systems for ensuring the rights of individuals, such as systems for handling and responding to data subject access requests within one month or receipt (requests from individuals to access their personal information);

9.4. designing systems, processes and methods of working that protect personal information entrusted to us (privacy by design and default);

9.5. undertaking data protection impact assessments as necessary for major new projects or when considering new software;

9.6. full awareness of and on-going training in data protection legislation, its implications for our work, our data protection arrangements and our data loss/incident process;

9.7. implementing effective systems for handling security breaches and data losses;

9.8. ensuring that when we use a data processor that a written contract is in place so that both parties understand their responsibilities and liabilities;

9.9. ensuring that any data processor we use also implements appropriate technical and organisational measures;

9.10. conducting regular testing and reviews of our measures to ensure they remain effective, and act on the results of those tests where they highlight areas for improvement;

9.11. understanding that encryption can be an appropriate technical measure to ensure that we process personal data securely;

9.12. ensuring that we keep our encryption solution(s) under review in the light of technological developments.

10. Data-matching exercises as part of the National Fraud Initiative are subject to a detailed Code of Data-Matching Practice which complies with this policy.

Definition

11. Personal data is defined as *'any information relating to an identified or identifiable natural person (data subject); an identifiable natural person is one who can be identified, directly or indirectly, in particular by reference to an identifier such as a name, an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person'.*

12. It applies only to living individuals and covers their personal information held on physical or digital medium.

Data protection principles

13. The UK General Data Protection Regulation (UK GDPR) contains seven principles for processing personal information. They specify the standards that must be met when obtaining, handling, processing, transporting, and storing personal information. The seven data protection principles are listed below:

    13.1. Lawfulness, fairness and transparency;

    13.2. Purpose limitation;

    13.3. Data minimisation;

    13.4. Accuracy;

    13.5. Storage limitation;

    13.6. Integrity and confidentiality (security); and

    13.7. Accountability

14. In line with these principles, we will only process personal information where we have a lawful purpose for doing so and be cognisant of rules relating to exemptions that apply.

15. To comply with the seven data protection principles, we will:

    15.1. process personal information lawfully, fairly and in a transparent manner in relation to the data subject;

    15.2. only collect personal information for specified, explicit and legitimate purposes and not further process it in a manner that is incompatible with those purposes;

    15.3. ensure that the personal information we collect is adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;

    15.4. ensure the accuracy of personal information and, where necessary, keep the information up to date; personal information that is inaccurate will be erased or rectified without delay;

15.5. only keep personal information in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed; personal data may be stored for longer periods insofar as the personal data will be processed solely for archiving purposes in the public interest, scientific or historical research purposes;

15.6. ensure personal information is only processed in a manner that ensures appropriate security of the personal information, including protection against unauthorised or unlawful processing and against accidental loss, destruction, or damage, using appropriate technical or organisational measures ('integrity and confidentiality'); and

15.7. ensure that we can demonstrate compliance with UK GDPR regulations by being able to evidence the steps we have taken to secure personal data including removal / redaction. We require to have a process in place to manage any requests, but also need to have a full audit trail to prove that we undertook the proper actions.

Disclosure of personal information

16. We will only disclose personal information to:

16.1. those who are entitled to the information;

16.2. any authority we are required to do so by law e.g. HMRC; and

16.3. anyone to whom we are required to disclose it, such as individuals seeking to access their own personal data

Rights of the individual

17. The UK GDPR provides the following rights for individuals which we as an organisation must be cognisant of:

17.1. The right to be informed - this covers some of the key transparency requirements of the UK GDPR. It is about providing individuals with clear and concise information about what you do with their personal data. Articles 13 and 14 of the UK GDPR specify what individuals have the right to be informed about.

17.2. The right of access - this is commonly referred to as subject access and gives individuals the right to obtain a copy of their personal data as well as other supplementary information. It helps individuals to understand how and why you are using their data, and check you are doing it lawfully.

17.3. The right to rectification - Under Article 16 of the UK GDPR individuals have the right to have inaccurate personal data rectified. An individual may also be able to have incomplete personal data completed – although this will depend on the purposes for the processing. This may involve providing a supplementary statement to the incomplete data.

17.4. The right to erasure - Under Article 17 of the UK GDPR individuals have the right to have personal data erased. This is also known as the 'right to be forgotten'. The right is not absolute and only applies in certain circumstances.

17.5. The right to restrict processing - Article 18 of the UK GDPR gives individuals the right to restrict the processing of their personal data in certain circumstances. This means that an individual can limit the way that an organisation uses their data. This is an alternative to requesting the erasure of their data. Individuals have the right to restrict the processing of their personal data where they have a particular reason for wanting the restriction. This may be because they have issues with the content of the information you hold or how you have processed their data. In most cases you will not be required to restrict an individual's personal data indefinitely but will need to have the restriction in place for a certain period of time.

17.6. The right to data portability - The right to data portability gives individuals the right to receive personal data they have provided to a controller in a structured, commonly used and machine-readable format. It also gives them the right to request that a controller transmits this data directly to another controller.

17.7. The right to object - Article 21 of the UK GDPR gives individuals the right to object to the processing of their personal data. This effectively allows individuals to ask you to stop processing their personal data. The right to object only applies in certain circumstances. Whether it applies depends on your purposes for processing and your lawful basis for processing.

17.8. Rights in relation to automated decision making and profiling - Under Article 4 (4) any form of automated processing of personal data consisting of the use of personal data to evaluate certain personal aspects relating to a natural person, in particular to analyse or predict aspects concerning that natural person's performance at work, economic situation, health, personal preferences, interests, reliability, behaviour, location or movements.

Data protection officer

18. The Corporate Governance Manager is our designated data protection officer and is to be involved appropriately and in a timely manner, in all issues which relate to the protection of personal information.

Personal responsibility

19. Data protection is the responsibility of everyone, and this principle is embedded in our Code of Conduct. We are all expected to ensure that we collect, process, store, share and dispose of personal data in a fair and lawful manner, in accordance with this policy and data protection legislation, and to undergo training as required.

Training and awareness

20. We are committed to ensuring full staff awareness of our statutory obligations around Data Protection, Information Security and Environmental Information Regulations. All staff receive mandatory training on the pertinent legislation and its implications for our work.

21. The training of staff is regularly tracked and monitored to maintain organisational compliance. We are committed to maintaining effective systems for handling personal data to meet our obligations under this legislation.

22. Audit Scotland recognises the annual International Data Protection Day on 28 January each year. To mark this date, a blog is shared with all colleagues on any updates to internal data protection practices and our performance on compliance with the legislation.

23. Corporate Governance ensure that any relevant updates to legislation and practice is shared via the internal Knowledge, Information and Technology Governance Group (KITGG) and all colleague Yammer channels.

24. Guidance on the application of data protection is available on SharePoint.

Misuse of personal information

25. Failure of staff to comply with this policy and the data protection principles may result in action under Audit Scotland's disciplinary policy.

Change log

Version	Date	Author	Description
13	12/04/2018	Corporate Governance Manager	Data protection policy changed to include GDPR requirements and the commencement of this change log.
14	26/03/2019	Corporate Governance Manager	Updated to reflect the further guidance updates on GDPR since April 2018
15	01/05/19	Corporate Governance Manager	Revised policy approved by Audit Scotland Board
16	24/03/20	Corporate Governance Manager	Revised policy for the approval of KITGG (4 March) and Board (25/03/2020)
17	24/03/2021	Corporate Governance Manager	Revised policy for the approval of KITGG (March) and Board (24/03/2021)

18	15/03/2022	Corporate Governance Manager	Revised policy for the approval of Board (5 April 2022)
19	15/02/2023	Corporate Governance Manager	Review undertaken and no changes to the current Data Protection Policy. Update to Board (4 April 2023) on the proposed changes by the Data Protection and Information Bill 2022

Mainstreaming equality and equality outcomes: progress report

Kenny Oliver, Executive Director of Innovation and Quality

AUDIT SCOTLAND

Item 15
Meeting date: 4 April 2023

Purpose

1. This report provides an update on progress against equality outcomes and plans for publication of an external mainstreaming report for 2021 – 2023.

Recommendations

2. The Audit Scotland Board is invited to:

    *   consider and approve the attached draft mainstreaming report

    *   comment on progress against the equality outcomes

    *   agree plans for publication and promotion of the report as set out in paragraphs 7 and 8.

Background

3. Audit Scotland and the Accounts Commission have legal duties under the Equality Act 2010 (Specific Duties) (Scotland) regulations 2012. The Public Sector Equality Duty (PSED) came into force in April 2011, introducing a general equality duty and several specific duties. These require listed bodies to publish a mainstreaming report every two years showing progress against equality outcomes. Outcomes should be set and published every four years. We published equality outcomes for 2021-25 and a mainstreaming equality progress report 2019-21 in April 2021.

4. Last year we published an interim mainstreaming equalities report for the first time on SharePoint. We updated the Board on this at its meeting in May 2022.

Considerations

5. We had excellent feedback on the interim mainstreaming report from management team, the Accounts Commission, and the Audit Scotland board. We have drafted the external mainstreaming report in the same style and plan to publish it as a web page (communications colleagues will do further work on the presentation and graphics). We feel this shorter, sharper style of report will have more impact for the following reasons:

    *   less text and more graphics and images will make it more accessible and visually appealing for a wider audience

    *   the main messages will be clearer and not get lost in detail

- the use of hyperlinks and signposting to information on our website means background information or data included elsewhere can be cut back and encourages readers to explore our website and other reports.

6. In advance of publication of the report, we have recently updated the diversity, equality and inclusion page on our website and added information on the Equality and Human Rights Advisory Group including the members. We are considering whether we should publish the minutes for these meetings in the interests of transparency and further promoting our work with external stakeholders. We have also included links to our most recent corporate equalities-related reports and a further link to previous reports by year so they can easily be found.

Conclusion

7. Executive Team and the Accounts Commission have both considered and approved the report at their respective meetings on 28 February and 9 March. We plan to publish the report on 25 April (the statutory requirement is to publish a mainstreaming report by 27 April).

8. We will develop a communications strategy to promote the report. This will include:

- a foreword by the Accounts Commission and AGS on our website on day of publication which could be followed by blogs

- promotion through social media channels

- links to and re-promotion of the Public sector gender pay gap reporting publication (published in February) and links to the annual Audit Scotland gender pay gap report (due to publish in March)

- links to other relevant publications and AC/joint blogs already published about to be published (e.g. homelessness blog due to be published in April), and to the Accounts Commission strategy (key theme is inequality)

- re-use of the animation created in 2021 aimed at explaining our equality outcomes to the public

- possibly a short video with the COO and/or some members of the Equality and Human Rights Steering Group and staff diversity groups saying why equality is important to them.

Mainstreaming equality: Progress report 2021-23

Draft report April 2023

This report summarises our progress in delivering equality outcomes and related actions set by the Accounts Commission and Audit Scotland in April 2021. It supports our public sector equality duty to report progress on mainstreaming the equality duty at least every two years. We highlight our achievements since the last progress report in 2021 and identify where we can continue to improve.

Over the last two years we have continued to further embed equalities and human rights within our work, build knowledge and equip staff to support an inclusive culture. We have increased the frequency of our organisation-wide equality and human rights steering group (EHRSG) meetings to facilitate a more dynamic approach and embed a greater focus on strategic influencing, awareness raising and assurance. In January 2022, we updated our equality impact assessment (EIA) template and guidance to make the consultation and approval process and how to manage any improvement actions clearer. Since June 2022, we have had a dedicated senior manager leading on equalities and human rights.

Outcome 1: Our work supports the public sector to address inequalities including protected characteristics and socio-economic disadvantage, and to protect human rights

ACCOUNTS COMMISSION ✓   ✓ AUDIT SCOTLAND

Reporting

Addressing inequalities and protecting human rights is a priority area in our work programme. The Accounts Commission set out its priorities for 2021-26, which includes shining a light on the contribution local government makes to lessening the impact of inequalities on different communities.

In our annual audits, auditors are expected to report on equalities for all applicable public bodies and consider equalities in each audited body at least once during a five year period.

Over the last two years, half of our 59 performance audit and best value publications made some reference to protected characteristics. Over 70 per cent mentioned social and economic factors, including the impact of Covid-19 on worsening existing inequalities, as well as protected characteristics.

Equality themes in audit reports, 2021-23
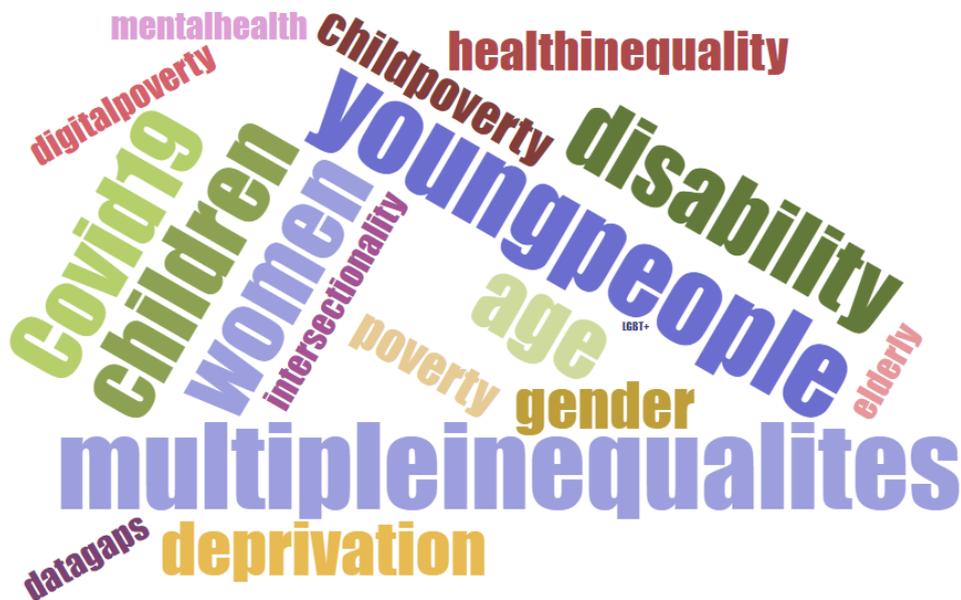
Note: includes performance audit reports, briefings, web outputs and blogs

We are currently developing our approach to how we consider human rights in our audits but we have highlighted in some reports where certain groups face barriers to their rights being met:

- East Dunbartonshire Council – the council has considered people's right to choice, dignity and control when setting its budget for 2021/22. People who choose to control their own budgets through self-directed care are offered the average rate among the council's current suppliers, rather than a rate aligned to the lowest cost provider.

- Social care briefing – the report highlighted the negative impact Covid-19 had on people requiring support and their rights, the challenges facing carers affecting their rights. We recommended that the Scottish Government needs to develop an understanding of what a preventative and human rights-based approach to social care looks like and a plan for co-producing it.

- Tackling child poverty briefing – the report highlighted the range of children's rights that link to child poverty and the effects on children. We recommended that the Scottish Government should consider how best to involve children and families with lived experience of poverty in providing strategic oversight of how it is tackling child poverty.

Examples of publications with a focus on equalities

Good practice

- **Dundee City Council** [2021/22 AAR to be published] – has developed a British Sign Language (BSL) plan to enable BSL users (those individuals whose first or preferred language is BSL) to be fully involved in daily and public life as active, healthy citizens; delivering welfare support in GP surgeries; first Living Wage city in the UK; improved its approach to equality impact assessments and rolled out training.

- **NHS Tayside** [2021/22 AAR to be published] – the NHS board has completed a detailed review of equality, focusing on progressing equality for its staff and patients, and set new equality outcomes through consultation with staff and patients. Other activities include a Corporate Equalities Team, staff groups and networks to support staff in relation protected characteristics, an Equality and Diversity Champions scheme, and staff newsletters.

- **East Renfrewshire Council** [2021/22 AAR to be published] – mandatory training on equalities introduced for all staff; supporting a pilot of Equally safe, a Scottish Government project to support, strengthen and scale-up Violence Against Women and Girls training.

- Angus council – the council has adopted a joint equality impact assessment and Fairer Scotland Duty assessment since January 2021 for all relevant committee reports. Tay Cities Region Deal projects are required to meet inclusive growth and Fairer Scotland Duty criteria.

- Progress on implementing the devolved benefits - the Scottish Government has continued to successfully deliver new and complex social security benefits, including the Child Disability Payment, in challenging circumstances. There is a conscious focus on the needs of service users, building on the principles of dignity, fairness, and respect. The Scottish Government has prioritised the delivery of the first phase of its new Scottish Child Payment to support low-income families.

Findings and recommendations

- Annual audit reports have made recommendations to several public bodies about improvements needed to mainstream equalities. This includes implementing staff training, keeping websites and information up to date, and publishing equality impact assessments and mainstreaming reports.

- Covid-19 vaccination programme – overall, excellent progress had been made in vaccinating a large proportion of the adult population, with vaccines delivered in a variety of ways to make it easier for more people to access them. However, a smaller proportion of younger people, those living in the most deprived areas and people from some ethnic groups have been vaccinated.

- NHS in Scotland 2021 – the disproportionate impact of Covid-19 on certain groups has led to the Scottish Government increasing its focus on tackling health inequalities, but there is no overarching strategy. Several programmes of work are under way targeting specific areas, for example on improving women's health and mental health, and improving race equality. But there are no separate plans for other groups such as people with disabilities or experiencing homelessness.

- Local government overview 2022 – Covid-19 continues to disrupt council services, and those already experiencing inequality have felt the impacts of both the pandemic and service disruption most strongly. There is a risk of increased digital exclusion. Councils need better local data and community engagement. It is not clear if councils have carried out equality impact assessments or community consultation where they have made changes to service delivery.

Case studies	
Public sector gender pay gap reporting	**Scotland's Colleges 2022**

Public sector gender pay gap reporting

Our annual audit work found issues with some public bodies' gender pay gap reporting.

We reviewed information from 20 listed public bodies and highlighted how the public sector can improve gender pay gap reporting by:

- raising awareness of the importance of robust gender pay gap reporting
- providing a clear set of actions to drive improvement
- highlighting learning to support good practice.

Scotland's Colleges 2022

The report focused on equalities and the personal impact of Covid-19 on students by:

- looking at a wider evidence base and using a range of sources that had not been drawn upon previously
- including equalities related case studies
- using a range of interactive data.
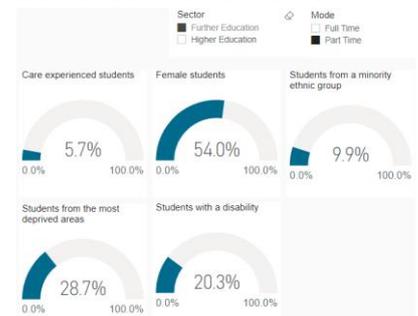
This led to clear findings and recommendations about Covid-19 worsening existing inequalities among students. Younger learners and students with additional support needs or poor mental health find remote learning more challenging.

To meet different communication needs of our audience we have:

- added more easy read guides, including for Social care and Child poverty, and aim to do these for all reports

- included subtitles in animations and videos and tailored them to relevant audiences, for example Tackling child poverty briefing video

- published the Comhairle nan Eilean Siar BVAR in English and Gaelic

- expanded our range of publications to make them shorter, more visual and as accessible as possible. This has included a Community empowerment Covid-19 web page update, and blogs on Child and adolescent mental health services, Digital exclusion, and Additional support for learning.
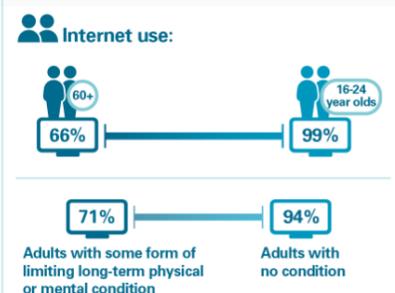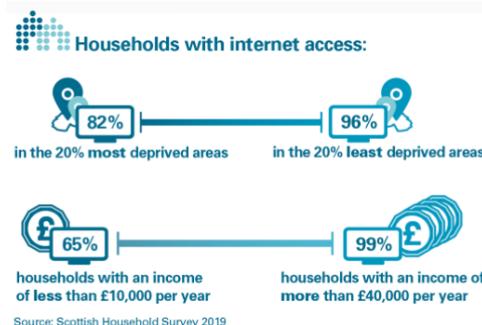
Guidance for auditors

We are further embedding equalities considerations into our audit frameworks and guidance to support staff to mainstream equalities considerations in their audit work. We have:

- Updated our guidance for briefings and blogs. The relevance of equalities must be considered, and appropriately factored, into any planned work.

- Refreshed guidance for auditors carrying out performance audits to consider equalities, and for the first time to start to consider human rights.

- Developed a new equalities and human rights audit guide with useful data sources, prompts and practical examples. It also introduces the concept of taking a human rights-based approach in our work based on the PANEL principles.

- Implemented a new tool for monitoring emerging issues and risks – including those relating to equality - across the public sector. This helps staff to identify relevant equality issues across all our work.

- Made financial audit planning guidance on equalities clearer and proactively recorded the extent to which auditors have considered equalities in their audit work.

Introducing a Human Rights Based Approach

- In May 2021, around 20 staff attended an awareness-raising event on taking a Human Rights-Based Approach (HRBA) delivered by the Scottish Human Rights Commission, with a further session delivered in September.

- In late 2021, we started self-assessment workshops and follow ups against the PANEL principles, which underpin an HRBA. During 2022 we developed an action plan based on the findings and identified key areas for development. We are currently considering how we integrate a HRBA into our internal policies and our audit approach.

External influence and engagement

We have regular engagement with various external stakeholders to share insights and learning. This includes:

- Regular meetings with the Equalities and Human Rights Commission and the Scottish Government equalities mainstreaming team.

- Attending the Scottish Government's equality and human rights budget advisory group as an observer, the Scottish Government's human rights executive board, workshops to consider potential implications of the upcoming human rights bill, and the non-departmental public body equality forum.

- During 2022 we met with several public bodies to share good practice on taking a human rights-based approach to our work.

We use our knowledge and insight to influence practice by responding to consultations, recently these have included:

- The Equalities, Human Rights and Civil Justice Committee's pre-2022/23 Budget Scrutiny

- The Scottish Government's review of the operation of the Public Sector Equality Duty (PSED) in Scotland (stages 1 and 2)

- The Scottish Government's consultation on an equality evidence strategy

The Poverty and Inequality Commission recommended that the Scottish Government should build on the findings of our Planning for skills report in developing its Child poverty delivery plan 2022-26.

A lack of detailed and intersectional data on equalities issues in Scotland limits our ability to report on and make recommendations to support this aspect of public bodies' strategic decision-making. Our recent blog on data gaps highlights this. Our contribution to the Strategic Scrutiny Group's response to the Equality Data Improvement Programme aimed to influence improvement in this important area.

Equalities and human rights advisory group (EHRAG) [This will link to more info, including membership on our website]

EHRAG members provide external expert advice, including valuable feedback on our joint work programme and help us to focus on reducing inequalities and improving outcomes for the most vulnerable.

Since April 2021, audit team engagement with the EHRAG increased. Eleven teams engaged with the group on a range of equalities issues, bringing in lived experience, and helped to inform analysis. Some teams have returned to provide feedback on how the group's input shaped the audit and show how their contributions had made a difference.

NHS in Scotland 2021 engagement with EHRAG

The audit scope took account of feedback from EHRAG, which contributed to the equalities messages in the final report. Discussions also highlighted useful data sources and points for consideration in other audit work, particularly social care and the Covid-19 vaccination programme.

Outcome 2: We will increase the diversity of people into Audit Scotland and their progression through every level of our organisation ✔AUDITSCOTLAND

Increasing diversity in our workforce

Audit Scotland has a diverse workforce compared to the Scottish population in relation to gender and ethnic minority background. We continue to receive an increasing number of recruitment applications from candidates who have declared that they are from an ethnic minority. The number of staff who have declared a disability at Audit Scotland has increased each year, but we recognise this remains low and it remains a key priority for us.

Annual diversity report 2021/22

Audit Scotland figures at March 2022		
	56.9%	**Women**
	43.1%	**Men**
	7%	**Ethnic minority background**
	89%	**White**
	4.9%	**Disability**
	51%	**Women**
	49%	**Men**
	4.5%	**Ethnic minority background**
Source: Scottish Government equality evidence finder (*figures at Feb 2023)	**95.4%**	**White**
	32%	**Disability**

A new HR system will allow collection of additional diversity data on gender identity, carers and socio-economic background alongside other protected characteristics. Together with an organisation-wide campaign to encourage people to declare this information, we plan to have this in place in 2023, to help us better understand the needs of our workforce.

In March 2022, our mean gender pay gap was 7.4%. This has decreased from 9.9% in 2021 and 11.3% in 2020, and is lower than the Scotland figure of 10.1%. Our median gender pay gap was 12.5%. This has increased from 11.6% in 2020 and is slightly above the Scotland figure of 11.5%. We continue to advertise vacancies across a diverse range of media, highlighting our flexible, hybrid working approach. Our career development gateway and professional training scheme represent an important means by which we can achieve greater balance and female representation at senior levels. In 2021/22, there were 32 permanent promotions made across Audit Scotland, of which 65 per cent were women.

Widening recruitment

In 2021 we reviewed our recruitment practices and our broader organisational diversity strategy using a diversity advisor from Business in the Community. We are working towards an improvement plan, linking to our equality outcomes. Recruitment and selection training for staff has a strong focus on equality and diversity. In 2023 we have been attracting and shortlisting for interview more candidates with a declared disability than we did in 2022. Figures will be published in our annual diversity report later this year.

We currently have three modern apprentices within our Business Support Services, and we take on school leavers to our trainee programme to study for an accountancy qualification through the Institute of Chartered Accountants Scotland (ICAS). A successful modern apprentice leaver progressed onto our trainee programme in 2022.

Following a review of our trainee auditor scheme over the last ten years, we are developing an organisation wide strategy to widen access across all business groups in 2023 to increase career opportunities:

In 2021 we added an additional route for those working towards an accountancy qualification. Individuals part way through other professional accounting schemes, or those employed in the field for several years, can now join Audit Scotland at Audit Officer level and complete their qualification.
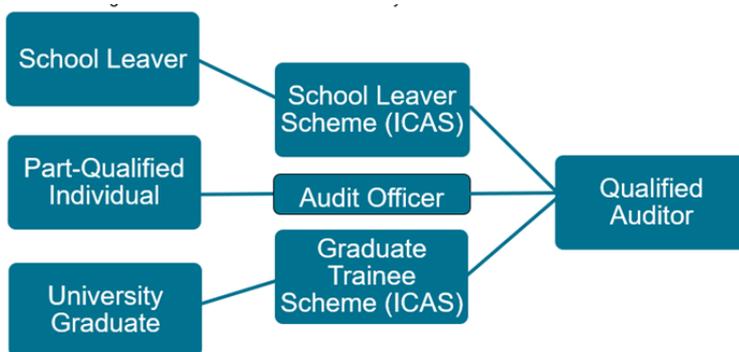
Proposals to further widen access:

- Auditor Modern Apprentice Scheme
- Part-Qualified Auditor Scheme
- College Leaver Scheme
- ICAS Professional Entry Route
- Lowering the Graduate scheme entry requirement from a 2:1 honours degree to a 2:2

To attract further interest from a more diverse range of candidates we have:

- highlighted our equality, diversity and inclusion strategy on our website

- updated our careers page to better reflect the diversity of staff and show our support for flexible working

- committed to providing inclusive and accessible recruitment as a disability confident employer

- broadened the websites where we advertise roles and started advertising on a couple of new diverse job boards including WorkingMums.co.uk and Diversity Jobsite

- partnered with Sanctuary Graduates to have student head-hunters in five Scottish universities promoting job opportunities to diverse groups, including ethnic minority students

- a professional trainee steering group who are also developing an internship programme and working more closely with schools to increase awareness of our opportunities.

Outcome 3: We will broaden our culture of diversity and inclusion, so all employees feel valued, engaged and contribute ✓AUDIT SCOTLAND

We increased the visibility of our staff diversity network groups over the last year by:

- establishing a new equality, diversity and inclusion intranet site where each group can develop and maintain their own content

- inviting each network group be part of the induction programme for new starts

- highlighting key dates in the diversity calendar and inviting staff to share personal experiences.

The managing menopause group was established and led by a member of staff in February 2022 to provide help and support for those affected directly or indirectly the menopause. Highlights include:

• Around 70 people taking part in drop-in sessions and an online chat group

• Members sharing lived experience of being directly or indirectly affected by menopause

• Group members attended four external events and hosted two panel discussions

• Audit Scotland has signed up to the menopause workplace pledge

• Plans to work towards being an accredited menopause friendly employer

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To broaden knowledge of equality, diversity and inclusion we have other resources and support which include:

- a range of online learning including mental health, equality, diversity and inclusion training

- Healthy Working Lives activities which as a result we were accredited with a silver award in 2022 for our approach to supporting mental health and wellbeing

- hybrid working and a flexible working approach

- internal events led by external experts on subjects including diversity, mental health, disability inclusion and LGBT+ inclusion.

In 2022 key achievements included:

- Elaine Boyd OBE, Audit Director at Audit Scotland, has been named as one of Britain's most influential disabled people in 2022 and recently featured in Able magazine. Elaine has worked for Audit Scotland since

2002 and is a passionate advocate for equality, diversity and inclusion. Elaine was awarded the OBE in the 2023 New Year's Honours list.

- We continued to be recognised as 'very good to work for' by Best Companies. Key factors include staff support from leadership, supporting charitable activities, recruitment practices to increase diversity and high levels of wellbeing.

Looking ahead

We recognise that we still have more to do and our focus over the next two years will include:

- Continuing to improve staff awareness and knowledge on inequalities and human rights.

- Exploring audit methodologies to help us mainstream equalities and better understand and reflect user views and lived experience in our work. This includes increasing our focus on protected characteristics, developing a service user engagement strategy and forming a youth panel.

- Increasing accessibility of our publications for a wider audience.

- Increasing the diversity of our workforce, particularly within more senior positions.

- Continuing to enhance and support staff equality networks.

- Working with an external equality partner who will provide advice and benchmark our progress.