

# Agenda

Wednesday 31 October, 10.15am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

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1. Welcome and apologies
  2. Declarations of interest
  3. Decision on items to be taken in private For approval
- 

## Standing items

4. Chair's report – verbal update
  5. Accountable Officer's report – verbal update
  6. Accounts Commission Chair's report – verbal update
  7. Review of minutes:
    - Board meeting, 28 September 2018 For approval
  8. Review of action tracker For information
- 

## Business performance

9. Environmental and sustainability annual report 2017/18 For approval
- 

## Governance

10. Review of Ethical standard policy on application For information
  11. External reviews of information management arrangements For information
  12. 2019 Board and Committee meeting schedule For approval
- 

## Conclusion

13. Any other business
  14. Review of meeting
  15. Date of next meeting: 28 November 2018
- 

## Items to be taken in private

16. 2019/20 SCPA Budget proposal For approval  
[Item to be taken in private to support the effective conduct of business – information intended for future publication]
  17. Discussion on proposals for Board development activity 2019 For discussion  
[Item to be taken in private to support the effective conduct of business]
-

Friday 28 September 2018, 12.00pm

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

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## Present:

I Leitch (Chair)  
C Gardner  
G Sharp  
H Logan  
R Griggs

## Apologies:

None

## In attendance:

D McGiffen, Chief Operating Officer  
M Walker, Assistant Director, Corporate Performance and Risk  
S Dennis, Corporate Finance Manager (items 9,15, 16)  
M Taylor, Audit Director (item 9)  
A Devlin, Corporate Governance Manager (item 10)  
F Kordiak, Director of Audit Services (item 14)  
J Mansell, Communications Adviser (item 17)  
Elizabeth Gorrie, Communications Officer (item 17)  
J Webber, Senior Executive Assistant

## 1. Welcome and apologies

The Chair welcomed members and attendees to the meeting of the Audit Scotland Board, the agenda and papers for which had been published on Audit Scotland's website on Monday 24 September 2018.

## 2. Declarations of interest

There were no declarations of interest.

## 3. Decision on items to be taken in private

The members noted that items 14, 15, 16 and 17 would be taken in private to support the effective conduct of business as the information is intended for future publication.

## 4. Chair's report

Ian Leitch provided a verbal update on regular meetings with Diane McGiffen and Caroline Gardner on general business matters and liaising with the Scottish Commission for Public Audit on the forthcoming Board appointment.

The members welcomed the update.

## 5. Accountable Officer's report

Caroline Gardner advised of her attendance at the Education Committee business planning meeting on 12 September 2018, the Justice Committee meeting on 25 September 2018 which discussed Scottish Police Authority and Scottish Fire Rescue performance with HMICS, the Finance Committee on 26 September 2018 which considered pre-budget scrutiny and risks in

the Scottish budget and attendance at the Public Audit and Post Legislative Scrutiny Committee on 27 September 2018 which had considered the joint report on Children and Young People's Mental Health and the Forth Replacement Crossing.

Caroline advised she was speaking at the Inter-Parliamentary Financial Information Network on Thursday 4 October.

Caroline also advised that the Scottish Parliament Corporate Body and Scottish Government accounts had been signed and that a Section 22 report on the latter had been laid. She invited the Board to note that 30 September was a key audit deadline for audit colleagues.

Caroline invited the Board to note the publication of the Superfast broadband for Scotland report on 20 September 2018 and the forthcoming publication of the joint report on Health and Social Care Integration scheduled for November 2018.

Caroline advised members of her ongoing involvement as professional adviser to the UK parliamentary panel appointing the next Comptroller and Auditor General and her involvement on the judging panel for the Scottish Public Sector Awards.

The members welcomed the update.

## **6. Accounts Commission Chair's report**

Graham Sharp invited the Board to note that the Accounts Commission meeting on 13 September 2018 had considered the draft Local Government Financial overview report and a draft of the joint Health and Social Care Integration report which is due to go to clearance in November.

Graham advised members that the Commission have received a number of useful briefings which included a review of the circumstances around Grenfell Tower, the actions taken by the Council and the impact of changes in legislation.

Graham advised that at its recent strategy seminar the Accounts Commission members had focussed on how they report on their work, communicate with stakeholders and how to measure the impact of the different products.

He also advised that recent external engagement had included a visit to Clyde Gateway with colleagues from Audit Scotland, attendance at the SOLACE conference on 21 September 2018 and Accounts Commission engagement events Chief Executives and Council leaders in Edinburgh, Inverness and Glasgow.

The Board welcomed the update.

## **7. Review of minutes**

### **Board meeting, 22 August 2018**

The Board considered the minutes of the meeting of 22 August 2018, which had been previously circulated, and agreed that these were an accurate record of the meeting.

## **8. Review of actions tracker**

Martin Walker provided a verbal update on action ASB77 advising that pop up surveys have been discounted as they can be a distraction from what readers are looking to read and that we direct readers to specific areas on Audit Scotland's website to share feedback.

On action ASB79 Martin advised Graham that a meeting would be arranged to discuss the information we currently have and what additional information might be helpful.

## 9. Q1 Financial performance report

*Stuart Dennis, Corporate Finance Manager, joined the meeting.*

Stuart Dennis, Corporate Finance Manager introduced the Q1 Financial performance report, which had been previously circulated.

Stuart invited the Board to note the performance reported in the first quarter.

Graham Sharp queried the level of fee income for local government between audit firms and Audit Scotland. Stuart advised that as well as an inherent timing difference, phasing in the budget was on a different basis for firms and Audit Scotland resulting in the firms being slightly ahead of the in-house teams.

Caroline advised that budgetary pressures were more significant this year than previously.

Following discussion, the Board welcomed the report.

*Stuart Dennis, Corporate Finance Manager, left the meeting.*

## 10. Annual review of information governance policies

*Alex Devlin, Corporate Governance Manager, joined the meeting.*

Alex Devlin, Corporate Governance Manager introduced the Freedom of Information report and the Records Management Policy, which had been previously circulated.

Alex invited the Board to approve the minor amendments to the policies.

Heather Logan asked about the timing of the policies coming to the Board for approval. Alex advised that the policies had been updated in June and considered by the Knowledge, Information and Technology Governance Group (KITGG) prior to consideration by Management Team.

Heather Logan asked whether any testing had been undertaken as part of the records management policy on the completeness of Audit Scotland's archive integrity. Alex advised Digital Services recover the systems at regular intervals and he would liaise with them to consider incorporating testing as part of the process.

Following discussion, the Board approved the Freedom of Information policy with a further update of the Records Management policy to be considered by the Board.

**Action ASB81: Alex Devlin to liaise with Digital Services to incorporate testing archive integrity as part of the Records Management Policy. (October 2018)**

**Action ASB82: A further update of the Records Management policy to be considered by the Board. (November 2018)**

*Alex Devlin, Corporate Governance Manager, left the meeting.*

## 11. Any other business

There was no further business.

## 12. Review of meeting

The members agreed that business had been well considered and the Chair thanked everyone for their contribution.

On behalf of the Board, the Chair presented Russel Griggs with a small gift and expressed the Boards thanks for Russel's contribution during his term of appointment.

### 13. Date of next meeting

It was noted that the next Audit Scotland Board meeting was scheduled for 10.15am on Wednesday 31 October 2018 in the offices of Audit Scotland, 102 West Port, Edinburgh.

### Items taken in private

#### 14. Audit Quality and reputational risk

*Fiona Kordiak, Director of Audit Services, joined the meeting.*

Fiona Kordiak, Director of Audit Services, introduced the Audit Quality and reputational risk report, which had been previously circulated.

Fiona invited the Board to consider and discuss the key issues highlighted by recent high profile collapses of companies who had received unmodified audit opinions, the role of audit in the escalation of issues of concern and the wider regulatory framework.

The Chair welcomed the report.

During detailed discussion, the Board considered the reputational impact for individual accounting firms and audit institutions. There was discussion about attracting people to the audit profession and a discussion about the appropriate scale and quality of inhouse practice. Members also discussed the link between the risks identified in opinions and the detail set out in the longer form annual reports of audited bodies.

Turning to Section 22 and 102 reports, the Board discussed how auditors identify and escalate issues to the Auditor General and/or Controller of Audit. Fiona described the review and refinement of the reporting process currently underway.

Heather Logan commended the report and suggested it be updated and considered annually by the Board. In addition, as Chair of the Audit Committee, Heather offered her role as an independent observer of the Audit Quality Committee.

Following discussion, the members commended the report welcoming the assurance it provided and agreed this would be reviewed and reported annually. In addition, the Board agreed Management Team would develop a communication strategy around reporting and the safeguards of independence and quality in the Scottish Public Audit model.

**Action ASB83: Fiona Kordiak to report annually to the Board. (September 2019)**

*Fiona Kordiak, Director of Audit Services, left the meeting.*

#### 15. 2018/19 Spring budget revision

*Stuart Dennis, Corporate Finance Manager, joined the meeting.*

Stuart Dennis, Corporate Finance Manager introduced the 2018/19 Spring budget revision, which had been previously circulated.

Stuart invited the Board to approve the annual submission of a request to the SCPA for an amendment to our 2018/19 budget to meet pensions charges provided through the Annually Managed Expenditure.

The Chair sought clarification on whether pension costs could be better budgeted for and dealt with in the budget submission process.

Stuart advised that the current Revenue budget provides for the employer pension contributions that Audit Scotland make in year and is deducted from the estimated total IAS19 pension cost provided by the actuary. The total estimate of IAS19 pension costs for 2018/19 from the actuary

is £5m and the budget for employer pension contributions is £2.1m, which leads to a funding request of £2.9m to fund the shortfall through Annuity Managed Expenditure (AME).

Following discussion, the Board welcomed the clarity of explanation around the provision for pension charges and approved the 2018/19 Spring budget revision.

## 16. 2019/20 Budget

*Mark Taylor, Audit Director, joined the meeting.*

Stuart Dennis, Corporate Finance Manager introduced the 2019/20 Budget paper, which had been previously circulated

Stuart invited the Board to consider and approve the proposed assumptions on which a draft budget submission would be prepared.

The Board noted the assumptions included the second year of additional funding for New financial powers, an increase to the Management Contingency budget, a 1.9% increase to fees budget, continued commitment to investment in audit quality and a pay award assumption of 2%.

The Board discussed the potential risks and impact around the UK budget setting, EU withdrawal and additional pensions risks.

During detailed discussion, the Board considered the increasing complexity of audit and the need to ensure sufficient time and resource is available to accommodate this and discussed the impact of the early closure of account proposals, recognising the significant resourcing implications this would have for workforce planning and securing additional resources.

Heather Logan asked when the next procurement exercise would commence. Stuart advised planning will commence at the start of next year due to the size of the procurement exercise and Diane advised of continuing engagement with appointed auditors.

Following discussion, the Board welcomed the report and approved the assumptions for the proposed budget.

**Action ASB84: Stuart Dennis to prepare the 2019/20 budget submission. (October 2018)**

*Stuart Dennis, Corporate Finance Manager, and Mark Taylor, Audit Director, left the meeting*

## 17. Audit Scotland Draft British Sign Language plan 2018-24

*Joanna Mansell, Communications Adviser, and Elizabeth Gorrie, Communications Officer, joined the meeting.*

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the Audit Scotland Draft British Sign Language plan 2018-24, which had been previously circulated.

Martin advised the Board that the draft plan covered Audit Scotland's role as public auditor and as an employer. Joanna Mansell advised the consultation had received positive feedback and informed the plan which was submitted for the Board's approval.

The Board welcomed the proportionate approach taken to provide training for interested colleagues to help understand the needs of and support for British Sign Language users. Elizabeth Gorrie advised that 26 colleagues had signed up for the training to date.

Following discussion, the Board approved the plan and members requested access to the training.

**Action ASB85: Elizabeth Gorrie to organise access to the online British Sign Language training for Board members. (October 2018)**

*Joanna Mansell, Communications Adviser, and Elizabeth Gorrie, Communications Officer, left the meeting.*

Ref	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB64	Board	5	Accountable Officer's Report	An update report on developments within the Appointments and Assurance and Professional Support teams to be scheduled.	29/11/2017	30/11/2018	Diane McGiffen/Fiona Kordiak	Diane McGiffen/Fiona Kordiak	Ongoing		A verbal update was provided at the meeting on 28 March with a report scheduled for November 2018.
ASB70	Board	11	2018 Audit Scotland staff conference update	A discussion on audit quality and reputational risk to be scheduled following consideration of the Annual Audit Quality report.	31/01/2018	22/08/2018	Diane McGiffen	Fiona Kordiak	Complete	Yes	A report was considered by the Board on 28/09/2018.
ASB77	Board	9	Q1 Corporate performance report	Martin Walker to discuss with the Communications team the use of pop up surveys to gauge interest and seek feedback from stakeholders.	22/08/2018	30/09/2018	Martin Walker	James Gillies	Complete	Yes	A verbal update was provided at the meeting on 28/09/2018.
ASB78	Board	9	Q1 Corporate performance report	Martin Walker to include expenditure data on consultancy in future quarterly reporting.	22/08/2018	30/11/2018	Martin Walker	Martin Walker	Ongoing	No	Expenditure data will be reported in the Q2 report scheduled to come to the Board in November 2018.
ASB79	Board	9	Q1 Corporate performance report	Martin Walker and Stuart Dennis to discuss with Graham Sharp what further information on the average cost per audit day for Performance Audit and Best Value group would be helpful.	22/08/2018	30/11/2018	Martin Walker / Stuart Dennis	Stuart Dennis	Complete	No	A meeting took place on 10/10/18 to discuss the information required.
ASB80	Board	12	Annual review of Codes of Conduct	Alex Devlin to circulate the revised wording to the Code of Conduct for members for information.	22/08/2018	31/08/2018	Alex Devlin	Alex Devlin	Complete	No	The revised Code of Conduct for members was circulated to members on 17/10/2018.
ASB81	Board	10	Annual review of information governance policies	Alex Devlin to liaise with Digital Services to incorporate testing archive integrity as part of the Records Management Policy.	28/09/2018	31/10/2018	Alex Devlin	Alex Devlin	Complete	No	Digital Services undertake a monthly check across all files, users and servers with any recovery issues reported and resolved.
ASB82	Board	10	Annual review of information governance policies	A further update of the Records Management policy to be considered by the Board. (November 2018)	28/09/2018	27/11/2018	Alex Devlin	Alex Devlin	Ongoing		The report at item 11 of today's agenda will be considered by the Board.
ASB83	Board	14	Audit Quality and reputational risk	Fiona Kordiak to report annually to the Board. (September 2019)	28/09/2018	Sep-19	Fiona Kordiak	Alex Devlin	Complete	No	This has been added to the annual reporting schedule.
ASB84	Board	16	2019/20 Budget	Stuart Dennis to prepare the 2019/20 budget submission.	28/09/2018	31/10/2018	Stuart Dennis	Stuart Dennis	Complete	No	The SCPA proposal will be considered at Item 16 of today's meeting.
ASB85	Board	17	Audit Scotland Draft British Sign Language plan 2018-24	Elizabeth Gorrie to organise access to the online British Sign Language training for Board members.	28/09/2018	31/10/2018	Joanna Mansell	Colin Pentland	Ongoing		A verbal update will be provided at the meeting on 31/10/2018.

## Purpose

1. This report provides an update on progress against our carbon reduction targets as set out in our Climate Change Plan 2015/16-2019/20. The Board is invited to approve the annual report and consider future areas of focus.

## Background

2. The Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015 requires listed public bodies to prepare a Climate Change Plan and to report annually their progress in reducing carbon emissions. The attached draft report fulfils this requirement. It will be published on-line through the Sustainable Scotland Network portal alongside those of other public bodies.

## Key messages

3. We continue to make good progress in reducing our carbon emissions and are ahead of our 2019/20 target to reduce annual carbon emissions to no more than 292 tCO<sub>2</sub>e. Significant reductions have been made across all sources of emissions i.e. energy, transport and waste compared to our 2014/15 baseline.
4. While this is to be welcomed, we must recognise that most of the areas where significant reductions in carbon emissions were possible have now been delivered, for example the 2016 Edinburgh office move. Further significant reductions are unlikely to be achieved and this will need to be reflected in the targets we set in our next Climate Change Plan.
5. We will continue our momentum and further reduce our impact on the environment with a focus on reducing travel and energy emissions, by considering our wider social impact and increasing staff awareness of environmental issues.
6. The Carbon Scrutiny Board which used to consider carbon reduction initiatives has now been replaced by The Green Future Team (GFT), with extended membership drawn from across Audit Scotland. The GFT has identified a number of projects to take forward, as set out in Page 16 of the draft annual report. Some of these are corporate initiatives where carbon savings are an indirect benefit of efficiency savings, such as reduced use of computer servers through greater use of cloud-based applications. Others are more about seeking to influence individual behaviours, such as participating in Climate Week 1-5 October 2018.

## Recommendations

7. The Board is invited to consider and approve the Green Future annual report and discuss any areas of focus in relation to environmental issues.

# Environmental and Sustainability

## Annual Report 2017/18

### DRAFT



Board

31 October 2018

## Who we are

The Auditor General and the Accounts Commission work together to deliver public audit in Scotland:

- The Auditor General's role is to appoint auditors to Scotland's central government, the NHS and other bodies and to report to Parliament on their financial health and performance.
- The Accounts Commission is the public spending watchdog for local government. It holds councils in Scotland to account and help them improve.

Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit.

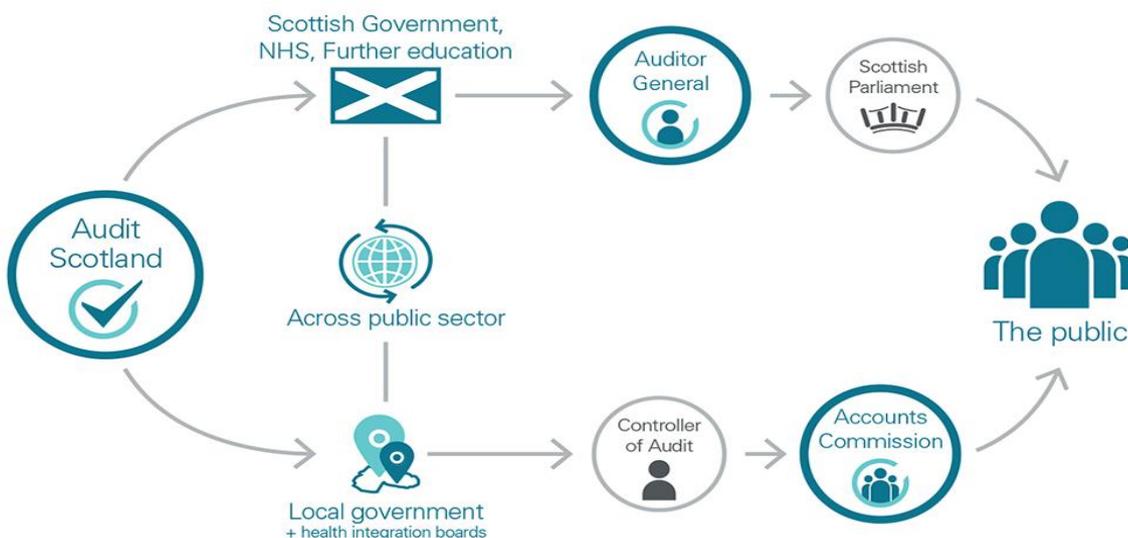
Audit Scotland provides audit services to the Auditor General and the Accounts Commission. Through our work, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We do this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

There are three principles which guide our work:

- Auditors are independent of the organisations they audit.
- We report in public.
- We look at more than financial statements.

Above all, we support public scrutiny that is fair, equal and open, and that leads to better financial management and value for money.



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# Summary

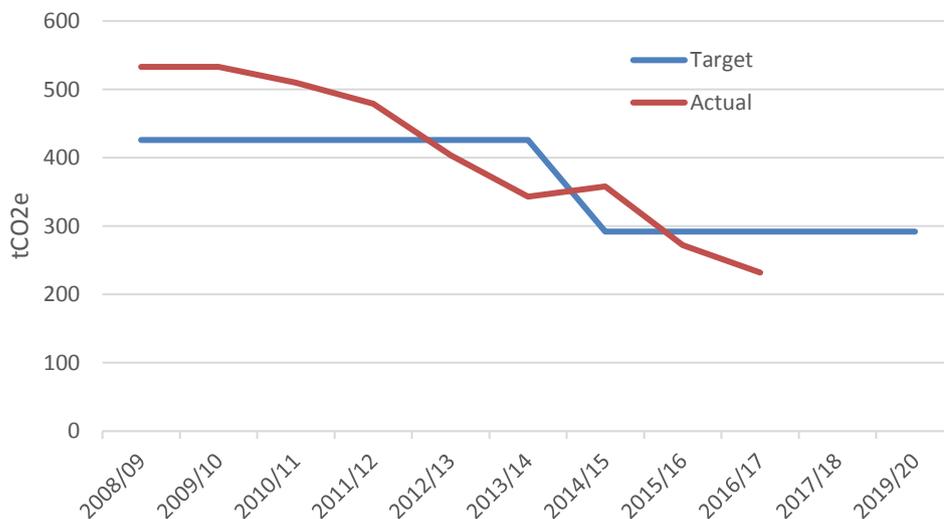
## Key Messages

1. We continue to make good progress in reducing our carbon emissions and are ahead of our 2019/20 target to reduce our annual carbon emissions to no more than 292 tCO<sub>2</sub>e ([Exhibit 1](#)). So far, we have achieved an overall 32 per cent reduction in our carbon footprint compared to our 2014/15 baseline year, and a 56 per cent reduction against our 2008/09 baseline.

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### Exhibit 1: Audit Scotland's carbon emissions 2008/09 to 2017/18

We achieved our target to reduce our annual carbon emissions to no more than 426 tCO<sub>2</sub>e by 2012/13 and are on track to achieve our target of no more than 292 tCO<sub>2</sub>e by 2019/20



2. Savings achieved in 2017/18 include:

- Energy - We reduced our energy consumption to 404,199 kwh representing a 26 per cent reduction in emissions compared to our 2014/15 baseline.
- Transport – Across all transport types, we reduced the total kilometres travelled to 1,002,281 representing a 35 per cent reduction in emissions compared to our 2014/15 baseline.
- Waste - we reduced our waste emissions to eight tCO<sub>2</sub>e, representing a 54 per cent reduction in emissions compared to our 2014/15 baseline.

3. Going forward, during the remainder of our climate change plan 2015 -2020 we will focus on developing sustainability policies, identifying projects that help to further reduce our energy and transport emissions, and projects that positively influence staff behaviours. This will include:

- Developing a new biodiversity policy
- Introducing climate change induction training for staff

- Greater use of cloud-based applications to reduce energy consumption
- Promoting more sustainable means of travel.

## Background

4. Scotland has ambitious targets to reduce greenhouse gas emissions and, along with other public-sector bodies, Audit Scotland has a key leadership role in taking forward this agenda. Our [Climate change plan 2015-2020](#) sets our base line year and targets to be achieved by 2019/20.
5. We are committed to further reducing our carbon emissions and to making how we work more sustainable. We report publicly on sustainability issues through our annual carbon emission report and by supplying relevant information to the Sustainable Scotland Network (SSN).
6. Sustainability is linked to other corporate publications published on our [website](#) including our Annual Report and Accounts, Public Audit in Scotland, and Corporate Plan 2018-21.
7. Audit Scotland has a clear structure for managing climate change activity. The Audit Scotland Board, following consideration by Audit Scotland's Management Team, approves our Climate Change Plan and carbon-saving targets. This approach ensures endorsement and clear leadership at the highest level. The Green Future Team, comprising representation from across Audit Scotland, will continue to provide long-term organisational momentum for embedding sustainability across the organisation.
8. The roles and responsibilities of the groups involved in leading, managing and holding us to account for our carbon management performance are set out in Appendix 1.

## Performance in reducing carbon emissions

9. Audit Scotland’s property estate comprises of three offices. We are tenants in each office and each building is occupied by multiple tenants. The landlords are responsible for the supply of gas and water and for equipment relating to gas, water and heating / air conditioning. Audit Scotland does not own or manage land and therefore has limited opportunity to carry out biodiversity work.
10. We continue to make good progress in reducing our carbon footprint against our 2014/15 baseline and are ahead of our 2019/20 targets. Examples of how we are reducing our carbon footprint are included in the following sections on energy, transport, waste and water.
11. Our Climate Change Plan 2015-2020 sets out our approach to sustainability issues, establishes the base line year to 2014/15 and sets targets to be achieved by 2019/20. All references to targets are the 2019/20 targets and all percentage changes are against our 2014/15 base line.

### Our overall carbon emissions

Carbon Footprint		Summary
<b>Target:</b> Reduce annual overall carbon emissions to no more than 292 tCO <sub>2</sub> e by 2019/20		We continue to make good progress against our 2014/15 baseline and are ahead of our 2019/20 targets
<b>Performance to date:</b> Our carbon emissions in 2017/18 were 232 tCO <sub>2</sub> e		

12. So far, we have achieved a 32 per cent reduction in our carbon footprint against our 2014/15 baseline year, and a 56 per cent reduction against our first baseline in 2008/09 ([Exhibit 2](#)). The Sustainable Scotland Network requires us to report our carbon emissions against our staff whole time equivalent numbers and against our annual financial turnover. In reducing our carbon emissions since 2014/15, we also improved our performance against these measures.

#### Exhibit 2: Carbon emissions since the 2014/15 baseline

We continue to make good progress against our 2014/15 baseline and are ahead of our 2019/20 targets.

Year	2008/09 First baseline year	2014/15 Revised baseline year	2015/16	2016/17	2017/18	Target 2019/20
Carbon emissions (tCO <sub>2</sub> e)	533	343	358	272	232	292

Year	2008/09 First baseline year	2014/15 Revised baseline year	2015/16	2016/17	2017/18	Target 2019/20
						
Percentage change in emissions compared to 2014/15 baseline		0%	+4%	-21%	-32%	-15%
Carbon emissions by staff Whole Time Equivalent (tCO <sub>2</sub> e/WTE)	1.8	1.3	1.3	1.0	0.9	<1.0
Carbon emissions by floor space (tCO <sub>2</sub> e/m <sup>2</sup> )	0.2	0.1	0.1	0.1	0.1	
Carbon emissions by financial turnover (tCO <sub>2</sub> e/£M)	20.0	14.0	14.2	10.7	8.7	

13. We are achieving reductions in energy, transport and waste emissions. Further details of these reductions are included in the appropriate sections below. Appendix 2 outlines the sources of Audit Scotland's carbon emissions and their related expenditure.

## Reducing our energy related emissions

Energy		Summary
<b>Target:</b> Reduce annual energy related carbon emissions to no more than 100 tCO <sub>2</sub> e by 2019/20		We are ahead of our 2019/20 target to reduce energy related emissions
<b>Performance to date:</b> Our energy related carbon emissions in 2017/18 were 93.8 tCO <sub>2</sub> e		

14. Our offices are fitted with technology to improve our use of electricity. The office temperature is regulated using thermostats and timed to operate only during office hours. Ceiling lights automatically turn off after a period of inactivity in an area. Our offices work on a ‘hot desk’ basis and we have less work stations than whole time equivalent staff
15. We use thin client terminals and laptops that collectively use less energy than traditional desktop computers. In 2018/19, we plan to adopt Chromebooks, which will continue to reduce our energy consumption further.
16. Where possible we are reducing the amount of equipment we use by reducing the number of IT servers and using more cloud-based services. In moving to our new Edinburgh office in autumn 2016, we reduced the number of printers from 21 to four.
17. We use hot taps for tea and coffee making and do not have kettles or toasters in our Edinburgh and Glasgow offices.
18. Our ‘Time, Place, Travel’ policy encourages staff to work from their most convenient location and, along with flexible working and hot desking in our offices, benefits our transport emissions.
19. In 2017/18, our energy emissions were 94 tCO<sub>2</sub>e (equivalent to 404,199 kWh), which is 31 tCO<sub>2</sub>e (26 per cent) lower than our 2014/15 baseline year and already 6 tCO<sub>2</sub>e below our 2019/20 target ([Exhibit 3](#)).

### Exhibit 3: Energy related carbon emissions

We are ahead of our 2019/20 target to reduce energy related emissions.

Year	2014/15 baseline year	2015/16	2016/17	2017/18	Target 2019/20
Energy related carbon emissions (tCO <sub>2</sub> e)	125	167	110	94	100
					
Percentage change in emissions compared to 2014/15 baseline		34%	-12%	-26%	-20%

## Reducing our transport related carbon emissions

Transport	Headline
<b>Target:</b> Reduce annual transport related carbon emissions to no more than 183 tCO <sub>2</sub> e by 2019/20	We are ahead of our 2019/20 target to reduce transport related emissions. This has been achieved through an overall reduction in travel and a switch to greater use of rail travel.
<b>Performance to date:</b> Our transport related carbon emissions in 2017/18 were 128.8 tCO <sub>2</sub> e	

20. Transport emissions arise from business travel by air, car and rail and are the biggest contributor to our carbon emissions. We aim to reduce emissions associated with business travel to 183 tCO<sub>2</sub>e by 2019/20. We estimate this to be equivalent to about 1,074,000 kilometres. We will do this through our policies and staff behaviours. Since our baseline year we have reduced the total kilometres travelled year on year.
21. We promote train travel over air and provide policies and equipment to empower staff to consider their travel options. Our 'Time, place, travel' guidelines allow staff to use other sites as bases that may be closer to home and therefore reduce their travel time and distances. We routinely use video and telephone conferencing to allow staff to attend meetings 'virtually' without traveling.
22. We have closed our 'company car' scheme to new employees and promoted staff. Existing scheme members will continue to have access to company cars, but staff turnover means the number of vehicles in the fleet is reducing. We provide facilities for cycling to work and, promoted a bike-to-work scheme in 2016 and will run another in 2018/19. Staff can also use travel loans for annual travel passes. Each of our three offices only have two parking spaces.

### Air travel

23. We have seen a 12 per cent decrease in the number of flights since 2014/15, resulting in a reduction of 995 kilometres. Most of our air travel involves domestic flights to the Scottish islands. Our mix of domestic, short-haul and long-haul flights fluctuates from year to year.

### Business car travel

24. While business car travel fluctuates from year to year, there is a downward trend from 2014/15. We have reduced the total business car travel by 132,620 km (27 per cent) since 2014/15.

### Rail travel

25. The reduction in air and car travel has seen a corresponding rise in train travel, with an increase of 193,690 km (77 per cent). This equates to an increase in emissions of 7 tCO<sub>2</sub>e. Rail travel now forms the biggest proportion of business kilometres travelled.

26. Overall, transport related carbon emissions were 129 tCO<sub>2</sub>e (equivalent to 1,002,281km of business travel) in 2017/18. This is 54 tCO<sub>2</sub>e (35 per cent) lower than our baseline year and means we are ahead of our 2019/20 target (Exhibit 4).

#### Exhibit 4: Transport related carbon emissions

We are ahead of our 2019/20 target to reduce transport related emissions.

Year	2014/15 baseline year	2015/16	2016/17	2017/18	Target 2019/20
Transport related carbon emissions (tCO <sub>2</sub> e)	199	172	154	129	183
					
Business travel (Km)	1,074,756	1,062,834	1,066,765	1,002,281	1,074,756
Percentage change in emissions compared to 2014/15 baseline		-14%	-23%	-35%	-8%

### Reducing our waste related carbon emissions

Waste	Summary
<p><b>Target:</b> Reduce waste related carbon emissions to no more than 11 tCO<sub>2</sub>e by 2019/20</p> <p><b>Performance to date:</b> Our waste related carbon emissions in 2017/18 were 8.2 tCO<sub>2</sub>e</p>	<p>We are ahead of our 2019/20 target to reduce waste related emissions.</p>

27. Waste emissions include paper and board manufacture, mixed recycling and refuse to landfill. All our offices have facilities for recycling paper, cardboard, metal cans and plastic.

#### Paper

28. We continue to benefit from our office rationalisation programme during which we reduced our printers by 17 and as a result reduced associated number of cartridges, paper and energy used. We changed the way staff use our printers. They are now required to use their ID

passes to collect items sent to print, resulting in 15,526 pages that were sent to print but not actually printed. Our printer paper meets the EU Ecolabel standard and all printers are defaulted to print double sided and in greyscale.

## Recycling

29. Staff mostly use reusable cups for hot and cold drinks. Previously staff used over 4,500 disposable cups a year, but during 2017/18 we changed our disposable cups to compostable cups.

## Landfill waste

30. We sent eight tonnes of waste to landfill in 2017/18 which is a 74 percent reduction against our 2014/15 baseline year.
31. Total waste emissions are significantly below our baseline year due to completion of our office rationalisation programme completed in 2015/16. Waste emissions of eight tCO<sub>2</sub>e in 2017/18 were three tCO<sub>2</sub>e lower than our 2019/20 target, representing a 54 per cent reduction against our baseline year (Exhibit 5).

### Exhibit 5: Waste related carbon emissions

We are ahead of our 2019/20 target to reduce waste related emissions



## Water

32. Our three offices are in multi-tenanted buildings in which the landlord controls the water supply. Audit Scotland is not able to record the actual water used and we estimate our water emissions based on the number of workstations and staff in each of our offices.
33. We operate with fewer workstations than whole-time equivalent staff due to operating flexible working patterns and our teams may work from any location, including home or client's offices.

34. In 2017/18, water related carbon emissions were estimated at 1 tCO<sub>2</sub>e which is 1 tCO<sub>2</sub>e lower than our target for 2016/17 and on course to meet our 2019/20 target. Emissions are lower because of the office rationalisation programme completed in 2015/16.

## Validation of figures

35. Audit Scotland's Corporate Performance Officer reviews the data contained within this report. It is not subject to peer review or external validation. Going forward we will explore options for external validation of our data.

## Other sustainability related issues

### Procurement

36. We focus on embedding sustainability into our procurement activity and we include sustainability clauses in our procurement standard terms and conditions.

### Adaptation

37. As a listed body under Schedule 1 of the Climate Change (Scotland) Act 2009, Audit Scotland is required to report on climate adaptation. Adaptation is the adjustments we make in response to actual or anticipated climate change. Climate change projections indicate that Scotland will experience:
- higher temperatures
  - increased, and more intense, rainfall
  - more frequent floods and landslides.
38. We have reviewed and assessed the impacts that more frequent adverse weather events may have on our activities. We determined that we require no additional specific actions to reduce the potential impact of climate change-related weather events.
39. Audit Scotland has well-established business continuity planning arrangements and in the event of a major incident, all staff can access their business information and work from home or alternative sites. A staff survey in 2015/16 showed 89 per cent could work from home or another location for more than two days if necessary, and 56 per cent for more than a month.

### Biodiversity

40. The Nature Conservation (Scotland) Act 2004 places a statutory duty on all public sector bodies in Scotland to further the conservation of biodiversity and the Wildlife and Natural Environment (Scotland) Act 2011 introduced a requirement for all public bodies to make a report publicly available on their compliance with biodiversity duty. Biodiversity duty reports are required every three years. We aim to report on Biodiversity annually within our annual sustainability report.
41. Audit Scotland does not own or manage land and therefore has a smaller opportunity to carry out activities for biodiversity.
42. We support biodiversity through:
- Reducing our carbon footprint.
  - Minimising waste and reducing waste to landfill through recycling.
  - Using EU Ecolabel certified paper
  - Reducing the total kilometres we travel on business and choosing more sustainable travel options.
  - Raising awareness of biodiversity and sustainability issues.

## Looking ahead

43. Between 2008/09 and 2017/18 we achieved a significant reduction (56 per cent) in our carbon footprint from 533 to 232 tCO<sub>2</sub>e. While we are currently ahead of our 2019/20 climate change targets we will identify ways to further reduce our carbon emissions. Our targets will be reviewed and updated in our next Climate Change Plan, due to be published in 2020.
44. We will continue our momentum and further reduce our impact on the environment. Although we recognise that future reductions will be harder to achieve we can continue to reduce our environmental impact with a focus on reducing travel and energy emissions, by considering our wider social impact and increasing staff awareness of environmental issues.
45. To help us further reduce our environmental impact we have identified the projects to complete by April 2020:

### Policy development

- Producing a new Climate Change Plan, including resetting our carbon emission targets.
- Developing and implementing a biodiversity policy/strategy.
- Developing a sustainable travel plan.
- Reviewing ways to implement external verification of our carbon emission measurements.
- Designing and implementing an Environmental Management System (EMS).

### Behaviours

- Introducing climate change induction training.
- Exploring options for staff volunteering, especially those relating to sustainability projects.

### Projects

- Further reducing our use of computer servers through greater use of cloud-based applications.
- Running a cycle-to-work scheme.
- Participating in Climate Scotland week to promote awareness of sustainability issues.
- Promoting a limited internal travel month to encourage staff to think about how they can reduce their travel.

# Appendix 1

## Carbon management governance arrangements

### Board

47. **Membership:** The members of Audit Scotland Board are the Auditor General for Scotland, the Chair of the Accounts Commission and three members appointed by the Scottish Commission for Public Audit.
48. **Role:** Audit Scotland's Board is responsible for the exercise of all functions of Audit Scotland. It exercises its powers and authorities through a Scheme of Delegation, which it determines and approves.
49. Under the Scheme of Delegation, the Board formally approves Audit Scotland's Climate Change Plan. It receives annual updates on performance against the plan's targets and objectives, thereby holding Audit Scotland to account for their performance.

### Management Team

50. **Membership:** The members of Audit Scotland's Management Team are the Auditor General for Scotland, Audit Scotland's Chief Operating Officer, the Director of Audit Services, and the Controller of Audit/Director of Performance Audit and Best Value. The Chief Operating Officer is the project sponsor for Audit Scotland's Climate Change Plan.
51. **Role:** Audit Scotland's Management Team is responsible for strategic direction-setting for sustainability (including project sponsorship); suitable resource allocation; and oversight and scrutiny of the implementation of Audit Scotland's Climate Change Plan.

### Green Future Team

52. **Membership:** A senior member of staff chairs the group and is responsible for leading and driving improved sustainability in Audit Scotland. Representatives from across Audit Scotland's business groups make up the team.
53. **Role:** The team is the key forum for the operational planning and delivery of climate change activity and improving sustainability performance within Audit Scotland. Its role includes oversight of carbon management projects, data collection; communication and training. It acts as a bridge between Management Team and individual business groups and has a key leadership role through its cross-departmental membership.

### Business groups (Audit Services, Performance Audit and Best Value, and Corporate Services)

54. Audit Scotland's three business groups are pivotal in ensuring that Audit Scotland meets its climate change obligations and continuously improves its environmental performance. It is through the actions of all staff that we can make the greatest difference.

## Appendix 2

### Sources of Audit Scotland's carbon emissions and their related expenditure 2017/18

Category	Carbon emissions (tCO <sub>2</sub> e)	Expenditure (£)
Grid electricity	49	14,758
Natural gas	45	5,149
Water – supply	0.4	978
Flights – domestic	43	26,737
Car – diesel	27	64,592
Rail	20	67,615
Average car – unknown fuel	19	47,298
Flights – long haul	8	7,217
Car – petrol	7	12,290
Refuse municipal to landfill	5	895
Paper & board manufacture	3	57
Car - hybrid	2	9,952
Water - treatment	1	1,665
Taxi	1	24,248
Flights – short haul	1	1,432
Mixed recycling <sup>1</sup>	0.2	122
<b>Total</b>	<b>232</b>	<b>285,005</b>

<sup>1</sup> Mixed recycling includes: paper, board, glass, plastics and metal cans.

**Purpose**

1. This report invites the Board to consider and approve the updated Ethical Standard Policy on Application.

**Background**

2. The Ethical Standard is published by the Financial Reporting Council (FRC) and is consistent with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.
3. The Ethical Standard Policy on Application takes the FRC's Ethical Standard requirements and identifies the relevant Audit Scotland policies and how those requirements are applied.

**Update**

4. The relationship between Audit Scotland's Ethics Partner and responsibility for approving non-audit services was confirmed by the Auditor General and the Accounts Commission on 13 September 2018 in their joint policy statement on non-audit services.
5. The Ethical Standard Policy on Application has been updated to reflect those changes, specifically the Director of Audit Services' role of Ethics Partner and confirmation that all requests for non-audit services including those from Audit Services are to be approved by the Associate Director of Audit Quality and Appointments. The Financial Reporting Council's Ethical Standard has not changed so the changes to the policy are limited to reflecting these internal changes and some clarified language.
6. Management Team considered the policy at its meeting on 4 September 2018 and the Audit Committee considered the policy by correspondence so that it could be considered by the Board on 31 October 2018.
7. The audit committee recommends this policy for approval by the Board.

**Recommendations**

8. The Board is invited to approve the updated policy.

# Draft Ethical Standard Policy on Application



 AUDIT SCOTLAND

Prepared for Audit Scotland  
October 2018

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# Ethical Standard Policy on Application

## Foreword

Our vision is to be a world-class audit organisation that improves the use of public money. In the current challenging and complex environment for the public sector in Scotland, independent, objective and authoritative public audit helps to support a strong and effective system of financial accountability and transparency.

In order to deliver world-class audit and ensure continued trust in our work, we need to apply the highest professional and ethical standards. The Scottish public sector audit model provides a high level of safeguards to our independence that go above and beyond the requirements of the Financial Reporting Council's Ethical Standards. These include:

- independent appointment of auditors to ensure the auditor is free from any potential or perceived conflict of interest or other pressure that might compromise their judgement
- rotation of auditors every five to seven years to minimise any 'familiarity' threats to independence
- arrangements to control non-audit services through approval by Audit Quality and Appointments to minimise 'self-review' and other threats to independence.

We have reviewed the FRC's Ethical Standard and chosen to enforce the highest level of protection to our audit work because we believe that the independence of the auditor is critical to high quality audit. However, high quality audit cannot be assured through rules and standards alone. It relies on each and every one of us embedding ethical principles in our day to day work.

Fiona Kordiak  
Director of Audit Services and Ethics Partner

## Introduction

1. The Financial Reporting Council's Ethical Standard (June 2016 edition) (the Standard) specifies the ethical requirements of auditors in both the private and the public sectors. Audit Scotland adopts the principles in the standard in common with all the national audit agencies in the UK. Compliance with the Standard also represents compliance with the parts of the International Ethics Standards Board for Accountants' (IESBA) Code of Ethics for Accountants covering audit work that has been adopted by most UK accountancy institutes (see appendix 1) and therefore applicable to a significant number of Audit Scotland staff.
2. **The principles of the Standard apply to all our work. Where sections of the standard need specific interpretation to our work (highlighted in blue boxes throughout this application guidance), this guide explains how they are applied and, where a policy is explicitly required, sets out that policy.** However, you should be aware that this guide covers only those requirements where application guidance is necessary; it does not cover all the requirements of the Standard – the [full standard](#) is available on iShare.
3. All staff are required to adhere to Audit Scotland's Staff Code of Conduct. You should read this application guide of the Standard in conjunction with the Code of Conduct and Audit Scotland's Counter Fraud Policy.
4. If you are in any doubt about the application of the Standard in any particular circumstances, you should discuss it with your line manager or your director (described as the Compliance partner) and, if there is still uncertainty, with Audit Scotland's Ethics Partner (Fiona Kordiak).
5. This section has been updated to reflect the revised Ethical Standard issued by the FRC, which came into effect on 17 June 2016. Should any part of the Standard be revised in the future by the FRC prior to this application guide being updated, the revisions will come into force in line with their effective date.
6. The Standard is in two parts:
  - **Part A** - sets out the overarching principles of integrity, objectivity and independence, together with supporting ethical provisions. These establish a framework of ethical outcomes to be met.
  - **Part B** - sets out specific requirements relevant to certain circumstances that may arise which are designed to assist in meeting the ethical outcomes. The following application guidance principally addresses some of the specific requirements.

# Section 1 - General requirements and guidance

## Introduction

7. Section one of the Standard sets out the general requirements for auditors to act with integrity, objectivity and independence and establishes some of the framework for compliance with other requirements.
8. Most of our audits are carried out under appointment by either the Auditor General or the Accounts Commission. This provides a strong safeguard against the threats to integrity, objectivity and independence that all auditors must consider before accepting an audit appointment. The independent appointment process means that Audit Scotland auditors cannot refuse an appointment. Where the auditor identifies a threat that would result in an equivalent private sector audit being refused, the auditor must consider whether the threats are of such significance that they should be reported formally to the audited body, the Auditor General for Scotland or the Accounts Commission, or to the Scottish Parliament. Any such report should be discussed in advance with the Ethics Partner and for local government with the Secretary to the Accounts Commission.
9. The following guidance below each requirement from the Standard explains how they are applied in Audit Scotland.

## Compliance

**Paragraph 1.1D The firm shall establish appropriate policies and procedures to ensure that its owners or shareholders, as well as the members of the administrative, management and supervisory bodies of the firm, or of an affiliate firm, do not intervene in the carrying-out of an engagement in any way which jeopardises the integrity, objectivity or independence of the firm or covered persons.**

**Paragraph 1.2D The firm shall establish appropriate and effective organisational and administrative arrangements:**

**(a) that are designed to prevent, identify, eliminate or manage and disclose any threats to its independence;**

**(b) for dealing with and recording incidents which have, or may have, serious consequences for the integrity of its audit or other public interest assurance activities.**

10. All Audit Scotland staff must:

- comply with the staff Code and any further guidance in this application guide
- notify any potential conflicts of interest to their business group's Compliance Partner (i.e. Director of Audit Services, Director of Performance Audit and Best Value, or Chief Operating Officer) when working on audits and
- make an annual declaration of compliance with the staff Code through the Fit and Proper self-assessment form.

## Ethics Partner

**Paragraph 1.12** The senior management of the firm shall designate a partner in the firm possessing the necessary seniority, relevant experience, authority and leadership levels (the 'Ethics Partner') as having responsibility for ensuring the firm's compliance with supporting ethical provision 1.1.

11. Audit Scotland's Ethics Partner is Fiona Kordiak, Director of Audit Services.

## Threats to Integrity, Objectivity and Independence

**Paragraph 1.28** When complying with supporting ethical provisions 2.1D – 2.3D, conditions and relationship that could give rise to threats to the integrity, objectivity or independence of the firm or covered persons are communicated to the appropriate person, having regard to the nature of the threats and to the part of the firm and the identity of any person involved.

12. Audit Scotland's policy is that all threats to integrity, objectivity or perceived loss of independence must be reported to your Compliance Partner or to the Ethics Partner. This requirement applies to all types of audit work.

**Supporting ethical provision 2.1D** The firm and each covered person, shall ensure that the independence of the firm and each covered person is not compromised with respect to each entity relevant to the engagement. This includes ensuring that the firm and each covered person is not involved in the decision-taking of any such entity.

13. Audit Scotland's staff must not take decisions that are the responsibility of management of the audited body or its affiliates.

**Paragraph 1.33 The firm shall establish policies and procedures to require the engagement partner to identify and assess the significance of threats to the integrity and objectivity of the firm and covered persons on an individual and cumulative basis, including any threats that may compromise independence:**

- (a) when considering whether to accept or retain an engagement;**
- (b) when planning the engagement;**
- (c) when forming an opinion and signing the report on the financial statements or other subject matter information;**
- (d) when considering whether to accept or continue to provide non-audit / additional services to an engagement by the firm; and**
- (e) when potential threats are reported to him or her.**

14. The Auditor General or Accounts Commission appoint auditors based on advice from Audit Quality and Appointments (AQA) so the risk to independence in relation to accepting audits is managed by the Auditor General or Accounts Commission's appointments. AQA applies the Ethical Standard when providing advice on audit appointments to the Auditor General and Accounts Commission. Auditors are therefore not required to identify threats to objectivity, including perceived loss of independence when considering whether to accept or retain an audit appointment.
15. For agreement audits such as EAFA, audit staff should document any threats to integrity, independence and objectivity and should consult AQA before initial acceptance of the engagement.
16. Audit Scotland normally only provides audit and audit-related services to audited bodies. Occasionally auditors may be asked to undertake non-audit services for their audited bodies; auditors must obtain prior approval before undertaking this work as described in paragraph 73.

## Identification and Assessment of Safeguards

**Paragraph 1.49 The firm shall establish policies and procedures which set out the circumstances in which those additional requirements listed in paragraph 1.48 that apply to public interest entities or to listed entities or both are applied to other engagements.**

17. Audit Scotland treats all public sector audits as listed entities for the purposes of paragraph 1.48. There are two public interest entities which are currently audited by private firms.

## Overall Conclusion

**Paragraph 1.57** At the end of the engagement process, when forming an opinion to be reported, or otherwise reporting on the work undertaken, but before issuing the report, the engagement partner shall reach an overall conclusion that any threats to integrity or objectivity including any that could impair independence on an individual and cumulative basis have been properly addressed in accordance with this Ethical Standard. If the engagement partner cannot make such a conclusion, he or she shall not report and the firm shall resign or otherwise withdraw from the engagement unless not permitted to do so by law or regulation.

18. If the engagement lead on an audit appointment or equivalent for a performance audit is unable to conclude that any threats to integrity, objectivity and independence have been addressed in accordance with the Ethical Standard, the engagement lead must refer the threat to the relevant Compliance Partner and/or to the Ethics Partner for resolution.

## Communication with those Charged with Governance

**Paragraph 1.61** The engagement partner shall ensure that those charged with governance of each entity relevant to an engagement... are appropriately informed on a timely basis of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons.

19. Auditors must communicate the information required by paragraph 1.61 to those charged with governance through the annual audit plan, the annual audit report and other relevant communications.

**Paragraph 1.66 In the case of public interest entities, and listed entities... the engagement partner shall ensure that the audit committee is provided with:**

- (a) a written disclosure of relationships (including the provision of non-audit / additional services) that may bear on the integrity, objectivity or independence of the firm or covered persons. This shall have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties, and the threats to integrity or objectivity, including those that could compromise independence, that these create. It shall also detail any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable the integrity, objectivity and independence of the firm and each covered person to be assessed;**
- (b) details of non-audit / additional services provided and the fees charged in relation thereto;**
- (c) written confirmation that the firm and each covered person is independent;**
- (d) details of any inconsistencies between this Ethical Standard and the policy of the entity for the provision of non-audit / additional services by the firm and any apparent breach of that policy.**
- (e) an opportunity to discuss independence issues.**

- 20.** The requirements of paragraph 1.66 apply to all audits.

# Section 2 – Financial, Business, Employment and Personal Relationships

## Introduction

21. Section 2 of the Standard sets out the requirements concerning relationships with audited bodies including transfers of staff in either direction.
22. Audit Scotland's Ethics Partner is Fiona Kordiak, Director of Audit Services. All staff are required to complete an annual Fit and Proper self-assessment to declare any potential threats from relationships with audited bodies so that appropriate controls can be put in place.
23. The following guidance below each requirement from the Standard explains how they are applied in Audit Scotland. The requirements relate to loans, employment, secondments and staff joining or leaving Audit Scotland from or to a public-sector body in Scotland.
24. Where a member of staff of Audit Scotland has left to join an audited body in a senior position, particularly as chief executive or finance director or equivalent, there remains a threat to the conduct of future audits especially where the member of staff leaving had management responsibility for members of the audit team. These threats and how Audit Scotland manages them are detailed below.

## Financial Considerations

**Paragraph 2.4D The firm, each of the firm’s key audit partners and each of the firms directly involved covered persons for any engagement... and any persons closely associated with the firm or any such partner or covered person, shall not:**

**(a) hold any material financial interest (other than an indirect financial interest held through a diversified collective investment scheme) in, or engage in any transaction in, any financial instrument of any entity relevant to an engagement in the area of activity in which they (or in the case of a person closely associated, the area of activity in which the firm, key audit partner or covered person with whom they are closely associated) are involved relating to engagements other than investment circular reporting engagements; or**

**(b) hold any financial interest, other than an indirect financial interest held through a diversified collective investment scheme, in:**

**(i) any entity relevant to an engagement other than an investment circular reporting engagement for which they are a directly involved covered person; or**

**(ii) an entity which is an affiliate of such an entity; or**

**(iii) any other entity otherwise related to such an entity in circumstances where holding such a financial interest may cause, or may be generally perceived as causing, a conflict of interest; or, if a person holds such a financial interest they shall be excluded from any role by virtue of which they would be a covered person for any such engagement.**

- 25.** No Audit Scotland staff may hold a financial interest in a financial instrument issued by any body where the auditor is appointed by the Auditor General or Accounts Commission, except for membership of a Pension Fund.

## Loans and Guarantees

**Paragraph 2.26 Loans by an entity relevant to an engagement that is a bank or similar institution to a covered person, or to persons closely associated with them (for example, home mortgages, bank overdrafts or car loans), do not create an unacceptable threat to integrity or objectivity that compromises independence, provided that normal business terms apply. However, where such loans are in arrears by a significant amount, this creates an intimidation threat that compromises independence.**

26. If a member of staff or their household is in arrears with an audited body, for example council tax, especially if an arrestment of earnings order has been made, they must notify their line manager immediately and take no further part in any audit work involving that body until the outstanding debt has been repaid.

## Management Role with an Entity Relevant to an Engagement

**Paragraph 2.38 A firm shall not admit to the partnership, or employ a person in a position as a covered person, if that person is also employed by any entity relevant to the engagement, or by any affiliate of such an entity ('dual employment').**

27. Audit Scotland will not employ, as financial audit staff, individuals who are also employed by an audited body.
28. Staff may be employed to work on other audit work, such as national performance audits, provided that the work is not focussed on their other employer. For example, working on a Best Value assurance report of the employee's council would not be acceptable.
29. Any incidental work relating to the other employer (e.g. preparing a report from a national survey which includes the other employer) must be subject to specific review by a more senior member of staff.

## Loan Staff Assignments

**Paragraph 2.39** A firm shall not enter into an agreement with an entity relevant to an engagement... or with the affiliates of such an entity, or otherwise, to provide any partner or employee ('loan' staff) to work for a temporary period as if that individual were an employee of any such entity or its affiliates (a 'loan staff assignment') unless

**(a)** the agreement is for a short period of time and does not involve employees or partners performing non-audit / additional services that would not be permitted under this Ethical Standard; and

**(b)** the entity:

**(i)** agrees that any individual loan staff concerned will not hold a management position, will not be involved in the decision-taking of the entity and, in the case of an audited entity that is a public interest entity, will not play any part in the management of the entity; and

**(ii)** acknowledges its responsibility for directing and supervising the work to be performed, which will not include such matters as:

- making management decisions; or
- exercising discretionary authority to commit the entity to a particular position or accounting treatment

**Paragraph 2.43** Where a partner or employee returns to the firm on completion of a loan staff assignment, that individual shall not be given any role on any engagement involving any function or activity that he or she performed or supervised during that assignment.

30. The requirements at paragraphs 2.39 and 2.43 cover staff on secondment to audited bodies. Secondments must be considered and planned in accordance with the [Secondment policy](#).
31. Although the Ethical Standard does not cover the secondment of staff from audited bodies to Audit Scotland, the same principles apply. Secondees to audit teams should not work on the audit of the body from which they are seconded. The Ethics Partner must authorise any departure from this policy, due to for example the previous role of the secondee.
32. Secondees to the Performance Audit and Best Value Group (PABV) may work on national performance audits which involve coverage of their principal employer but they must not audit or review work for which they were previously responsible. Any work relating to their principal employer in which the secondee is involved must be reviewed by a more senior member of staff.

## Partners and Engagement Team Members Joining an Entity Relevant to an Engagement

Paragraph 2.47 Firms shall establish policies and procedures that require in relation to any entity relevant to an engagement in which an individual is, or was at any time over the previous year (two years in the case of a partner), directly involved:

(a) for all such engagements:

(i) senior members of the engagement team to notify the firm of any situation involving their potential employment with any such entity; and

(ii) other members of the engagement team to notify the firm of any situation involving their probable employment with any such entity;

(b) for an engagement other than an investment circular reporting engagement:

(i) all partners in the firm to notify the firm of any situation involving their potential employment with any such entity; and

(ii) any other employee of the firm and any other natural person whose services are placed at the disposal of or under the control of the firm, where such employee or other person is personally approved as a statutory auditor under relevant legislation within the European Union, to notify the firm of any situation involving their probable employment with any such entity;

(c) anyone who has given such notice to be removed from the engagement team; and

(d) a review of the engagement work performed by any resigning or former engagement team member in the current and, where appropriate, the most recent engagement.

33. 'Partner' is defined as Audit Director and above (Band 4).
34. Staff in Band 4 must notify the Ethics Partner of any application for any job in a public body subject to audit by auditors appointed by the Auditor General or Accounts Commission. The Ethics Partner must notify the Auditor General of any application for any such jobs.
35. Staff in Bands 2 and 3 must notify the Compliance Partner of any application to a relevant audited body.
36. 'Any entity relevant to an engagement' is defined as any body which they have audited in the previous 12 months.
37. All other members of staff not covered by the above must notify the Compliance Partner of any job offer from a relevant audited body (as defined above).

38. Staff carrying out audit work at the specific body applied to must stop working on the audit immediately pending the outcome of the application/offer and, if successful, must not return to that work. Staff who notify potential employment but are not in the event selected must obtain their line manager's approval to return to the audit; such approval will be provided whenever and wherever it is reasonable and practicable to do so.
39. All work carried out on any audit activity at the audited body by the resigning member of staff must be reviewed by a more senior member of staff.

**Paragraph 2.53 Where a partner, or another person (including a person whose services are at the disposal or under the control of the firm) who is personally approved as a statutory auditor as described in paragraph 2.48, is appointed as a director (including as a non-executive director), a member of the audit committee or body performing equivalent functions, or to a key management position with an entity relevant to an engagement, having previously been a covered person:**

**(a) in the case of a partner, at any time during the two years prior to such appointment; or**

**(b) in the case of another person, at any time during the year prior to such appointment; the firm shall resign from the engagement where possible under applicable law or regulation. The firm shall not accept another engagement for the entity until:**

**(i) in the case of a partner, a two-year period; or**

**(ii) in the case of another person, a one year period; commencing when the person ceased to be a covered person, has elapsed or until the person ceases employment with the entity, whichever is the sooner.**

40. Audit Quality and Appointments will normally recommend the Auditor General or Accounts Commission transfer that audit appointment to a firm where an individual in Band 4 leaves Audit Scotland to join an audited body as a director or in a key management position and they carried out the role of audit engagement partner or other relevant partner role at that body.
41. The Ethics Partner must put in place stringent safeguards if transfer to a firm is not possible (such as in the case of the Scottish Government or other audits where the Auditor General signs the independent auditor's report) to ensure that there is no loss of independence, e.g. independent review by another director or a firm. The Ethics partner must report any such arrangements to the Auditor General or Accounts Commission, as appropriate.

42. Audit Quality and Appointments will review the composition of the audit team in consultation with ASG where the member of staff carried out the engagement partner equivalent role on a national performance audit covering the audited body. Audit Quality and Appointments will take account of the role of the person leaving and the role they have assumed and make a recommendation to the Auditor General or Accounts Commission for:
- no change
  - a change in the team or
  - a change of appointed auditor.
43. Audit Quality and Appointments will take the circumstances of the member of staff leaving into account if the next audit appointments are made within two years of the person leaving and will normally not recommend reappointment of Audit Scotland within a two-year period.
44. Audit Quality and Appointments will review the composition of the audit team where any other former member of the audit team of an audited body leaves Audit Scotland and within two years joins the audited body as a director or in a key management position.

## Family Members Employed by an Entity Relevant to an Engagement

**Paragraph 2.59** Where a covered person, or any partner in the firm, becomes aware that a person closely associated with them, or a close family member who is not a person closely associated with them, is employed by an entity relevant to the engagement and that person is in a position to exercise influence on the accounting records or financial statements or other subject matter information or subject matter of such an engagement, that covered person or that partner shall either:

(a) in the case of a person closely associated with them being employed by the entity in such a position, be excluded from any role in which they would be a covered person; or

(b) in the case of a close family member of a covered person who is not a person closely associated with them, or, for an engagement other than an investment circular reporting engagement, any close family member of any partner in the firm who is not a person closely associated with them, report the matter to the engagement partner to take appropriate action. If it is a close family member of the engagement partner or if the engagement partner is in doubt as to the action to be taken, the engagement partner shall resolve the matter in consultation with the Ethics Partner/Function.

45. From time to time, it will be the case that some Audit Scotland staff have family members who are employed by public bodies. Given the wide range of circumstances that may exist, each case is dealt with on its merits. However, the general policy is that the closer to the subject

matter of audit work that the family member is employed (e.g. in a finance role), the more likely it is that the member of staff should not take part in the audit. Similarly, the more senior the member of staff and/or their family member, the greater the perceived threat to independence and objectivity.

46. It is unlikely that family members employed in roles such as teachers, doctors or nurses would normally create any threat to independence of staff members.
47. Staff engaged on audit work that covers several audited bodies need to be particularly vigilant in this area. Members of staff should discuss any such relationships with their line manager and if appropriate the Compliance and/or Ethics Partner.

## Governance Role with an Entity Relevant to an Engagement

**Paragraph 2.61 The firm or a partner or member of staff of the firm shall not accept appointment or perform a role:**

**(a) as an officer or member of the board of directors of an entity relevant to an engagement of the firm;**

**(b) as a member of any subcommittee of that board; or**

**(c) in such a position in an entity which holds directly or indirectly more than 20% of the voting rights in the entity relevant to an engagement, or in an entity in which the entity relevant to such an engagement holds directly or indirectly more than 20% of the voting rights.**

48. Audit Scotland encourages members of staff to take part in voluntary and community bodies, many of which receive substantial public funding. In taking on such roles staff need to be aware of the potential for their position to be perceived as creating a conflict of interest which may impair their integrity, independence or objectivity. Staff must discuss any such roles with their line manager and Compliance Partner and each case will be considered on its merits. The following examples may help:
  - Example 1 – an engagement lead on the audit of a council is offered the role of treasurer or chair to a Citizens' Advice Bureau which is 80% funded by that council and the funding is discretionary. This could create a perception of a conflict between the roles and must be avoided.
  - Example 2 – membership of a school board – while the school will be funded by the council, it is required to provide education as a statutory service. The likely influence of a member of a school board on the level of funding is negligible and the potential for conflict of interest is minimal.

49. Staff should not seek board membership of bodies where the Auditor General or the Accounts Commission appoint the auditor as this can limit flexibility in making audit appointments or in the deployment of staff. Any offers for such positions must be agreed with the Ethics Partner who may refer cases to the Management Team.

## Employment with the Firm

**Paragraph 2.65** Where a former director or a former employee of an entity relevant to an engagement, who was in a position to exert significant influence over the preparation of the financial statements or other subject matter information or subject matter of such an engagement, joins the firm, that individual shall be excluded from any role in which they would be a covered person relevant to that entity or its affiliates for a period of two years following the date of leaving the entity.

50. Paragraph 2.65 applies in full for financial audits. If the individual joining Audit Scotland has ASG management responsibility they must not be involved in the audit of their former employer, and the audit must be subject to an independent review for the first two years irrespective of the size of the body.
51. An individual joining PABV from a management position must not have any involvement in audit work or studies which focus on their former employer for a period of two years after joining. Any incidental work must be subject to specific review by another member of staff.

## Family and Other Personal Relationships

**Paragraph 2.70** The firm shall establish policies and procedures that require:

(a) partners and professional staff members to report to the firm any persons closely associated with them, any close family who are not a person closely associated with them, and other personal relationships, where any of those persons is involved with an entity relevant to an engagement of the firm, where the partner or professional staff member considers that the relationship might create a threat to integrity or objectivity or may compromise independence;

(b) the relevant engagement partners to be notified promptly of any information reported by partners and other professional staff members as required by paragraph (a).

52. All staff must complete an annual Fit and Proper self-assessment form. This requires staff to immediately report circumstances that would negatively impinge on their independence to their line manager and where necessary to their Compliance Partner.

# Section 3 – Long Association with Engagements and with Entities Relevant to Engagements

## Introduction

53. Section 3 of the Standard sets out the requirements concerning long association with an audit.
54. Audit Scotland adopts robust limits on how long any auditor spends on an audit, not just senior staff as required by the Ethical Standard. Audit Services Group records all staff's involvement in audits on an audit rotation database. In addition, the five year tender includes rotation of about half of Audit Services' audits to the private firms.

## General Requirements

**Paragraph 3.1 The firm shall establish policies and procedures to monitor the length of time and extent of involvement that partners and staff in senior positions, including those from other disciplines, serve as members of the engagement team(s) for recurring engagements for entities.**

55. Business groups monitor the length of time that staff work on audits with a view to key senior staff not normally staying on the same audit for more than five years in the same role.
56. Business groups maintain a rotation database for this purpose and staff must confirm they have updated this every year via the Fit and Proper form.

## Key Audit Partners and Engagement Partners

**Paragraph 3.11 In the case of listed entities, save where the circumstances contemplated in paragraph 3.14 and 3.15 apply, the firm shall establish policies and procedures to ensure in respect of a recurring engagement that:**

- (a) no one shall act as engagement partner for more than five years; and
- (b) anyone who has acted as the engagement partner for a particular entity for a period of five years, shall not subsequently participate in the engagement until a further period of five years has elapsed.

57. Paragraph 3.11 applies to all bodies.

## Engagement Quality Control Reviewers and Other Key Partners Involved in the Engagement

**Paragraph 3.20** In the case of public interest entities and other listed entities, the firm shall establish policies and procedures to ensure in respect of a recurring engagement that:

**(a)** no one shall act as the engagement quality control reviewer or a key partner involved in the engagement for a period longer than seven years;

**(b)** where an engagement quality control reviewer or a key partner involved in the engagement becomes the engagement partner, the combined period of service in these positions shall not exceed seven years; and

**(c)** anyone who has acted:

**(i)** as an engagement quality control reviewer for a particular entity for a period of seven years, whether continuously or in aggregate, shall not participate in the engagement until a further period of five years has elapsed;

**(ii)** as a key partner involved in the engagement for a particular entity for a period of seven years, whether continuously or in aggregate, shall not participate in the engagement until a further period of two years has elapsed;

**(iii)** in a combination of roles as:

\* the engagement quality control reviewer, a key partner involved in the engagement, or

\* the engagement partner for a particular entity for a period of seven years, whether continuously or in aggregate, shall not participate in the engagement until a further period of five years has elapsed.

58. Paragraph 3.20 applies to all bodies.

59. The engagement lead for the Scottish Government audit, where the audit opinion is signed by the Auditor General, is considered to be the Audit Director, who is subject to the time limits.

60. The 'Key partner involved in the engagement' is an audit partner involved at group level and responsible for key decisions or judgements on significant matters such as on significant subsidiaries or divisions of the audited body or on significant risk factors that relate to that body.

## Other Partners and Staff Involved in the Engagement in Senior Positions

**Paragraph 3.21 In the case of public interest entities and other listed entities, the engagement partner shall review the safeguards put in place to address the threats to the objectivity and independence of the person or persons conducting the engagement arising where partners and staff have been involved in the engagement in senior positions for a continuous period longer than seven years and shall discuss those situations with the engagement quality control reviewer. Any unresolved problems or issues shall be referred to the Ethics Function / Partner.**

61. All staff will normally be limited to five years on any one audit, except in exceptional circumstances where the Ethics Partner may allow the limit to be extended by up to two years.

# Section 4 – Fees, remuneration and evaluation policies, gifts and hospitality, litigation

## Introduction

62. Section 4 of the Standard sets out the requirements concerning fees and remuneration. Fees for Audit Scotland's audits are set by AQA independently of auditors. This provides a strong control against threats to independence in combination with the independent appointment.

## Fees

**Paragraph 4.1 The engagement partner shall be satisfied and able to demonstrate that the engagement has assigned to it sufficient partners and staff with appropriate time and skill to perform the engagement in accordance with all applicable Engagement and Ethical Standards, irrespective of the engagement fee to be charged.**

63. Audit engagement leads must assign sufficient staff with appropriate skills for the work to be carried out in accordance with applicable standards including the Audit Guide, the Auditing Best Value Manual or Audit Management Framework as appropriate, irrespective of the audit fee, budget or planned timetable.

**Paragraph 4.6R Fees for the provision of engagements shall not be contingent fees.**

**Paragraph 4.25 In the case of public interest entities and of other listed entities relevant to an engagement, the engagement partner shall disclose to the audit committee, in writing, any contingent fee arrangements for non-audit / additional services provided by the firm or its network firms.**

64. Audit Scotland does not undertake any work on a contingent fee basis.

**Paragraph 4.42** Where it is expected that the total fees for services receivable from a public interest entity or other listed entity and its subsidiaries relevant to a recurring engagement by the firm will regularly exceed 10% of the annual fee income of the firm or, where profits are not shared on a firm-wide basis, of the part of the firm by reference to which the engagement partner's profit share is calculated, the firm shall not act as the provider of the engagement for that entity and shall either resign or not stand for reappointment, as appropriate.

**Paragraph 4.47** Where it is expected that the total fees services receivable from a public interest entity or other listed entity and its subsidiaries relevant to a recurring engagement by the firm will regularly exceed 5% of the annual fee income of the firm or the part of the firm by reference to which the engagement partner's profit share is calculated, but will not regularly exceed 10%, the engagement partner shall disclose that expectation to the Ethics Partner/Function and to those charged with governance of the entity, including the audit committee where there is one, and discusses with both the threat to integrity, objectivity and independence of the firm and covered persons and whether safeguards need to be applied to eliminate or reduce the threat to a level where independence would not be compromised.

**Paragraph 4.51** Where it is expected that the total fees for services receivable from a non-listed entity, that is not a public interest entity, and its subsidiaries relevant to a recurring engagement will regularly exceed 10% of the annual fee income of the firm or the part of the firm by reference to which the engagement partner's profit share is calculated, but will not regularly exceed 15%, the engagement partner shall disclose that expectation to the Ethics Partner/Function and to those charged with governance of the entity and the firm shall arrange an external independent quality control review of the engagement to be undertaken before the firm's report is finalised.

65. The fees receivable from the audit of the Scottish Government and EFAFA are above 5% of the total annual audit fee. The Scottish Government group of audits is the only audit which normally has fees exceeding 10% of ASG's total fee income. However, each subsidiary is audited independently and the engagement lead for the consolidated account has no direct influence, in that role, over the audit judgements for the subsidiaries.
66. The threats to objectivity envisaged by the standard are fully mitigated because these audit appointments are made independently of the body by the Auditor General and consequently this requirement does not apply.

## Remuneration and Evaluation Policies

**Paragraph 4.57** The firm shall establish policies and procedures to ensure that each of the following is true in relation to each entity relevant to an engagement by the firm:

(a) a primary criterion for evaluating the performance or promotion of members of the engagement team is how they have contributed to the quality of engagements undertaken;

(b) the objectives of the members of the engagement team do not include selling non-audit / additional services to the entity;

(c) the criteria for evaluating the performance or promotion of members of the engagement team do not include success in selling non-audit / additional services to the entity; and

(d) no specific element of the remuneration of a member of the engagement team is based on his or her success in selling non-audit / additional services to the entity.

67. The selling of non-audit services is not a feature of either performance appraisal or staff remuneration.

## Gifts and Hospitality

**Paragraph 4.61D** A firm, its partners and any covered person, and persons closely associated with them, shall not solicit or accept pecuniary and non-pecuniary gifts or favours, including hospitality, from an entity relevant to the engagement, or any other entity related to that entity, unless an objective, reasonable and informed third party would consider the value thereof as trivial or inconsequential.

**Paragraph 4.63** The firm shall establish policies on the nature and value of gifts, favours and hospitality that may be accepted from and offered to an entity relevant to an engagement, or any other entity related to that entity, their directors, officers and employees, and shall issue guidance to assist partners and staff to comply with such policies.

68. Audit Scotland's gift and hospitality policy is consistent with the Ethical Standard requirements and is set out in the Code of Conduct. All staff must confirm compliance with this via the annual Fit and Proper self-assessment form.

# Section 5 – Non-audit / Additional services provided to audited entities

## Introduction

69. Section 5 of the Standard sets out the requirements for providing services to audited bodies in addition to the core audit work. Audit Scotland's focus is on financial audit and there is no incentive to conduct non-audit services. Any such work will be carried out only if requested and can be accepted only with approval from AQA.
70. Paragraphs 5.3 to 5.39 of section 5 set out the general approach to providing non-audit services to audited bodies, and additional services to bodies which they may not audit but for which they undertake other public interest assurance services. This approach is applicable irrespective of the nature of the non-audit/additional services in a given case.
71. Paragraphs 5.44 to 5.164 of section 5 illustrate the application of the general approach to a number of common non-audit/additional services.
72. The following guidance below each requirement from the standard explains how they are applied in Audit Scotland.

## General Approach to Non-audit / Additional Services

**Paragraph 5.11 The firm shall establish policies and procedures that require others within the firm, when considering whether to provide a non-audit / additional service to an entity relevant to an engagement, other than an investment circular reporting engagement, or to any of its affiliates, to communicate details of the proposed non-audit / additional service to the engagement partner.**

73. Any non-audit services carried out by ASG must be arranged through the audit engagement lead. All proposed non-audit services must first be approved by Audit Scotland's Ethics Partner then by AQA. Requests should be made in writing to AQA and should be accompanied by express assurance from the auditor that the Engagement Partner has reviewed the proposed work and that they do not consider that it represents a conflict with the firm's role as external auditor, in particular a self-review threat.
74. AQA will make its decision on any request having regard to the APB Ethical Standard currently in force and may consult Audit Scotland's Ethics Partner. For example, in accordance with paragraph 5.53 of the Ethical Standard (June 2016), approval would not be given for external auditors to seek appointment as internal auditors.

75. While it is unlikely that work carried out at an audited body by PABV or work carried out by any other member of staff would constitute work which might threaten an auditor's independence or objectivity, all staff need to be aware of the possibility in relation to any improvement work or advice and must discuss any proposed work with the audit engagement lead.
76. Audit Scotland staff do not provide additional services to bodies that are not audited.

## Evaluation of specific non-audit services and additional services

Paragraphs 5.48 to 5.164 gives the following examples of non-audit services where extreme care is required: Internal audit services; Information technology services; Valuation services; Actuarial valuation services; Tax services; Litigation support services; Legal services; Recruitment and remuneration services; Corporate finance services; Transaction related services; Restructuring services; and Accounting Services.

77. The requirements of paragraph 5.48 to 5.164 apply to all audits.
78. Transaction related services: preliminary opinions on the likely accounting treatment of PFI/PPP schemes may be undertaken by the audit team but any undue attempts by management to put pressure on the auditor to reach a particular view must immediately be reported to the Ethics Partner.

## Audit related services

Paragraph 5.41 Audit related services are: Reporting required by law or regulation to be provided by the auditor; Reviews of interim financial information; Reporting on regulatory returns; Reporting to a regulator on client assets; Reporting on government grants; and Reporting on internal financial controls when required by law or regulation; Extended audit work that is authorised by those charged with governance performed on financial information and/or financial controls where this work is integrated with the audit work and is performed on the same principal terms and conditions.

79. Audit related services are those non-audit services that are largely carried out by the engagement team and where the work involved is closely related to the financial audit.
80. Each type of audit related services may be undertaken. The type of audit related service most likely to be undertaken is work on the certification of grant claims. Auditors must seek approval from the Ethics Partner then AQA as described in paragraph 73.

# Appendix 1

## Application of IESBA Ethics Code to UK Accountancy Bodies

81. The International Ethics Standards Board for Accountants (IESBA) develops ethical standards and guidance for use by professional accountants. The IESBA Code issued in July 2009 (updated in 2016) serves as the foundation for codes of ethics developed and enforced by members of the International Federation of Accountants (IFAC). No member body of IFAC or firm issuing reports in accordance with International Auditing and Assurance Standards is allowed to apply less stringent standards than those stated in the IESBA Code.
82. Each professional institute in the UK adopted the IESBA Code as the basis for their own ethics codes from 1 January 2011. Members are required to comply with their institute's code.
83. Information on each institute's ethics code is as follows
  - CIPFA has a [Standard of Professional Practice on Ethics](#) (SOPP on Ethics).
  - ICAS has a [Code of Ethics](#).
  - The ACCA Rulebook contains their [Code of ethics and conduct](#) at section 3.
  - ICAEW has a [Code of Ethics](#).

## Purpose

1. This report invites the Board to note the outcome of the self-evaluation process in compliance with the Public Records (Scotland) Act 2011 (PRSA), a Mystery Shopper exercise carried out in compliance with the Freedom of Information (Scotland) Act 2002 (FOISA) and the most recent ISO 27001 – Information Security Management audit.

## Background

2. The Auditor General, Accounts Commission and Audit Scotland are all subject to the PRSA and FOISA. We have joint policies and procedures in place to ensure compliance with both Acts.
3. The Scottish Information Commissioner conducts Mystery Shopper exercises to establish if Scottish public authorities are complying with elements of FOISA.
4. The Keeper of the Records implements a Progress Update Report (PUR) self-assessment review mechanism to enable authorities to be credited for the progress they are making and to receive constructive advice concerning on-going records management developments.
5. In March/April 2018 Audit Scotland (in 2017 Audit Scotland and the Accounts Commission were included) was included in the sample for the Commissioners 2018 Mystery Shopper exercise.
6. In July 2018 Audit Scotland, the Auditor General and Accounts Commission were invited to submit their joint 2018 records management PUR to the Keepers evaluation team.
7. The results of the external scrutiny are set out below. In addition the PUR report from the Keepers evaluation team is attached to this paper.

## Mystery Shopper

8. FOISA requires authorities to proactively publish certain types of information to the public. Proactive publication is a critical tool for the public to hold public bodies to account, particularly in relation to decision-making, spending, procurement and contracts.
9. The Mystery Shopper exercise was carried out in March and April 2018 on the Commissioner's behalf by Craigforth Ltd, and included a sample of 71 Scottish public bodies. It focussed on the accessibility of each authority's Guide to Information, procurement information and decision-making information, as well as the provision of advice and assistance.
10. Craigforth Ltd found the majority of Scottish public authorities are complying with their legal obligations to publish information, but not all do, and provision is not always consistent.
11. Audit Scotland performed very well in the Mystery Shopper exercise as can be seen from the results data in appendix 1. We were not subject to phone calls and emails from the Mystery Shopper to establish the quality of advice and assistance (we were included for this in 2017).
12. The full Mystery Shopper report is available on the Scottish Information Commissioner's website [here](#).

## PUR 2018

13. A records management PUR was a new requirement (started in 2017) for public bodies to undertake each year in support of the Public Records Scotland Act 2011 and our Records Management Plan (RMP).

14. Our joint (Auditor General, Accounts Commission and Audit Scotland) RMP was approved by the Keeper of the Records in 2013 (next full submission will be in July/August 2019). Our 2017 PUR was commended for the ongoing commitment to managing our records.
15. The 2018 PUR was undertaken by the Corporate Governance Manager and submitted to the Keeper's assessment team in July 2018 as part of the review of our Records Management policy. The PUR report from the assessment team (which is attached) is once again favourable and supportive of the action we have and are taking to comply with the PRSA.
16. The assessment team said that: 'Audit Scotland, the Auditor General for Scotland and the Accounts Commission for Scotland continues to take its records management obligations seriously and is working to maintain all elements in full compliance. It is clear that the authority has embedded all its records management responsibilities into its regular working practices. It is an exemplar of best practice in its approach to records management as an effective tool for supporting its functions. This is best demonstrated by the forward planning in relation to the impact of moving its records to cloud storage: the elements potentially affected by this have been identified and are being considered as part of the process rather than an afterthought when decisions have been taken.'

## ISO27001 audit

17. On 25 September 2018 Certification Europe were onsite at West Port, Edinburgh to perform the final ISO 27001:2013 surveillance audit of 2018.
18. The agenda for the day focused on Risk Assessment and Treatment, Human Resources Information Security, Information Security Incident Management, Business Continuity, Supplier Management and Compliance. Over the course of the day we were required to provide evidence of continued compliance to the ISO 27001:2013 standard, for each of these areas.
19. The Assessor was satisfied that the action taken to achieve closure of the Non-Conformances (NC) raised at the last audit and that no new NCs or Opportunities For Improvement (OFIs) were identified. The final Surveillance audit of the current certification has been confirmed for Tuesday 26 March 2019.
20. Audit Scotland's current certification to ISO 27001:2013 is due to expire in September 2019 and plans are being made to be re-certified.

## Recommendations

21. The Board is invited to note the outcome of the self-evaluation process in compliance with the Public Records (Scotland) Act 2011 (PRSA), the Mystery Shopper exercise carried out in compliance with the Freedom of Information (Scotland) Act 2002 (FOISA) and the results of our most recent ISO 27001 audit.

## Mystery Shopper results for Audit Scotland

### PUBLICATION SCHEME AND GUIDE TO INFORMATION

Guide to Information online (GTI)?	How was the GTI accessed?	Does the website/document state when GTI was last reviewed?	When was GTI last reviewed?	Number clicks were required to access GTI?	Does GTI provide weblink to available information?	Ease of accessing: Information on Publication Scheme	Ease of accessing: Guide to Information	GTI/information offered in other formats?	How many contact methods offered?	Email or webform?	Telephone?	Postal address?	Named individual?	Number clicks required to access contact details?	Does GTI include charging schedule?	Does Charging Schedule itemise specific items?	Costs specified for anything other than supplying info?	Does GTI explain how charges calculated?
Yes	Link	No	Unknown	1	Yes	Very easy	Very easy	Yes	4	Yes	Yes	Yes	Yes	1	Yes	Yes	No	Yes

### PROCUREMENT INFORMATION

Does GTI provide weblink to Procurement Info?	Does website provide Procurement Strategy/ Policy/ Procedures?	Does website provide details of tendered contracts?	Include contract name?	Include supplier name?	Include contract period?	Include contract value?	Number clicks required to access Procurement information?	Quality of signposting to Procurement information	Ease of accessing Procurement Strategy etc	Ease of accessing Tendered contracts	Most recent publication date: Procurement Strategy etc	Most recent publication date: Tendered contracts	Earliest publication date: Procurement Strategy etc	Earliest publication date: Tendered contracts	Procurement information offered in other formats?
Yes	Yes-wholly	Yes-through website	Yes	Yes	Yes	Yes	2	Very good	Very easy	Very easy	2017/18	2017/18	Prior to 2015/16	Prior to 2015/16	No

### DECISION MAKING INFORMATION (this is Board

type information ie agendas, minutes and papers)

Does GTI include Class 3: Decisions?	Does GTI provide weblink to Decision Information?	Committee/board minutes provided?	Committee agenda/documents provided?	Strategies/plans provided?	How many clicks required to access Decision information?	Quality of signposting to Decision information	Ease of accessing: Committee/Board minutes	Ease of accessing: Agendas/Documents	Ease of accessing: Strategies/Plans	Ease of accessing: Meeting minutes	Most recent publication date: Meeting minutes	Most recent publication date: Agendas/Documents	Most recent publication date: Strategies/Plans	Earliest publication date: Meeting minutes	Earliest publication date: Agendas/Documents	Earliest publication date: Strategies/Plans	Decision information offered in other formats?
Yes	No	Yes-wholly	Yes-wholly	Yes-wholly	4	Fairly good	Fairly easy	Fairly easy	Fairly easy	Fairly easy	2017/18	2017/18	2017/18	Prior to 2015/16	Prior to 2015/16	Prior to 2015/16	No

# **The Public Records (Scotland) Act 2011**

**Audit Scotland, Auditor General for Scotland and Accounts Commission for  
Scotland**

**Progress Update Review (PUR) Final Report by the PRSA Assessment Team**

**26 September 2018**

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## 1. Public Records (Scotland) Act 2011

The Public Records (Scotland) Act 2011 (the Act) received Royal Assent on 20 April 2011. It is the first new public records legislation in Scotland since 1937 and came into force on 1 January 2013. Its primary aim is to promote efficient and accountable record keeping by named Scottish public authorities.

The Act has its origins in *The Historical Abuse Systemic Review: Residential Schools and Children's Homes in Scotland 1950-1995* (The Shaw Report) published in 2007. The Shaw Report recorded how its investigations were hampered by poor recordkeeping and found that thousands of records had been created, but were then lost due to an inadequate legislative framework and poor records management. Crucially, it demonstrated how former residents of children's homes were denied access to information about their formative years. The Shaw Report demonstrated that management of records in all formats (paper and electronic) is not just a bureaucratic process, but central to good governance and should not be ignored. A follow-up review of public records legislation by the Keeper of the Records of Scotland (the Keeper) found further evidence of poor records management across the public sector. This resulted in the passage of the Act by the Scottish Parliament in March 2011.

The Act requires a named authority to prepare and implement a records management plan (RMP) which must set out proper arrangements for the management of its records. A plan must clearly describe the way the authority cares for the records that it creates, in any format, whilst carrying out its business activities. The RMP must be agreed with the Keeper and regularly reviewed.

## 2. Progress Update Review (PUR) Mechanism

Under section 5(1) & (2) of the Act the Keeper may only require a review of an authority's agreed RMP to be undertaken not earlier than five years after the date on which the authority's RMP was last agreed. Regardless of whether an authority has successfully achieved its goals identified in its RMP or continues to work towards them, the minimum period of five years before the Keeper can require a review of a RMP does not allow for continuous progress to be captured and recognised.

The success of the Act to date is attributable to a large degree to meaningful communication between the Keeper, the Assessment Team, and named public authorities. Consultation with Key Contacts has highlighted the desirability of a mechanism to facilitate regular, constructive dialogue between stakeholders and the Assessment Team. Many authorities have themselves recognised that such regular communication is necessary to keep their agreed plans up to date following inevitable organisational change. Following meetings between authorities and the Assessment Team, a reporting mechanism through which progress and local initiatives can be acknowledged and reviewed by the Assessment Team was proposed. Key Contacts have expressed the hope that through submission of regular updates, the momentum generated by the Act can continue to be sustained at all levels within authorities.

The PUR self-assessment review mechanism was developed in collaboration with stakeholders and was formally announced in the Keeper's Annual Report published on 12 August 2016. The completion of the PUR process enables authorities to be credited for the progress they are effecting and to receive constructive advice concerning on-going developments. Engaging with this mechanism will not only maintain the spirit of the Act by encouraging senior management to recognise the need for good records management practices, but will also help authorities comply with their statutory obligation under section 5(1)(a) of the Act to keep their RMP under review.

### 3. Executive Summary

This Final Report sets out the findings of the Public Records (Scotland) Act 2011 (the Act) Assessment Team's consideration of the Progress Update template submitted for Audit Scotland, Auditor General for Scotland and Accounts Commission for Scotland. The outcome of the assessment and relevant feedback can be found under sections 6 – 8.

### 4. Authority Background

Audit Scotland assists the Auditor General and the Accounts Commission to ensure organisations that spend public money in Scotland use it properly, efficiently and effectively. They check whether organisations manage their finances to the highest standards and achieve the best possible value for public money. They support public scrutiny that is fair, equal and open, and that leads to more effective financial management and value for money.

The post of Auditor General for Scotland was created under the Scotland Act 1998, prior to devolution in 2000. The appointment is made by the Crown. The Auditor General is responsible for auditing directorates of the Scottish Government, government agencies (e.g. the Scottish Prison Service, Transport Scotland), NHS bodies, further education colleges and all Non Departmental Public Bodies (for example Scottish Enterprise and VisitScotland). Annual financial audit reports are produced.

The Accounts Commission for Scotland is the public spending watchdog for local government. They hold councils in Scotland to account and help them improve. They operate impartially and independently of councils and of the Scottish Government, and meet and report in public. The Accounts Commission for Scotland was established in 1975 by the Local Government (Scotland) Act 1973. It is a body of at least six and no more than 12 members. Members are appointed by Scottish Ministers, following open recruitment under the public appointments procedures. Ministers also appoint one of the members to chair the Commission and one to be deputy chair. The role of the Commission has evolved and been modified in a variety of ways since 1975. Its current role can be summarised as 'to secure the audit of Scottish local government and to consider reports arising from that audit'.

### 5. Assessment Process

A PUR submission is evaluated by the Act's Assessment Team. The self-assessment process invites authorities to complete a template and send it to the Assessment Team one year after the date of agreement of its RMP and every year thereafter. The self-assessment template highlights where an authority's plan achieved agreement on an improvement basis and invites updates under

those 'Amber' elements. However, it also provides an opportunity for authorities not simply to report on progress against improvements, but to comment on any new initiatives, highlight innovations, or record changes to existing arrangements under those elements that had attracted an initial 'Green' score in their original RMP submission.

The assessment report considers statements made by an authority under the elements of its agreed Plan that included improvement models. It reflects any changes and/or progress made towards achieving full compliance in those areas where agreement under improvement was made in the Keeper's Assessment Report of their RMP. The PUR assessment report also considers statements of further progress made in elements already compliant under the Act.

Engagement with the PUR mechanism for assessment cannot alter the Keeper's Assessment Report of an authority's agreed RMP or any RAG assessment within it. Instead the PUR Final Report records the Assessment Team's evaluation of the submission and its opinion on the progress being made by the authority since agreeing its RMP. The team's assessment provides an informal indication of what marking an authority could expect should it submit a revised RMP to the Keeper under the Act, although such assessment is made without prejudice to the Keeper's right to adopt a different marking at that stage.

**Key:**

G	The Assessment Team agrees this element of an authority's plan.	A	The Assessment Team agrees this element of an authority's progress update submission as an 'improvement model'. This means that they are convinced of the authority's commitment to closing a gap in provision. They will request that they are updated as work on this element progresses.	R	There is a serious gap in provision for this element with no clear explanation of how this will be addressed. The Assessment Team may choose to notify the Keeper on this basis.
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**Progress Update Review (PUR) Template: Audit Scotland, Auditor General for Scotland and Accounts Commission for Scotland**

N. B. For simplicity, as the plan relates to the records management provision for all three public authorities, the use of 'Audit Scotland' should be taken to refer to that organisation as well as the Auditor General for Scotland and the Accounts Commission for Scotland.

Element	Status of elements under agreed Plan, November 2013	Status of evidence under agreed Plan, November 2013	Progress assessment status, 2017	Progress assessment status, 2018	Keeper's Report Comments on Authority's Plan, November 2013	Self-assessment Update as submitted by the Authority in 2017	Progress Review Comment, 2017	Self-assessment Update as submitted by the Authority since November 2013 and the 2017 PUR	Progress Review Comment, 2018
1. Senior Officer	G	G	G	G	Update required on any change	No change, still D McGiffen, Chief Operating Officer	No immediate action required. Update required on any future change.	No change, still D McGiffen, Chief Operating Officer	No immediate action required. Update required on any future change.
2. Records Manager	G	G	G	G	Update required on any change	No change, still A Devlin, Corporate Governance Manager	No immediate action required. Update required on any future change.	No change, still A Devlin, Corporate Governance Manager	No immediate action required. Update required on any future change.
3. Policy	G	G	G	G	Update required on any change	Policy reviewed yearly and reapproved by the Audit Scotland Board. Next re-approval 23 August 2017. Only minor amendments made to 2013 version.	Audit Scotland continue to take their records management responsibilities seriously as evidenced by the regular review of their Policy and the involvement of the Board in approving and signing-off the Policy. Ensuring organisational high-level engagement in records management policies is commended by the Assessment Team.  Should the next scheduled review in August prompt significant changes to the Policy, the Assessment Team would like to be informed of these during the next PUR invitation process.  The Assessment Team recognises the on-going	Policy reviewed yearly and re-approved by the Audit Scotland Board.  Next re-approval 26 September 2018. Only minor amendments made to 2013 version.  No amendments were required in 2017 however it is still submitted for re-approval.  The 2017 submission to the Board can be found in the Boards agenda's, papers and minutes using this <a href="#">link</a> (pages 465 to 500). You will see the covering paper to the Board on our information policies: our FOI, Data Protection and RM policies for re-approval. You will also find last year's PUR reported to the Board.	Audit Scotland has provided evidence that it continues to review its records management policy and associated policies annually and ensures that the Board engages with this by the annual requirement to approve this. Publishing these policies is best practice and it is commendable that Audit Scotland does this as a simple business as usual process.

							initiative being undertaken by the authority under this element.		
4. Business Classification	G	G	G	G	<p>Update required on any change. The Keeper is interested to hear news of the re-arrangement of the Business Classification Scheme (BCS)/Information Asset Register along functional lines</p>	<p>With the implementation of SharePoint our business classification was implemented on functional lines. The main focus of our work is auditing and this forms one of the largest section of SharePoint, auditing is further split by type of audit and audit sector. The other high level sections are:</p> <ul style="list-style-type: none"> <li>• Working groups (cross organisation working e.g. international audits/support),</li> <li>• Business groups (includes the Audit Scotland Board and Executive, Auditor General and the Accounts Commission),</li> <li>• Reference (supporting the business in areas such as corporate governance, legislation, FOI, complaints, etc.),</li> <li>• External engagement.</li> </ul> <p>Example below:</p> 	<p>Audit Scotland has submitted a sample page from SharePoint demonstrating the new functional arrangement of the current Business Classification Scheme. This appears to comprehensively cover all the authority's functions and the types of records created during the exercise of those functions. This will help the authority identify and retrieve the records it creates.</p> <p>Although such arrangement must remain a business decision for Audit Scotland, the Assessment Team would like to acknowledge that a functional system is currently considered 'best practice'.</p> <p>In Audit Scotland's agreed RMP the authority was considering developing a single document encompassing both the Business Classification Scheme and the Retention Schedule. The Assessment Team have been notified that the authority have opted to retain a separate retention schedule to ensure the on-going management of records held outwith the SharePoint system. This is a sensible approach for safeguarding records not encompassed by</p>	<p>No change since the PUR submission in 2017.</p> <p>However, we are currently working up a project to move SharePoint to the cloud. This will affect our records management arrangements, and possibly our business classification. An update on any changes will be included in our next full records management plan submission to the Keeper in June 2019.</p>	<p>The recognition that changes in technology may affect the business classification scheme and other practice demonstrates that the authority is aware of the wider ramifications of change and augurs well for the continuation of good practice in this element. The team look forward to learning more about this next year.</p>

						<p>SharePoint. The Assessment Team thanks Audit Scotland for the update.</p> <p>The Assessment Team recognises the on-going initiative being undertaken by the authority under this element.</p>			
5. Retention Schedule	G	G	G	G	<p>Update required on any change. The Keeper would welcome updates on the alignment of the retention schedule with the BCS along functional lines and the imposition of retention periods at point of record creation using the SharePoint system</p>	<p>Record retention schedule reviewed and updated on implementation of SharePoint and again in 2015. SharePoint libraries can be set with a retention period applicable to that library. In practice most of our retention periods are seven years this reflects the requirement for conducting audits.</p> <p>Documents are given 18 months from last change to deletion. If the document is to be kept as a record it is declared and kept for up to seven years when a manual intervention is required to review the record and a decision taken to delete it or to retain it for a further period (this includes Board records which will be kept for the life of the business but reviewed every seven years).</p> <p>Regular reports from SharePoint are sent to the business groups IAO's for review to decide on the future of that record or document.</p>	<p>Audit Scotland have developed and imposed appropriate arrangements for this element. The implementation of SharePoint, and use of the Library tool in particular, ensures records are assigned pre-determined retention/disposal dates. The retention of most records of seven years is entirely appropriate for this authority to conduct its functions.</p> <p>The authority has also made provision for the archiving of records by requiring that records to be kept for their enduring value are subject to manual intervention to either destroy or retain them for a further period. This is considered good practice as it will reduce the risk of records of permanent value being disposed of accidentally.</p> <p>The Assessment Team welcome the permanent retention of high-level organisational records such as Board records.</p> <p>Audit Scotland's approach of involving business group Information Asset</p>	<p>No change since last PUR update.</p> <p>However, we are working on amalgamating our Information Asset Register and our Records Retention Schedule into one document. Then we will correlate this to our GDPR Data Processing Register.</p> <p>Again, this will be fully covered in the June 2019 re-submission of our RMP.</p>	<p>A number of authorities are reporting that they are merging their Information Asset Register with the Records Retention Schedule. Consolidating these different requirements into a single source of information is practical and helps staff to comply with the requirements of different regulatory regimes. The Assessment team look forward to learning more about this venture next year.</p>

						<p>Owners to review and decide on the future of documents is commendable. Staff engagement should ensure retention periods remain relevant to the organisation.</p> <p>Undertaking regular reviews and updating the retention schedule is similarly considered good practice. Should future reviews bring about significant changes, the Assessment Team would like to be informed of these.</p> <p>The Assessment Team recognises the on-going initiative being undertaken by the authority under this element.</p>			
6. Destruction Arrangements	G	G	G	G	Update required on any change	<p>No change.</p> <p>However, procurement under way for a new archiving company. They will be responsible for destruction of paper records. Any change will take place circa August/September 2017.</p> <p>Potential new archiving companies have confirmed they hold ISO 9001 and ISO 27001 thereby ensuring no detriment to our handling, storage and secure destruction of our records.</p> <p>Electronic records are deleted after review by Information Asset Owners.</p>	<p>Currently paper records are held and destroyed by an off-site storage specialist who is ISO compliant. However, Audit Scotland is undertaking a procurement process for a new contractor.</p> <p>Audit Scotland continue to take this element seriously by ensuring that any potential new archiving company is compliant with ISO 9001 and ISO 27001. This should ensure that the storage and secure disposal of the authority's records continues to be managed appropriately.</p> <p>Due to the significance of this change, the Assessment Team</p>	<p>No change.</p> <p>We decided to remain with Box-it for the collection and destruction of our office paper documents and records.</p>  <p>Their renewed ISO certificate, copy attached below.</p>	<p>This update and the renewed certificates are noted with thanks. The authority has ensured that their destruction arrangements for paper records are secure.</p>

						would like sight of updates and evidence following the adoption of a new record destruction contractor in future PUR submissions.  The destruction of electronic records after review by Information Asset Owners is commended as a sensible approach to ensuring that those records which are no longer needed are destroyed in a timely manner.			
7. Archiving and Transfer	G	G	G	G	Update required on any change	No change.  However see 6 above regarding a re-tender for our archiving/destruction contract. Supplier may change circa August/September 2017.  The external archiving provision will hold records either until their destruction date or transfer date to the National Records of Scotland for permanent preservation.	As per Element 6, in the event that Audit Scotland enter into a contract with a new supplier, the Assessment Team will request sight in future PUR submissions of documentation demonstrating that archiving arrangements remain robust and compliant with regulatory and legal obligations.  Audit Scotland has made it clear that any potential change in archival provision relates to the storage of semi-current records at an external facility. There will be no change to the transfer of records of enduring value to the National Records of Scotland (NRS).	Audit Scotland appointed Redrock for the archiving and transfer of our paper files. They are ISO 9001 and 27001 certificated and they hold Cyber Essentials certification.  	The contract with Redrock is for external storage and scanning of material which is not of enduring value. Procurement is a business decision for the authority and the evidence supplied confirms that the requirements for secure storage and appropriate destruction have been fully considered.  The authority continues to deposit records of enduring value with NRS and is to be commended for ensuring that these transfers occur in a timely manner.
8. Information Security	G	G	G	G	Update required on any change	Audit Scotland now has ISO 27001 – Information Security Management certification. It was achieved in November	Audit Scotland has supplied certification showing their compliance with ISO	No change.  The last ISO 27001 six-monthly surveillance visit	Annual compliance with ISO 27001 ensures that the authority takes the security of its information seriously. The



							authority under this element.		
10. Business Continuity and Vital Records	G	G	G	G	Update required on any change. The Keeper would welcome any updates concerning further implementation of the recommendations outlined in the internal audit report on 'Business Continuity and IT Disaster Recovery'	<p>Business Continuity Arrangements reviewed yearly and approved by Audit Scotland's Audit Committee.</p> <p>Last approved November 2016, next approval November 2017. BDO our Internal Auditors conducted an internal audit of our arrangements in May 2017 and we achieved substantial assurance on our arrangements. Copy of report attached below.</p> 	<p>The guidance to the Keeper's Model Plan stresses that business continuity arrangements must be regularly reviewed, tested, and revised to ensure they remain fit for purpose. Audit Scotland's annual review of its business continuity arrangements and the conducting of a test scenario at least once every twelve months are therefore commended by the Assessment Team as indicative of good practice.</p> <p>The evidence provided, namely the report of the internal audit conducted in May 2017 by BDO on Audit Scotland's business continuity arrangements highlights the continuing high levels of compliance with this element. The authors of the report are 'able to provide substantial assurance over the design and operational effectiveness of the controls in place relating to business continuity planning'. There is a clear Business Continuity Plan (BCP) in place and its guidelines have been communicated to all staff.</p> <p>The Assessment Team commend the authority's use of a testing template to record lessons learnt from previous tests. The sharing of the testing</p>	<p>No Change.</p> <p>Our BCP is reviewed yearly and submitted to the Audit Committee.</p> <p>The <a href="#">minutes of the November 2017</a> meeting (page 36) records our annual BCP submission.</p> <p>BDO Audit Scotland's internal auditors reviewed the implementation of the two BCP recommendations and signed them off as fully implemented in their follow-up report to Management Team and the Audit Committee. Extract from the follow-up report showing recommendations have been fully implemented below (just resize the picture to view).</p>  <p><a href="#">Minutes of Audit Committee meeting of 14 March 2018</a> (page four) shows that the follow-up report was presented by BDO.</p>	<p>Audit Scotland has provided evidence that they continue to ensure that their business continuity plan is maintained and regularly reviewed and approved at a senior level. Again this is best practice and demonstrates that Audit Scotland have embedded compliance in their routine business.</p>

						<p>template with the Corporate Performance Manager, who updates the BCP, and the distribution of the internal audit report with the Chief Operating Officer, is evidence of senior management involvement and commitment in ensuring compliance under this element. This is welcomed by the Assessment Team.</p> <p>The submitted Report offers two recommendations with implementation dates of June and November 2017. The Assessment Team would be pleased to learn of the implementation of these recommendations in future PUR submissions.</p> <p>The Assessment Team recognises the on-going initiative being undertaken by the authority under this element.</p>			
11. Audit Trail	G	G	G	G	<p>The Keeper would be keen to learn how the SharePoint technology is operating in so far as the audit trail of electronic records.</p> <p>The Keeper agrees that Audit Scotland's current 'audit trail' systems meet the requirements for this element and looks forward to reviewing the new policies when appropriate</p>	<p>No change to audit trail for paper records. SharePoint records now fully operational.</p> <p>Each business groups Information Asset Owner is sent an expiring file report on a regular basis (Excel spreadsheet). The reports are reviewed to establish if the document or record should be kept for a further period of time or deleted in line with our records retention schedule.</p> <p>In addition each member of staff can run an adhoc report on their expiring files.</p>	<p>The Keeper's original Report on Audit Scotland's RMP noted a commitment by the authority to focus their audit trail development on electronic media. As SharePoint is now fully operational this should now ensure that audit trail functionality such as tracking and locating electronic records, and preventing their unauthorised alteration or destruction, is now operational.</p> <p>The Assessment Team commends the rolling</p>	<p>No change since the update in last year's PUR submission.</p> <p>IAO's continue to monitor and authorise the destruction or records at the end of their retention period.</p> <p>Note however that with moving to SharePoint in the cloud this will be reviewed for electronic records and reported in our next RMP submission in June 2019.</p>	<p>Audit Scotland recognise that a change in technology could impact the current systems and arrangements for tracking changes to records and are to be commended for their forward planning. The Assessment Team look forward to hearing progress on this area in due course.</p>

					<p>Expiring files report extract below:</p> 	<p>out of SharePoint as it will provide a means of comprehensively tracking the lifecycle of electronic records.</p> <p>The inclusion of an Expiring File Report also demonstrates Audit Scotland's efforts to ensure records are destroyed in a structured, timely manner in line with business needs. The involvement of Information Asset Owners in reviewing documents scheduled for deletion is considered a suitable approach.</p> <p>The Assessment Team recognises the on-going initiative being undertaken by the authority under this element.</p>		
12. Competency Framework	G	G	G	G	<p>Update required on any change</p> <p>Generally no change however the staff guide to records management is reviewed yearly and re-issued.</p> <p>Latest version attached.</p> 	<p>The Assessment Team welcomes the regular review and re-issuing of the Guide for Staff on Managing Records. This should ensure that staff are up-to-date on procedures and their obligations in handling records in an authorised manner.</p> <p>The Team are particularly impressed by the comprehensive nature of the Guide submitted as evidence (dated July 2017). Not only are useful examples included to help explain the nature of records, their "lifecycle", and how they should be managed</p>	<p>No change since the last PUR submission which showed our July 2017 RM guide to staff.</p>	<p>No immediate action required. Update required on any future change.</p>

						<p>within SharePoint, but it also relates to many of the compulsory elements of the RMP, including information security, vital records, and the archiving and transfer of records of enduring value.</p> <p>Should future annual reviews prompt significant changes in staff instructions, the Assessment Team would be pleased to have sight of the relevant documentation.</p> <p>The Assessment Team recognises the on-going initiative being undertaken by the authority under this element.</p>			
13. Assessment and Review	G	G	G	G	Update required on any change	<p>No Change.</p> <p>Every year each business group has to undertake a review of their records management practices using our RM Checklist. The result of this is incorporated, along with other assurances, into our Accountable Officer's statement of internal control. The checklist is shown below.</p> 	<p>The annual, scheduled review of records management practices is welcomed as an example of good practice in ensuring arrangements within each business group remain fit for purpose.</p> <p>The use of the Records Management Checklist supplied as evidence is an appropriate tool for conducting such reviews. The checklist comprehensively addresses key issues necessary for on-going compliance, such as information security, staff awareness of policies and procedures, and the retention, destruction or transfer of records.</p> <p>The Assessment Team similarly commend the</p>	<p>No change.</p> <p>Information Asset Owners conducted the 2018 review between the 1 – 23 March 2018. The review was included in the 2017/18 annual report on information governance and security to the <a href="#">Audit Committee in May 2018</a> (item 16 on page 13 of the minutes).</p>	<p>Audit Scotland have provided evidence that they continue to assess and review the Records Management Plan in conformance with the Public Records (Scotland) Act 2011, s. 5 (1) (a). The submission of this Progress Update Review is further evidence of the authority's commitment to making proper arrangements for its records. The authority is to be commended for maintaining compliance in a proactive manner.</p>

							<p>involvement of senior management in reporting on the finding of these reviews.</p> <p>The Assessment Team will need to be informed if any considerable amendments occur or new policies are introduced following these regular self-assessments.</p> <p>The Assessment Team recognises the on-going initiative being undertaken by the authority under this element.</p>		
14. Shared Information	<b>G</b>	<b>G</b>	<b>G</b>	<b>G</b>	Update required on any change	No Change.	<p>No immediate action required. Update required on any future change.</p>	<p>No change however we do update our MoUs with other bodies as required, this was included in our 2013 RMP submission. Some of these will have been updated, they are on our website <a href="#">here</a>.</p> <p>Also, our Code of Data Matching Practice 2010 is being updated prior to the next NFI exercise. It is out for consultation and the draft Code can be found <a href="#">here</a>.</p> <p>This section will be fully revised for the next full RMP submission in June 2019.</p>	<p>Audit Scotland have provided evidence that they keep their information sharing protocols and agreements under review and updated as required. The assessment team look forward to seeing more about this element in detail in due course.</p>

## Version

The progress update submission which has been assessed is the one received by the Assessment Team on 24 July 2018. The author of the progress update submission is Alex Devlin, Corporate Governance Manager.

The progress update submission makes it clear that it is a submission for **Audit Scotland, the Auditor General for Scotland and the Accounts Commission for Scotland**.

## 7. PRSA Assessment Team's Summary

The Assessment Team has reviewed **Audit Scotland, the Auditor General for Scotland and the Accounts Commission for Scotland's** Progress Update submission and agrees that the proper record management arrangements outlined by the fourteen elements in the authority's plan continue to be properly considered. The Assessment Team commends this authority's efforts to keep its Records Management Plan under review.

## General Comments

**Audit Scotland, the Auditor General for Scotland and the Accounts Commission for Scotland** continues to take its records management obligations seriously and is working to maintain all elements in full compliance. It is clear that the authority has embedded all its records management responsibilities into its regular working practices. It is an exemplar of best practice in its approach to records management as an effective tool for supporting its functions. This is best demonstrated by the forward planning in relation to the impact of moving its records to cloud storage: the elements potentially affected by this have been identified and are being considered as part of the process rather than an afterthought when decisions have been taken.

Section 5(2) of the Public Records (Scotland) Act 2011 provides the Keeper of the Records of Scotland (the Keeper) with authority to revisit an agreed plan only after five years has elapsed since the date of agreement. **Audit Scotland, the Auditor General for Scotland and the Accounts Commission for Scotland** have been notified that the Keeper intends to revisit their agreed plan in 2019. The Act does not require authorities to provide regular updates against progress. The Keeper, however, encourages such updates.

The Keeper cannot change the status of elements formally agreed under a voluntary submission, but he can use such submissions to indicate how he might now regard this status. While this voluntary assessment cannot, therefore, lead to an allocation of a RAG

status against **Audit Scotland, the Auditor General for Scotland and the Accounts Commission for Scotland's** agreed RMP, as evidenced in the Keeper's published report, it is the case that the 'ticks' the authority gained under each element correspond to a 'green' status indicator under the now established RAG status mechanism. Green or green-equivalent 'ticks' achieved by the authority under the original submission cannot be visually improved upon under a RAG mechanism. However, updates provided against current arrangements can demonstrate progress continues to be made under these compliant elements. Such updates would indicate the authority is committed to ongoing assessment of all its arrangements to further improve upon and maintain its records management arrangements.

Where 'no change' has been recorded under the update on provision by the authority, the Assessment Team is happy to agree that these elements require no further action for the time being.

#### 8. PRSA Assessment Team's Evaluation

Based on the progress update assessment the Assessment Team considers that **Audit Scotland, the Auditor General for Scotland and the Accounts Commission for Scotland** continue to take their statutory obligations seriously and are working hard to bring all the elements of their records management arrangements into full compliance with the Act and fulfil the Keeper's expectations.

- The Assessment Team recommends authorities consider publishing PUR assessment reports on their websites as an example of continued good practice both within individual authorities and across the sector.

This report follows the Public Records (Scotland) Act Assessment Team's review carried out by,



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**Elspeth Reid**

Public Records Officer

**Purpose**

1. This report seeks the Board's approval for the proposed schedule of meeting dates for 2019.
2. The proposed dates have been scheduled taking account of the Board's continued commitment to hold committee meetings on a different date to the Board, the confirmed schedule of meetings of the Accounts Commission and known parliamentary commitments throughout the year.
3. The suggested meeting dates for 2019 are detailed below.

<b>Board</b>	<b>Audit Committee</b>	<b>Remuneration and Human Resources Committee</b>
29 January 2019		
	27 February 2019	27 February 2019
20 March 2019		
1 May 2019	22 May 2019	22 May 2019
5 June 2019 (AR&Accs)	5 June 2019 (AR&Accs)	
18 September 2019	4 September 2019	4 September 2019
27 November 2019	13 November 2019	13 November 2019

4. Board meetings are to be held at Audit Scotland's Edinburgh office and publication of the approved dates will be published on our website. Committee meetings will be held in Audit Scotland's Glasgow office.

**Recommendation**

5. The Board is invited to approve the proposed schedule of meeting dates for 2019.